

## Roundtable with Business Correspondent Organizations in Bihar

28<sup>th</sup> August, 2015  
Hotel Chanakya, Patna



Organized Under:

**Poorest States Inclusive Growth (PSIG) programme**



**Background**-Bihar, which is in the bottom five of CRISIL Financial Inclusion Index, requires cooperation amongst regulators, government agencies, financial institutions, service providers, and other stakeholders to strengthen financial inclusion efforts. Assisted by DFID, the Poorest State Inclusive Growth programme (PSIG) is working towards improving the access of financial services to low income households in 4 poorest states-viz Bihar, Madhya Pradesh, Odisha and Uttar Pradesh. The project has 3 components viz. – policy advocacy, improving access to finance and financial literacy.

While SIDBI is the implementing agency for PSIG, ACCESS-ASSIST has been assigned as Secretariat to coordinate the initiatives on policy advocacy in the above four states as well as at the national level. Setting up of multi-stakeholder State Financial Inclusion Forum (SFIF) in each focus state has been agreed as one of the key mechanisms to achieve the objectives under the policy advocacy component. The SFIF is expected to act as an exchange and deliberation Forum to promote effective coordination and synergy among various stakeholders for accelerating the process of financial inclusion in the state. The seventh meeting of the Bihar SFIF was organized on 8<sup>th</sup> July 2015 in Patna. The theme of the meeting was ***Jan Dhan se Jan Suraksha (Insurance): Implementation, Opportunities and Challenges.*** Apart from SFIF members and PSIG team, the meeting was attended by representatives of commercial banks, insurance companies, technical experts etc. Objective of the meeting was to look at ways of effective roll-out of the recently launched social security insurance schemes of the Govt. – PM Suraksha Bima Yojana (PMSBY) for life insurance and PM Jeevan Jyoti Bima Yojana (PMJJBY) for accident insurance, along with issues related to the insurance component of PMJDY. As Business Correspondent Agents (BCAs) are executing these schemes in remote areas, one of the action points of the meeting was to organize meeting with corporate BCs to know their issues and challenges in implementing these schemes at grass root level. As follow up action of SFIF meeting, a roundtable with BC organization was organized on 28<sup>th</sup> August, 2015 in Patna. The participant list of roundtable is provided in **Annexure 1**.

## **SUMMARY OF PROCEEDINGS**

The meeting was formally initiated with welcome address by ACCESS ASSIST followed by introduction of the participant. Meeting was attended by state PSIG team from SIDBI and ASSIST and representative from 13 BC Organizations.

**Opening Remarks by Ms Sonmani Choudhary, PSIG State Director, SIDBI:** We all are aware that Financial Inclusion (FI) is an important tool for poverty alleviation and a precursor for inclusive and sustainable growth. Present Government has given much emphasis on FI; it has launched Pradhan Mantri Jan-Dhan Yojana (PMJDY)-a National Mission for FI to ensure access to financial services, namely, Banking/ Savings & Deposit Accounts, Remittance, Credit, Insurance and Pension in an affordable manner. Multi- Channel business approach, which included Business Correspondent (BC) channel, has been adopted to make this mission a success. BC Organisations and BC Agents are an integral part of the national strategy for achieving greater financial inclusion.

SIDBI is implementing the PSIG programme funded by UKAid through Department for International Development (DFID), UK. The programme aims to ensure poor and vulnerable people in low income states (especially women) benefit from economic growth through better access to financial services.

Under Poorest State Inclusive Growth Programme, which is working in four states (Bihar, MP, UP and Odisha), there are four outputs:

- **Output I:** Policy and institutional environment that encourages provision of financial services to poor people in a responsible manner facilitated : ACCESS ASSIST is assigned to coordinate the initiatives under this component. ASSIST also manages secretariat of State Financial Inclusion Forum.
- **Output II:** Institutions providing diverse financial services promoted: Channel neutral, supports promotion of institutions providing diverse range of financial services that meet client requirements, such as savings, credit, insurance and transfer services etc. In Bihar, PSIG has partnered with MFIs and Regional Rural Banks.
- Output III: *Impact on Investment*, which is being managed by SIDBI Venture Capital Ltd.
- **Output IV-** Women's capacities to tackle financial and gender issues enhanced: Under this, we have supported pilot projects in the states of UP and Bihar for creating a cadre of community resource persons (called Master Trainers) on Financial Literacy and Women and building capacities of women clients of MFIs to improve their understanding of financial products resulting into change in their financial and social behaviours. Indian School of Microfinance for Women (ISMW) engagement as Resource Organization for implementing the project

The roundtable with BC Organisations is being organized to discuss the issues and challenges faced by BCAs in implementing the government social security schemes. We will deliberate on the role of BC organization and how PSIG can help through its advocacy component to make the path smoother for BC in implementing these schemes and help in achieving total FI.

