

# CERTIFICATION OR INCLUSION: THE CHALLENGE FACING INDIA'S BUSINESS CORRESPONDENTS

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## **Abstract**

The availability of well trained and low-cost Business Correspondents (BCs)<sup>2</sup> lies at the core of India's financial inclusion objectives. However, despite great efforts, mandates and deadlines by regulators, lakhs of BCs in India continue to service those at the bottom of the pyramid without adequate training or official certification. The problem is that the prescribed curriculum and examination offered through the sole certifying authority, Indian Institute of Banking and Finance (IIBF), are not in sync with the practical realities of the majority of BCs, who undertake only basic cash transactions. We therefore propose a tiered approach that aligns with the level of services offered by different BCs – this involves (a) decentralisation with very basic training and certification of transaction BCs by banks/Business Correspondent Network Managers, and not by IIBF, (b) improved curriculum and training for branch-linked and asset BCs, which could be continued by IIBF and (c) improvements in monitoring, content, training, compensation, etc. We believe that taken together this approach would reduce the cost on the system and help those who are

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<sup>2</sup> Business Correspondents are also sometimes referred to as Customer Service Points or agents.

least aware and financially literate to get effective access to the opportunities of financial inclusion.

## 1. Background

After having succeeded in covering the entire country including the hinterlands, India's bank-led model of financial inclusion seeks to deepen usage and accessibility of financial products and services for the masses. Within this model Business Correspondents (BCs) have been assigned the key role of aiding and enabling those at the bottom of the pyramid to engage with the organized financial sector. There has been steady and consistent progress for more than a decade. However, while great progress is being made in many components of the financial inclusion ecosystem, including digital payment systems, innovations in the fintech space, KYC etc., BCs face the challenges of inadequate remuneration, and inappropriate certification. In an earlier study we had looked at the former challenge in detail and suggested some improvements in the BCs' remuneration regime<sup>3</sup>. This White Paper, however, focuses solely on the challenge of training and certification.

Since 2006, the Reserve Bank of India (RBI) has encouraged banking through BCs, as it was found to be more cost-effective than establishing brick and mortar bank branches. According to the RBI<sup>4</sup>, by end-March 2021, more than 95% of the banking outlets in rural areas were operated by BCs. During the lockdown in

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<sup>3</sup> ICFI White Paper, "Powering Financial Inclusion by Strengthening the Agent Ecosystem" March 2021, available at [https://www.indicus.org/admin/pdf\\_doc/White-Paper-BC-Network-March-2021.pdf](https://www.indicus.org/admin/pdf_doc/White-Paper-BC-Network-March-2021.pdf)

<sup>4</sup> RBI Report on Trend and Progress of Banking in India 2020-21, available at <https://rbidocs.rbi.org.in/rdocs/Publications/PDFs/ORTP2020CF9C9E7D1DE44B1686906D7E3EF36F13.PDF>

2020 and after, BCs have played an extremely critical role in ensuring that government welfare payments reached beneficiaries in villages.

From the outset, ensuring the quality of service has been a challenge at the last mile, where there is no other bank outreach. Accordingly, the RBI recommended a certification process for BCs, whose framework was finalised by the Indian Banks Association in 2017. However, the majority of BCs have not yet been certified through the process mandated by the RBI. In December 2021, the Department of Financial Services, Ministry of Finance, set up a Working Group to examine the issues plaguing the BC ecosystem – one of the points in the Terms of Reference for this group is training and certification.

As mentioned, this White Paper looks at the current status of certification of BCs, the challenges in meeting the regulatory compliance, and proposes possible solutions for the way forward. The next section discusses the evolution of India's BC model and lays the base for Section 3, that looks at the specific issues related to certification and why the problem has persisted. It also analyses the various possibilities ahead. Section 4 concludes with a discussion on the way ahead.

