

BC Policy

Policy for appointment of Business Correspondent Agents (BCAs) for Financial Inclusion.

1. Objectives: - Being a RRB, catering mainly in rural area, Financial Inclusion is a very good business opportunity to develop strong institution. However prohibitive costs involved in outreaching to hitherto excluded segment of society through regular branch model necessitated adoption of BCA model, based on Govt., RBI & NABARD instructions. Therefore based on this outsourcing of business model through BCAs is being introduced in our Bank.

2. Definitions:-

i) **Financial Inclusion (FI):-** Financial Inclusion can be defined as timely delivery of financial services viz. Credit, Savings, micro insurance, remittances & payments facilities at an affordable cost at the door steps of the disadvantaged & low income groups of population with the view to bring about social upliftment in these social strata.

ii) **Business Correspondent Agents (BCAs):-** Business Correspondent Agent (BCA) is a person or entity engaged by the Bank as intermediary to provide basic Banking services defined in Financial Inclusion, including permitted Financial Services on behalf of Bank. As per Reserve Bank of India Master circular no. RBI/2012-13/77 dated 02/07/2012; the banks may engage the following individuals/entities as BCAs.

- i. Individuals like retired bank employees, retired teachers, retired government employees and ex-servicemen, individual owners of kirana/medical /Fair Price shops, individual Public Call Office (PCO) operators, agents of Small Savings schemes of Government of India/Insurance Companies, individuals who own Petrol Pumps, authorized functionaries of well run Self Help Groups (SHGs) which are linked to banks, any other individual including those operating Common Service Centers (CSCs).
- ii. Woman SHGs
- iii. Post Offices; and
- iv. Companies registered under the Indian Companies Act, 1956 with large and widespread retail outlets, excluding Non Banking Financial Companies (NBFSs).

3. Role & duties:-

a) The services to be provided by BCA are of following nature (Ref. RBI master circular no RBI/2012-13/77 dated 02/07/2012).

b) The activities to be undertaken by the BCAs would be within the normal course of banking business. The services of BCA should include all services mentioned below & also he should carry out Financial Transactions **through Kiosk.**

As per RBI circular, BCA's services may include:

- i) Opening of Basic Saving Bank Account
- ii) Repayment in Loan Account
- iii) Opening of Recurring Deposit Account

- iv) Collection and Payment of small value amount (Total debit and credit not exceeding Rs. 10,000/- per individual per day).
- v) Creating awareness about savings and other products and education and advice on managing money.
- vi) Follow-up for recovery of Bank Loans.
- vii) Recovery of principal/collection of interest of bank loans and advances.
- viii) Sale of micro insurance / pension products/ other third party products.

4. Eligible entities.

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| Business Correspondent Agent (BCA) |
| Business Correspondent Agents (BCAs)-Individuals. |
| <ul style="list-style-type: none"> • Retired Bank employees. • Ex-servicemen • Retired Govt. employees. • Retired Teachers. • Individual Kirana/medical/fair price shop owners. • Individual PCO Operators. • Agents of small savings scheme of GOI/ Insurance companies. • Individuals who own petrol pumps. • Authorized functionaries of well run SHGs. • Any other person acceptable to Bank. |
| Other than Individuals:- |
| <ul style="list-style-type: none"> • Woman SHGs • Post Offices. • Common Service Centers (CSCs) or Gramdoots. |

5. Eligibility criteria for selection of Business Correspondent Agent:-

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| Business Correspondent Agents |
| Individuals:- |
| <ul style="list-style-type: none"> • Educational qualification should be minimum 10th standard passed. • Age should be preferably between 22 to 45 years (except retired persons). • Person with basic computer literacy & accounting knowledge to be preferred. • Candidate should have satisfactory association with Bank. • Candidate should be resident of the village/area where appointment is proposed. • Knowledge of local area, language & culture is a must. • Non affiliation with any political/religious organization. • Absence of any criminal record. • Referred by at least two persons acceptable to Bank. • Due diligence involving candidate's reputation, financial literacy, cash handling capability, ability to implement technology to be done |

Other than individuals:-

- Significant rural presence.
- Satisfactory track record.
- Satisfactory association with Bank.
- Preference for well regulated & functioning entities.
- No financial irregularities reported in the past.
- Due diligence involving candidate's reputation, financial literacy, cash handling capability, ability to implement technology to be done.

6. Other Norms /Guidelines for engagement of BCAs.

- a) The candidate should not be simultaneously working as BF/BCA for other Bank/Institution.
- b) Any relaxation in eligibility criteria to be recommended by branch to Regional Manager.

7. Process of appointment of BCAs:-

Considering the important role to be played by **BCA** it is imperative that proper identification, acceptance & selection process is to be put up in place & observed with due diligence. Bank runs the reputational risk while conducting business through outsourced agencies & more particular in case of BCA model due to low awareness level of rural clientele.

7.1 Identification & acceptance shall be the responsibility primarily of Branch Manager of base branch to which the BCA will be engaged for. BM should get satisfied about the following aspects and specifically recommend the same.