**1. Overview presentation:** Overview of Pradhan Mantri Jan Suraksha Yojana and their features was presented to the participants by ACCESS ASSIST. In May 2015, Central Government launched two new insurance schemes – Pradhan Mantri Jeevan Jyoti Yojana (PMJJBY) and Pradhan Mantri Suraksha Yojana (PMSBY) and one pension scheme Atal Pension Yojana (APY). Where PMJJBY is annually renewable life insurance policy with sum assured of 2 lakhs, PMSBY is annually renewable accidental insurance policy with sum assured of 2 lakhs. People aged between 18 to 50 years are eligible for enrolment under PMJJBY after paying annual premium of Rs. 330 and that of 18 to 70 years are eligible for PMSBY after paying annual premium of Rs. 12. Under APY, premium is fixed monthly to get certain monthly pension (range from 1000 to 5000). APY is for people between 18 to 40 years of age. Key stakeholders of these scheme are different banks (public, private and RRBs), insurance companies (life and general insurance), BC organizations and PFRDA. In Bihar, till 14<sup>th</sup> August 2015, total number of enrolment under PMJJBY was around 18.14 lakhs against national total of 2.74 crore, under PMSBY, total enrolment in Bihar was 40.48 lakhs compared to total national enrolment of 8.12 crore and under APY, total enrolment in Bihar was 31, 954 compared to 6.53 lakhs of total national enrolment. Enrolments till date under APY is very less, the reason may be, currently banks are giving more emphasis on target given for insurance and also guidelines under APY is not very clear.

## 2. Discussion

Discussion was majorly focussed on issues and challenges at three levels:

- I. Policy Level
- II. Operational Level
- III. Bank Level

### Policy Level –

- **Lack of formal communication to BCs regarding Bank initiatives on FI-**, –In PMJDY mission document it is mentioned that each Business Correspondent Agent would be given proper raining about basic banking, insurance and pension products and also on customer handling. NABARD has introduced a scheme to support the capacity building needs of business correspondents and business facilitators of banks in

association with Indian Institute of Banking & Finance (IIBF), under which it will reimburse the course fee of to only those who successfully complete the certificate course offered by IIBF. However, majority of BC organization are not getting benefit of this scheme due to lack of formal communication from the banks about it. Information about any scheme or provision should be clearly communicated to corporate BCs to ensure maximum utilization of the scheme.

- **Policy is not clear for Jan Suraksha Yojana especially for Atal Pension Yojana (APY)** – There needs to be more clarity over APY. For e.g. after paying 3-4 years in APY, what will happen to his/her money after sudden death? There are so many other questions, which are still unanswerable. In addition, there is no clarity over conversion of Swavalamban into APY.  
*Suggestion* - Detailed policy document and FAQs / field reference guide needs to be developed by PFRDA.
- **Financial Literacy first and then launch of products** – Literacy about the scheme should come before launch of the scheme.
- **UIDAI Seeding** – Under BC channel, there are high chances of fraud and misappropriation. Accounts / UIDAI seeding can check risk of field based fraud by allowing traceability of transactions, transaction only by authentication, and prevent unauthorized use of debit and other cards. Aadhar platform provides an easy way of opening accounts and perform various transactions via BCs.
- **Banks should understand BCs as extended arms – BC is truly an extension of Banks. Contrary to this, often Banks are** looking it as liability not as a helping hand. Bank-BC relationship needs to be strengthened to provide quality services in remote areas and to unbanked population in banking periphery.
- **Implementation of minimum commission structure for BCAs as per provision under PMJDY** – Under PMJDY, Minimum remuneration of the Bank Mitra (Business Correspondent) to be fixed as Rs.5000/- (Fixed + Variable). Several banks are yet to implement this commission structure.
- **Implementation of MUDRA Schemes** – It needs more clarity about the scheme and training of BCAs should be organized to build understanding over different products under this scheme.

#### **Operational Level –**

- **Minimizing zero balance account** – A majority of PMJDY accounts have no transactions since they were opened, which makes the account holder ineligible for taking the benefits (Accidental Insurance Cover, RuPay Debit Card must be used at least once in 45 days / After satisfactory operation of the account for 6 months, an overdraft facility will be permitted) under the scheme. PMJDY accounts are being opened with Zero balance. However, if the account-holder wishes to get chequebook, he/she will have to fulfill minimum balance criteria. There is no minimum balance under about 50% of PMJDY bank accounts; cases of zero balance account are higher where accounts had opened in camps. BCAs are now focusing on minimizing zero balance account through motivating people to keep sufficient balance in their account to renew their insurance scheme without any fail. Corporate BCs are educating BC Agents to increase account transactions so that commission based transactions could be earned.
- **Connectivity problem** – Although situation of connectivity have improved but still it is a problem in remote areas.
- **Claim settlement process is unclear** – There is no clarity on claim settlement process under Jan Suraksha Yojana. No written communication has been made to BCs by Banks.
- **Recognition of BCAs at field level** – Bank and administration should recognize BCAs as an extended arm of Bank at their village / Panchayat/ area level. There are incidents where BC Agents were labeled as fraud by local police.