## 2. Evolution of India's BC Certification Model

### **Institutional structure and data vacuum**

In a bid to boost financial inclusion, in January 2006, the RBI allowed banks to engage Business Facilitators/Correspondents<sup>5</sup> for the extension of

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<sup>5</sup> RBI Notification, January 25, 2006, available at <https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=2718&Mode=0>

banking services, acknowledging the high costs involved with setting up branches, especially in rural areas. However, it was only after September 2010<sup>6</sup> when the space was opened to for-profit companies, that led to the surge in BCs in villages. At the end of March 2010, there were 33,378 bank branches and 34,173 BCs in rural India – this rose to 55,073 branches and 12,36,809 BCs by December 2020<sup>7</sup>. BCs have taken the lead over branches in opening Basic Savings Bank Deposit Accounts, accounting for 55% of these zero balance accounts that serve the under-served segments of the population.

As there is no official information on the latest numbers of operational BCs, one proxy for that could be the number of operational unique devices operating on the National Payments Corporation of India (NPCI)'s AePS (Aadhaar-enabled Payment System) platform. Here, the industry estimates these at about 2.3 to 2.4 million in the country in December 2021. While the NPCI could make this information public on a regular basis, this is not the practice currently, to the knowledge of the authors. It is important that the RBI collate and report such data on a regular basis. Many, including us, have been flagging the issue of improved data metrics for long (See ICFI policy briefs October 2014, June 2016, October 2016<sup>8</sup>). One of the key recommendations i.e. *“Put in place a unified, harmonised database of the financial inclusion footprint, in terms of outlets, service points, devices, connectivity and BC networks, aggregated and monitored by a single source”* (Indicus Policy Brief

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<sup>6</sup> RBI Notification, September 28, 2010, available at <https://www.rbi.org.in/scripts/NotificationUser.aspx?Mode=0&Id=6017#A1>

<sup>7</sup> RBI Annual Report 2020-21 available at <https://www.rbi.org.in/Scripts/AnnualReportPublications.aspx?Id=1317>

<sup>8</sup> ICFI White Papers and Policy Briefs are available at [https://www.indicus.org/policy\\_inside.php](https://www.indicus.org/policy_inside.php)

November, 2015<sup>9</sup>) was picked up by the RBI Committee on Medium Term Path for Financial Inclusion (Recommendation 6.7) and an online BC registry was set in motion by IBA, but that information, which is not updated in real time, is not shared in the public domain even on an aggregated national basis. This lack of data is not a global practice; for instance, State Bank of Pakistan's Quarterly Report on Branchless Banking<sup>10</sup> tracks the total number of BCs, the number of active BCs, types of transactions in volume and value, gender-wise segregation etc. There is, reportedly, a proposal for NPCI to set up a BC Registry which is intended to capture all the parameters in the IBA registry, as well as the type of transactions to give better reporting at the state level, etc. This proposal should be executed expeditiously, along with regular release of aggregated data, anonymised appropriately, in the public domain.

The majority of BCs in the field today are not directly employed by the banks, they are recruited by BCNMs or Business Correspondent Network Managers<sup>11</sup>. There is no official database of these BCNMs, numbering probably in hundreds, and are of different sizes and capacities – some BCNMs are NGOs operating within a few districts of a state and some are pan-national large firms. The Business Correspondents Federation of India (BCFI) set up by some of the larger BCNMs in 2013, currently has around 60 members and aims to provide a voice for the industry's challenges.

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<sup>9</sup> ICFI Policy Brief, "Service Quality Standards in Telecom Connectivity for Financial Inclusion," November 2015, available at

[https://www.indicus.org/admin/pdf\\_doc/20151203085012.pdf](https://www.indicus.org/admin/pdf_doc/20151203085012.pdf)

<sup>10</sup> <https://www.sbp.org.pk/acd/branchless/Stats/BBSQtr-Jul-Sep-2021.pdf>

<sup>11</sup> Also sometimes referred to as Corporate BCs.