- a) The reputation of the candidate, his/her socio economic status & acceptance in the society.
- b) Capability of proper synthesization of information, documentation, maintenance of record & accounts.
- c) Capability to provide social support & guidance to poor & marginalized sections.
- d) Grass root presence in area to be served by him/her and experience of prior relationship with Bank/Insurance Company/Financial Institution.
- e) Due diligence on key office bearers of the entity other than individual.
- f) A specific check on the reputation in terms of commitment, integrity & competency in local area where the entity will perform.

7.2 Selection procedure:-

- a) At Regional Office level a three member selection committee to be formed headed by Regional Manager. The other Members of the committee will be Senior Manager looking after HR/ Administration and officer of Financial Inclusion Section.

b) Branch has to display the notice for general public at Branch Notice Board & Gram panchayat Office of the concerned village. The format of application is given in Annexure-1 can be downloaded from Bank's web site.

c) The applications should be submitted by candidates to respective Branch Manager who will sent all the applications received to Regional Office Selection Committee. On each application, Branch Manager should give specific recommendation on the points referred to in point no. 7.1 above. The applications received from Branches to be sorted out by the selection committee & satisfy itself that the applications are in conformity with the eligibility criteria. Proper record of all applications received & committee's observations regarding scrutiny of applications to be persevered carefully.

d) Due diligence to be carried out as per para 7.1 above & shortlisted candidates to be sent call letter for interview by Regional Manager.

e) The interview committee should use the score sheet (Annexure-II) & put up their final recommendations to Regional Manager at Regional Office for selection.

f) The Regional Manager should approve the selection of BCAs after satisfying the eligibility criteria & capacity to work as BCA.

g) After selection & approval by Regional Manager, an appointment letter (Annexure-V) incorporating terms of appointment, duties, etc. to be issued to BCA & his acceptance to be obtained.

h) A successful candidate accepting the terms and conditions will have to enter in to an agreement (Annexure-IV) explicitly incorporating payment structure.

i) Necessary Identity Card to be provided to BCA as per Bank's format.

j) BCA to open overdraft account with limit of Rs. 25,000/-. He should give equivalent amount of security deposit for this OD along with security documents. POS machine/ Micro ATM/ Kiosk will be handed over to BCA.

k) Insurance for cash covering transit, holding, burglary & fidelity in respect of cash with BCA to be obtained by Bank.

l) At present BCAs are to be appointed only at FI allotted villages (population above 1000), at villages identified under Aadhaar KCC project & villages(including wards under urban FI) allotted under Direct Cash Benefit scheme or where BC Outlets are/will be established. Therefore initially appointment of BCAs will be restricted at these centers only. Regional Manager is proposed to be authorized to extend the BCA appointment in other areas of his area of operation.

8. Scope of activities:-

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| Business Correspondent Agent |
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- Canvassing for deposit account opening & processing of account opening forms & obtaining relevant documents.
- Creating awareness about savings & other products & educating through Financial Literacy camps.
- Processing & submission of applications for deposit accounts to branch.
- Post-sanction follow up for recovery.
- Delivering notices, letters, and reminders to customers of Bank & others.
- Collection of small value deposits from customers subject to maximum Rs. 10,000/- per day per customer.
- Making payments to customers in other than Term Deposit accounts with a maximum limit of Rs.10000 per customer per day.
- Acknowledgement of collected cash by issuing receipt from POS machine/ Micro ATM/ Kiosk duly signed by BCA on behalf of Bank.
- Receipt & delivery of small value remittances with maximum limit of Rs. 10,000/- per account.
- Opening of Recurring Deposit Account of customers which are already opened account on BC outlet.
- Any other service on behalf of the Bank duly authorized by Competent Authority.

9. Compensation package:-

a) The compensation package to BCAs is proposed with a view that they need to be incentivized in such a way that quality BCAs is engaged by our Bank & they are retained in our system. It is obvious that during the initial period, transaction based income may not be sufficient & moreover without an assured source of income it is very difficult to engage BCAs who has minimum required capabilities. However risk lies in the apprehension that any assured promise of monthly income on permanent basis can lead to complacency in BCA. To address this issue it is proposed to extend protective incentive @ Rs. 2500/- p.m. (excluding transportation expenses) to BCA. However this protective incentive will be linked to minimum monthly performance as described below.

b) It is to be noted that Protective Incentive of Rs. 2500/- per month for opening of minimum 25 Accounts (accounts means accounts opened in CBS System after enrollment by BCA) per month or 75 accounts in a quarter (Rs. 2,500/- for each month) is payable to BCAs.

c) BCA should lodge the claim for commission in the prescribed format (Annexure VI) after end of the month but before 3rd day of the succeeding month. Branch Manager should verify the claim & commission amount to be paid to BCA or recommend it to Regional Office for sanction immediately on same day. Regional Office should convey its decision immediately & Branch Manager should pay the amount to BCA's by crediting his/their account and debiting BGL Commission Account. **BCA will be paid commission as per the structure mentioned in Annexure III.**

BGL Commission account is "Paid under FI a/c " (92160)

The amount whichever is higher of commission fee or protective incentive (Rs.2500/-) should be paid to BCA on opening of minimum 25 Account per month or 75 accounts in a quarter after appointment then actual amt. as per rates in Annexure III).

