

SCOPE OF BUSINESS CORRESPONDENTS FOR FINANCIAL INCLUSION IN
RURAL AREAS

SUBMITTED TO:

Centre for Microfinance Resaerch

Bankers Institute of Rural Development, LUCKNOW

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DATE: 1/07/2010

DECLARATION

I hereby declare that this dissertation entitled “Scope for business correspondents for financial inclusion in rural areas” submitted in partial fulfilment for the Award of Post Graduate Diploma in Business Administration to Chandragupt Institute of Management Patna, was a record of independent research work carried out by me.

I also declare that this dissertation was a result of my own efforts and has not been submitted earlier for the award of any degree/ diploma to any other University.

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ACKNOWLEDGEMENT

First and foremost, I extend my heartfelt gratitude towards Chandragupt Institute of Management, Patna and BIRD, Luknow for giving me opportunity to work on this project.

It had been an enriching experience for me to undergo my summer internship under BIRD, which would have not been possible without help and support of all the people around. I would like to express my sincere thanks to all the people who supported me during the project.

I extend my sincerest gratitude and thank to Sri B.L.Mishra, Dr. Manesh Chaubey and Prof. S.Dinda for mentoring and guiding me throughout my internship. Without their constant guidance and support it would have been impossible for me to complete the project in time. I would also like to thank the Director of my institute Dr. V. Mukundadas for guiding me during my project.

I also take this opportunity to thank all the people from various Banks, SLBC Government departments, Companies and clients for giving their valuable time, suggestion and prompt answers for the questions intended for primary data collection.

Last but not the least I thank all my friends and members of my family for encouragement and moral support they had provided.

However, I accept the sole responsibility for any possible error and would be extremely grateful to the readers of this project report if they bring such mistakes to my notice.

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ABBREVIATIONS USED

ALW	A Little World
BC	Business Correspondent
BC	Business Correspondent
BF	Business Facilitator
BIRD	Bankers Institute of Rural Development
CSC	Customer Service Centers
CSP	Customer Service Points
EDGE	Enhanced Data rates for GSM Evolution
EKO	Eko Foundation
FI	Financial Inclusion
FIF	Financial Inclusion Fund
FITF	Financial Inclusion Technology Fund
GOI	Government Of India
GPRS	General Packet Radio Service
KYC	Know Your Customer
mFI	Micro Finance Institution
MOU	Memorandum Of Understanding
NABARD	National Bank for Agriculture and Rural Development
NBFC	Non Banking Financial Company
NGO	Non Governmental Organization
PNB	Punjab National Bank

PO	Post Office
RBI	Reserve Bank Of India
SBI	State Bank of India
SLBC	State Level Bankers Committee
ZMF/ZERO	Zero Microfinance and Savings Support Foundation

EXECUTIVE SUMMARY

In order to meet the objective of financial inclusion and increasing outreach of the banking sector to the unbanked, Reserve Bank of India, in January 2006 permitted banks to use intermediaries as Business Facilitators (BF) or Business Correspondents (BC) for providing financial and banking services. The BCs were allowed to conduct banking business as agents of the banks at places other than the bank premises. The categories of entities that could act as BCs were also specified. Since its inception in 2006, various banks had started promoting the BC Model in all corners of the country. The Reserve Bank vide its circular DBOD.No.BL.BC.58/22.01.001/2005-06 dated January 25, 2006 permitted banks to utilize the services of non-governmental organizations (NGOs), micro-finance institutions (other than Non-Banking Financial Companies) and other civil society organizations as intermediaries in providing financial and banking services through the use of Business Facilitator (BF) and Business Correspondent (BC) models. Before analyzing the existing business correspondent model as an effective tool for financial inclusion, let us examine numerous key issues:

- Were BCs bringing unbanked into formal banking system?
- Were clients accepting the BC Model for opening bank account and to what extent?
- Reach and scope of BCs.
- Various incentives and regulations for the banks, BC's and other entities involved?
- How efficient and scalable were the Institutional set up between BC's and the promoting banks?
- What other entities can be considered for becoming BC to increase the reach of banking services.