- **Lack of clarity over commission to BCAs under APY** – There is lack of clarity about commission to BCAs under APY. Is it a uniform commission or will it varies with contribution of clients? The clarity is needed for smooth implementation of scheme.
- **Frauds and misappropriations at BCA level** – Lack of regular monitoring and supervision may increase the scope of willful frauds by BC Agents. There are instances of **like misusing customer** account or doing parallel banking (using net banking, doing willful transactions without using Bank portal) or telling customers to leave their deposit and assuring it will be processed when link comes.

#### **Bank Level –**

- **Involvement of Branch Manager** – Branch manager should also be involved in monitoring of the BCAs, as BCAs are dealing with the bank on a day-to-day basis.
  - **Vision should be clear to the bankers** –bankers should have clarity on schemes / programmes implemented. As these schemes are social security schemes, and bankers should take it as priority work. Implementation with clear vision will increase outreach of any scheme.
  - **Commission delay** – This problem is solved to some extent, but still prevails.
  - **Lack of transparency** – BCAs are enrolling clients in these schemes at bulk level and entry is being done at branch level. So, sometimes it goes as branch achievement and not as BCAs target achievement, this is hampering commission of BCAs. Bank should be more transparent in informing BCAs about number of clients enrolled from their account.
  - **Different banks have different policies** – There is lack of standard policies across the banks. Few basic policies are uniform but majority of policies differs from bank to bank. BC organizations, working with more than one bank, face difficulties in following more than one policy/system.
  - **Clarity over claim settlement in insurance scheme** - Banks need to clarify process of claim settlement in insurance schemes. It should be simple and speedy.
  - **Frequent transfer in Banks** – Especially in remote areas, branch managers and other staffs are transferred frequently. Sometime new staffs/branch managers of banks do not recognize their BCs.
  - **No insurance for cash in transit** – Costs and risks involved in cash management are entirely and unfairly borne by the BC or its agents .BCAs carry bulk of money from field to branch and branch to field to branch. Incidence of snatching is increasing now a day. In this case, there is no provision of insurance for cash in transit, by banks. At some places BC organization are doing insurance. But as premium of insurance is high, it affects viability of BCs.
- 3. Support from PSIG Programme** – BC organizations unanimously said that there is vast need of financial literacy at ground level and PSIG can pitch in to generate awareness. Also, training of BCAs can be done through PSIG initiative, so that BCA can deliver services efficiently.
- 4. Conclusion and Vote of Thanks** – After discussion, issues and challenges of different level was presented by ASSIST and concern of participants was taken to finalize the points. These issues will be taken forward to banks and appropriate authorities to find possible solution.
- Ms. Sonmani Choudhary from SIDBI thanked the participants to attend the meeting and actively participate in the discussion. She further told the participants that many issues have been highlighted through the discussion and these points will be taken further to different platform for advocacy.

**ANNEXURE: Participant List**

| Sl No. | Name                      | Designation                              | Organization                    | e-mail address   |
|--------|---------------------------|--|---------------------------------|--|
| 1      | Sonmani Choudhary         | State Director                           | SIDBI                           | <a href="mailto:sonmanic@sidbi.in">sonmanic@sidbi.in</a>                           |
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| 3      | Sunil Kumar               | Operation Manager                        | SAVE                            | <a href="mailto:om@saveindia.in">om@saveindia.in</a>                               |
| 4      | Ravi Pratap Singh         | Operation Manager                        | Zero Mass Foundation            | <a href="mailto:Ravipratap.singh@zero.mass.org">Ravipratap.singh@zero.mass.org</a> |
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| 10     | Manish Dwivedi            | State Head FINO Paytech Ltd              | FINO                            | <a href="mailto:Manish.dwivedi@finopaytech.com">Manish.dwivedi@finopaytech.com</a> |
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| 14     | Ramanuj Kumar             | SRI                                      | EK Indiafin Services Pvt. Ltd   | <a href="mailto:Ramanauj.kumar@roinst.in">Ramanauj.kumar@roinst.in</a>             |
| 15     | Ranjan Kumar              | Secretary                                | Sanjivani                       | <a href="mailto:sanjivanivf@gmail.com">sanjivanivf@gmail.com</a>                   |
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