Note:- The above commission structure will undergo changes from time to time as per Govt/Bank policy.

10. Monitoring of activities of BCAs by branch & Regional Office:-

As Bank runs the reputational risk while managing the BCA Branches & Regional Offices must have close watch on the activities of BCAs engaged by them. In this regard

- a) The primary role of BCA is to provide door step services to rural customers of bank & to improve the business levels of the concerned branch. Therefore non-performance by any of the BCA should be viewed seriously by Branch Manager & Regional Office.
- b) Branches should give targets to BCAs allotted to them in consultation with Regional Manager. Review of his performance should be taken by branch on monthly basis & if it is found unsatisfactory for 3-4 months continuously, Branch may recommend for disengagement of his/her services.
- c) Management of BCA by branch & Regional Office will also reflect in their appraisal by Head Office.
- d) Branches & Regional offices have to ensure that BCAs **do not** function from the branches. Their primary responsibility is to work in allotted village to provide doorstep services to customers.
- e) **It should be ensured that BCA is not working at branch in place of regular staff.**
- f) The designated officer of the base branch should visit BCA location every fortnight. Physical verification of cash with BCA to be done regularly during such visit.
- g) Regional Office officials should visit in the field to collect feedback on functioning of BCAs.
- h) Branch Manager & Regional Office officials shall make surprise verification of the cash & records of BCAs in respect of small value credit, recovery, etc.
- i) Regional Manager in his visit to branches should obtain the feedback about BCA functioning particularly relating to following aspects-
 - BCA visits the branch for cash management, document submission& related purposes only.
 - The complaints are dealt with promptly.
 - Branch is properly monitoring the activities of BCAs.
 - Effective use for generating business.
 - Engagement & Functioning of BCA through Audit angle.
- j) Regional Manager should visit each BCA location at least once in a year & have interaction with villagers about functioning of BCAs.
- k) Any complaint received against the BCA should be promptly dealt with.

11. Capacity building & training:-

Since BCAs are new to Banking services & technology, they need to be trained on continuous basis on various aspects. The training will be given on local language at as far as possible at local level. For training purposes Indian Institute of Banking & Finance (IIBF) is accredited institutions can be used. Technology vendors will also give trainings to BCAs. Bank faculty will give inputs & trainings in respect of sensitization of BCAs about products & services offered by Bank. As per latest guidelines from NABARD trainings can be arranged at District levels with help of trained faculty in this field.

From time to time BCA to be called at for training & ROs to train them about products, cash management aspects, credit delivery issues & code of ethics. RO should review BCA's performance at block level where RO officials to visit him/ them.

12. Disengagement/ annulling the services of BCA:-

- a) As mentioned in aforesaid paragraphs, BCA work in remote areas with illiterate & rural people which are prone to unfair practices if indulged by BCAs. Therefore very quick and effective action on part of Bank is utmost necessary.
- b) Branch Manager should immediately take steps for disengagement of BCA if the BCA found guilty engaged in wrong practice or unfair activity and any laxity on this count will put Bank's reputation at risk.
- c) If the BCA found to be indulged in any unfair activity, his services should be immediately terminated as per terms of the agreement following due procedure.
- d) While terminating/annulling the contract with BCA branch need to serve them a prior notice & spread awareness in the village that particular agent is no more associated with the Bank. Before serving the notice, decision with regard to annulling of contact with BCA is to be approved by Regional Manager.
- e) Branch should ensure that due to annulling of contract with BCA services to village should not be halted for long. Business continuity plan to be put in place immediately by engaging other eligible BCA.

13. Other points:-

i) Branches are not authorized to engage BCAs for any village/ BC outlets on their own. In case they require services of BCA in any of the village, it should be informed to Regional Manager who will take decision about necessity of BCA engagement in the village depending upon the policy guidelines. Then the procedure for engagement may be started by Regional Office after getting approval from Head Office to engage BCAs.

ii) Branch Manager along with officials from Regional Office should give wide publicity in village about commencement of BCA services by organizing Gramsabha. In the meeting BCA should be introduced to general public & his proposed role. Public should be clearly informed about the role restrictions of BCA especially cash transaction limits per account/per occasion within which BCA has to work.

iii) As mentioned above BCA should normally work from BC Outlets premises during office hours. He/she may carry out functions by visiting doorsteps of customers at customers' convenient time in case of need.

iv) Branch should display notice boards/banners in the villages indicating name of BC Outlets, name & mobile no. of BCA, BC Outlets timings, cash limits for transactions with BCA, designation of public grievances redressal authority, etc. These notice boards to be displayed at base branch.

v) The list of BCAs engaged shall be displayed on website of the bank.

Please bring the content of the circular to the notice of staff in the Branch.