In 2015, the RBI Committee on Medium-term Path on Financial Inclusion<sup>12</sup> had recognised the role of the BCs in spreading banking services in unbanked areas and referred to a study<sup>13</sup> that showed that Indian BCs had the second lowest transactions per day, the lowest profits and were the least trained among the six countries surveyed. The Committee noted that while the BCNM recruited and managed the BCs on the ground, banks were not directly involved in monitoring the remuneration and activity of the BCs. This naturally led to high attrition, unreliable service, and low level of trust from customers. The Committee made a number of recommendations towards strengthening the BC ecosystem. This White Paper focuses on Recommendation 6.4 which reads as below.

*“The competence of BCs should not be taken for granted. Accordingly, the Committee recommends a graded system of certification of BCs, from basic to advanced training. BCs with a good track record and advanced training can be trusted with more complex financial tasks such as credit products that go beyond deposit and remittance. The BC model increasingly needs to move from cost to revenue generation to make it viable.”*

The problem of quality of service at the BC outlet is a critical one. It impacts trust of the customer who is new to the formal financial systems and is interlinked

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<sup>12</sup> Report of the Committee on Medium-term Path on Financial Inclusion, RBI, 2015 available at <https://rbidocs.rbi.org.in/rdocs/PublicationReport/Pdfs/FFIRA27F4530706A41A0BC394D01CB4892CC.PDF>

<sup>13</sup> Agent Network Accelerator Survey: India Country Report 2015, Helix Institute of Digital Finance, available at [https://www.microsave.net/wp-content/uploads/2015/08/Agent-Network-Accelerator-Survey-India-Country-Report-2015\\_0.pdf](https://www.microsave.net/wp-content/uploads/2015/08/Agent-Network-Accelerator-Survey-India-Country-Report-2015_0.pdf)

with the viability of the BC. Greater the competence of the BC, higher the trust, greater the engagement of the customer with the banking system leading to more revenue - at a micro and macro level therefore, the underlying issue is of ensuring quality service at the BC outlet.

Both the regulator and the government have, through various actions described below, attempted to enhance the quality of BCs. However, the challenge lies in aligning the training with the need to expand financial inclusion in rural India. If training is too intensive (and therefore costly) it will screen out a large number of potential BCs in rural India. However, if it is not intensive enough, the BCs may not be able to perform their assigned role well enough.

### **The defunct certification mechanism**

By December 2017, the RBI put into place a detailed framework for BC certification and training, in consultation with the Indian Banks Association<sup>14</sup>. In October 2018, the RBI identified the IIBF as the sole certifying agency for BCs.

The IIBF had been conducting training and certification for Business Correspondent/Business Facilitators since 2009-10. There was little response from the industry as both Banks and BCNMs preferred to go with their own in-house training sessions which they deemed more appropriate. After the launch of the Pradhan Mantri Jan Dhan Yojana in 2014, the IIBF set up a fresh certification, to be cleared after a three-day training period, arranged by Rural Self-Employed Training

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<sup>14</sup> Report on Trend and Progress of Banking in India 2016-17, RBI, available at <https://rbidocs.rbi.org.in/rdocs/Publications/PDFs/ORTP20161778B7539711F14E088A31D52351BF6440.PDF>

Institutes (RSETIs), Financial Literacy Centres (FLCs) and banks.

After the mandate given by the RBI in 2018, the IIBF put into place a framework for certifying BCs of all banks and BCNMS<sup>15</sup>. The certification tests currently are conducted by the IIBF online at 151 centres, on a periodic basis, and candidates must clear the minimum percentage set at 40%. The course material in the form of a textbook is available in hard copy only from a single publisher and tests are available in 11 languages.

In 2019-20, the IIBF introduced the examination under Remote Proctoring Mode at Common Service Centres (CSCs). This allowed candidates to take the examination at CSCs closer to their homes, rather than going to the specified IIBF centres. The tie-up with CSCs led to a significant rise in the number of enrolments, as access became easier. **Despite all these efforts, by our most-optimistic estimates more than 80% of the BCs in the country today have not been certified under this system. Even if we aggregate all candidates who have cleared the IIBF certification from 2009-10 till 2020-21 and assume that these are all candidates making their first attempts, the number stands at 311,960, accounting for a mere 20%**

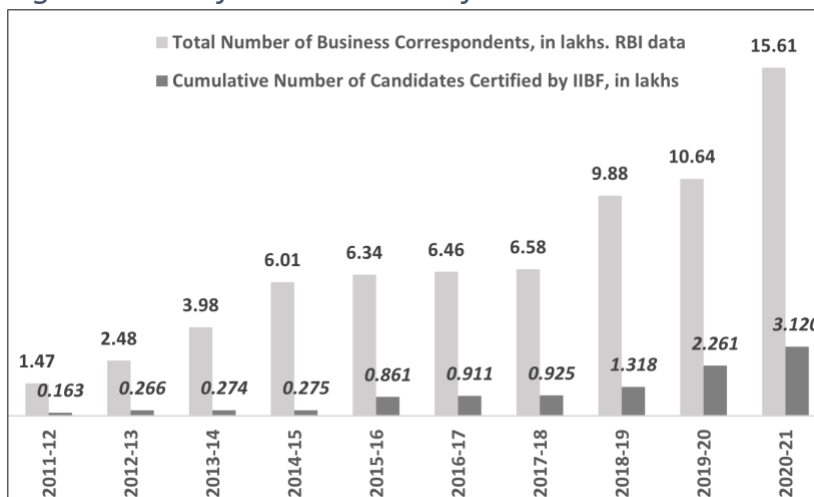
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<sup>15</sup> From 2018-19, the IIBF offered two separate curriculums – one for all Scheduled Commercial Banks, Regional Rural Banks and Small Finance Banks, and one for Payment Banks, which did not offer loan services. The curriculum for the Payments Bank BCs is divided into two modules – Module A deals with essential topics for basic services offered through Payments Banks and Module B is for BCs of Payments Banks who have cleared Module A and are subsequently appointed by SCBs. There are three models through which the test can be taken, each with different fees. Under Model I, the schedule of the examination may be decided by the banks in consultation with IIBF. Under Model II, the examination will be held at mutually agreed dates and time for each of the centres identified by IIBF. Under Model III, the examination will be held as per the schedule devised by IIBF for individual BCs.



## of the RBI official estimate of BCs in December 2020.<sup>16</sup>

Figure 1: Certification Status of BCs in India



With such a large gap in certification, the RBI has been extending the deadline for compliance repeatedly since 2018. In its latest revision FIDD.CO.FID. No. S981 12.01.104 2021-22 on 1st January 2022, the RBI set a strict three-month timeline of 31st March 2022 to meet the certification requirements. The RBI letter itself noted, *“However, from the status of BC Certification as on September 30, 2021, it is observed that significant efforts are required by banks to achieve 100% certification of BCs deployed by them.”* It is impossible that even this deadline will be met. And in the next section, we put forth the reasons behind the failed compliance.

### 3. The Challenges with the Current Certification

Almost a third of the candidates who sat for the IIBF BC/BF examination over the period 2018-19 to 2020-21 did not clear it - 3,70,278 BCs enrolled, 3,15,424

<sup>16</sup> As BCs continually leave and join the system, the total number of BCs in the country will be imprecise, to some extent. However, note that a larger number of operating BCs, close to 2.3-2.4 million as industry estimates, would make the percentage of certified BCs even smaller.

appeared and 2,19,423 passed the IIBF examination. With more than 1.5 million BCs in the country, even the number of enrolments for the examination is far from satisfactory<sup>17</sup>. In this section we examine the challenges faced by BCs and propose certain modifications to ease compliance and ensure competence in service at the last mile.

**a) IIBF's single examination not aligned with the diversity of BCs and India's emerging skill certification system**

In 2015, the RBI Committee on Medium-term Path on Financial Inclusion had rightly recommended a graded certification system, which was not implemented. Instead, the IIBF curriculum, as mentioned earlier, is a single examination, one for all BCs of SCBs, RRBs and SFBs.

The main reason behind the low levels of enrolment and passing is that the majority of the BCs do not have the bandwidth to study or understand the business of banking as set out by the IIBF syllabus. More importantly, the majority of BCs in the country provide limited basic services of cash deposit and withdrawal. According to industry estimates, there are broadly three types of BCs. The first category are *transaction BCs*, who form 80-85% of the total, performing only Cash-in- Cash-Out (CICO) services, these are not linked to any branch per se. The second category, *branch-linked BCs* accounting for around 10% of all BCs, perform CICO, account opening, e-KYC, and all the government benefit schemes like PMJDY and insurance etc. The third category, *asset BCs*, are the most evolved category, accounting for 5-10% of total

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<sup>17</sup> As there is no information regarding second or third attempts, we have assumed all enrolments to be first-time candidates.

BCs, and perform all basic transactions, branch linked services as well as facilitation and collection of loans. While these estimates should be validated by the RBI, it is clear that each category requires separate training and concepts to master.

The current curriculum is extremely challenging for the majority of BCs, in particular those who have other businesses, like retail stores for instance, and are not “dedicated” to just providing banking services. Moreover, not all BCs have the capacity or aim to provide higher-order services, such as credit disbursal. There is also very minimal focus on risk and compliance specific issues to the bank and to kiosk banking.

**Those who are content with basic CICO services therefore need a simple curriculum that looks at the practical aspects of kiosk banking, attending to customer grievances, rather than grappling with higher level concepts such as “effective interest rate” etc.**

A cursory perusal of the curriculum that is spread over 24 chapters shows that it is more designed for an applicant to the formal banking system, full of descriptions of institutions, definitions, policies to be learnt by rote etc. While no doubt some of the topics would be necessary for assisting financially illiterate customers, if 80 percent of BCs are involved in simple tasks like cash-in cash-out (CICO) or even account opening, the current syllabus is clearly an overkill. **In other words, the reason why the BC certification has failed is simply because the curriculum was made so stringent that it increased the costs immensely in an underfunded and improperly remunerated ecosystem.**

Under a framework of graded certification, as proposed by the RBI Committee in 2015, essential topics such as those under Module A of the Payments Bank certification would, in all probability, suffice for BCs at the basic level. Those BCs who would like to offer more advanced banking and financial products and services should be given higher levels of certifications to clear. Under the present technology, it is possible to restrict access to services for an individual BCs, depending on the level of certification achieved. Access rights for BCs depending on certification level would work in the form of a restricted menu on a device, based on the login credential. This will minimise the risk for customers as well and ensure that only certified BCs provide services they are cleared to offer.

Having a graded certification framework will also go a long way in fulfilling the aspirations of those BCs who are interested in career growth and help immensely in meeting the objectives of universal financial inclusion. However, if lakhs of BCs are going to go through an elaborate three tier certification process as currently suggested by the RBI, it would be costly and require much fine tuning. We therefore argue that we can meet all the objectives through a mechanism where the lowest tier or transactions BCs are certified and trained by the BCNM/Bank/Financial institution with which they are associated directly. This will immediately remove the load from the IIBF, which can then focus on improved curriculum and training for the higher tiers – branch-linked BCs and asset BCs.

In parallel from about 2007-08 India has been trying to put in place a skill certification system<sup>18</sup> that addresses the multiple problems of huge skill gaps faced by the industry/sectors, large number of youth of diverse backgrounds and varied knowledge seeking training and certification requirements. Over time, the government has put in place an eco-system of employer/service provider driven skill certification system which will address these multiple challenges. That eco-system with the National Council for Vocational Education and Training (NCVET)<sup>19</sup> at the apex and multiple institutions recognized as “awarding bodies’, along with innumerable training providers needs to be harnessed by the financial sector. Rather than re-discover the wheel for the BCs, it would make sense for the regulator to engage with the skilling eco-system to customise the institutional arrangements for generation of the varied certified skilled human power required for this domain.

#### **b) Gender-agnostic qualification criteria put women at a disadvantage**

While gender-disaggregated data is not available officially, industry estimates put the number of women BCs at less than 10% of the total BC network<sup>20</sup>. So far, the official focus has been on using women in Self Help Groups as Bank Sakhis and though this initiative has worked very well where SHGs are already in place, scaling up to cover larger parts of the country calls for a more direct approach by increasing the number of women BCs. In July 2019, under the

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<sup>18</sup> We would like to thank K.P. Krishnan for clarifying and elaborating on this point.

<sup>19</sup> For more information on NCVET, please see <https://ncvet.gov.in/about-us-0>

<sup>20</sup> Madhya Pradesh SLBC recently reported just 6% of its 20,000 BCs are women. <https://www.freepressjournal.in/bhopal/madhya-pradesh-only-6-bank-sakhis-in-field-against-20000-men>

National Rural Livelihood Mission, the government set an aim of one Bank Sakhi for one gram panchayat by 2023-24<sup>21</sup>. By October 2021, more than 54,000 women were trained and certified as Bank Sakhis<sup>22</sup> but there are more than two lakh gram panchayats to cover over the next three years. Here the issues of certification that everyone faces, become even more challenging for women, more so because aggregate educational levels are lower for them.

Note that as financial inclusion has spread across the country, it is the unserved remote areas that face the biggest blocks to overcome. Here we find that, as the RBI has set completion of Xth standard schooling as mandatory for BCs, it is difficult to find such qualified women in these areas. The curriculum is much heavier than needed for the most basic banking services performed in villages. The Ministry of Rural Development is seized of the problem, and as we explore below, the solution to clearing the certification lies in intensive training with high costs.

### **c) Syllabus is text book based**

The current syllabus is text rich, a book that is 400 odd pages in length, while the concepts could be better understood through visually rich user-friendly content. While this may not be the skill set of the IIBF, they could outsource this task to agencies and upload video content that is simpler to grasp or provide links

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<sup>21</sup> Ministry of Rural Development, Positioning of SHG members as Business Correspondent Agent (BC Sakhi) – “Mission One GP One BC Sakhi” – Roll Out Plan, July 11, 2019, available at [https://daynrlmbl.aajeevika.gov.in/Advisory/BC%20Sakhi%20advisory%20under%20Mission%20One%20GP%20One%20BC%20Sakhi%20for%20SRLMs\\_11072019%20.pdf](https://daynrlmbl.aajeevika.gov.in/Advisory/BC%20Sakhi%20advisory%20under%20Mission%20One%20GP%20One%20BC%20Sakhi%20for%20SRLMs_11072019%20.pdf)

<sup>22</sup> Ministry of Rural Development, “DAY-NRLM dedicates 50,000 Women SHG members as Business Correspondents to celebrate Azadi Ka Amrit Mahotsav”, October 1, 2021, available at <https://pib.gov.in/PressReleasePage.aspx?PRID=1759946>

to credible websites that have such content - for instance, BCFI has some modules on their website. Also, the IIBF should put up mock tests on their website or alternatively link to credible sources which may already have this information. It is amply clear from experience over the past three years that candidates find it difficult to clear IIBF certification without assistance/coaching/training, here the IIBF must play a role of facilitator.

The BC curriculum has been around for a while, and everyone we interacted with spoke about how it was extremely difficult to make it accessible for BCs. It is common knowledge in the industry that BCs cannot succeed in the current system. Yet, we see no effective improvement in either the curriculum or training methods. We believe that this kind of training and curriculum creation requires a very different skill set, something that the IIBF may not possess. Therefore, the IIBF would need to identify agencies with these kinds of skills and expertise and overhaul both curriculum and training.

**d) One time certification does not meet the need for reskilling**

Today's financial world is seeing continual upgrades in technology, products and services. However, a single one-time certification, valid for a lifetime, is not aligned to the need for continuous updating of skills and knowledge, and even entrepreneurship where appropriate. Moreover, guidebooks and manuals are an essential part of the toolkit of training, that can then be used as a reference for those on the field. Further, SOPs that exist, for say Aadhaar authentication, should be shared with the BCs. Therefore, as the certification and training are

overhauled to make them simpler, more relevant, and practical, an annual training module also needs to be built in, across all tiers.

#### **e) Limited centres for the examination**

The IIBF has itself made a move towards a Remote Proctoring mode for the examination through Common Service Centres – this has resulted in a greater number of enrolments as access has improved for BCs in villages. This can be improved upon by increasing the network of centres through RSEITs. Moreover, with Covid restrictions over the last two years, technology solutions have emerged to facilitate online examinations from kiosk outlets/homes, reducing the risk of fraud and cheating. Such an initiative will also enable greater participation by women candidates, for example, who find it difficult to give up time to go to a centre for the examination. Finally, if the lowest tier BCs is to be certified by their employer (Bank/BCNM/etc) the accessibility problem will be eased significantly.

#### **f) IIBF curriculum calls for intensive training**

The course content as specified by the IIBF currently requires significant handholding and training, being theoretical, with concepts in banking and finance that are not intuitive to the majority of BCs who provide only CICO services. The IIBF itself had built in a five-day structured training by Accredited Training Providers in 2011-12, with the examination held on the 5th day. Additionally, in its mission to enrol women as BCs, the Ministry of Rural Development has tied up with RSETIs which already have a weeklong training course specifically for BCs, adding one additional day to allow trainees to appear for the examination. However,



sparing a week for training is not considered feasible by many transaction BCs, who are not dedicated to the business of banking and cannot give up time and expenses involved in leaving their main businesses. Note that the Ministry of Rural Development compensates women trainees at the rate of Rs. 1500 per day of the training plus an honorarium of Rs. 4000 per month for a maximum of six months, this makes the entire proposition attractive to SHG members who want to upgrade to become BCs. However, given the numbers involved, it will be difficult to scale up such intensive programs. **Therefore, a tiered structure with the lowest tier being certified by the BCNM/Bank will enable focusing on compensating at the higher tiers where better quality and training is most required.**

Figure 2: Training for One GP One Bank Sakhi: Ministry of Rural Development<sup>23</sup>

Unit Cost		
Particulars	Amount (Rs) – Max.	Remarks
<b>IT equipment for BC points for each unit</b>		
<b>Kiosk/ POS Model</b>		
Equipment for each BC point (Desktop Computer/ Laptop with original software; Printer & Scanner; Web Camera; Biometric Authentication device; Data Card; UPS; Pin Pad Device; Cash Box; Fake Currency identifier)	50000	This amount will be provided by as loan to SHG member selected as BC agent though SRLM/VO/CLF. This amount is expected to be recovered by VO/CLF. Procurement of the equipment will be done individually by respective BC agents as per the specifications provided by Banks/ TSP.
Deposit in settlement account	25000	
<b>Capacity Building</b>		
Consultation Meeting with stakeholders – Banks, Corporate BC etc @ Rs 10000 per meeting		
Awareness Camp @ Rs 10000 per BC point		
Training of bankers (3 days) @Rs 2500 per day per participant		
Training of SRLM Staff (5 days) @ Rs 1250 per day per participant		
Exposure visit for staff & community (3 days) @ Rs 1000 per participant		
Training of BC agents (8 days) @ Rs 1500 per day per participant + Training Kit worth @3000/- each.		
<b>Honorarium to BC Agents</b>		
Honorarium of the BC agent upto @ Rs 4000 pm for each BC agent for 6 months.	24000	BC agents will be provided honorarium for maximum 6 months. By the end of this period the BC agents are expected to stabilize with a regular stream of revenue from banks.

<sup>23</sup>Annexure 1, Ministry of Rural Development, Positioning of SHG members as Business Correspondent Agent (BC Sakhi) – “Mission One GP One BC Sakhi” – Roll Out Plan, July 11, 2019, available at

The efforts of the Ministry of Rural Development show the need for intensive and interactive training for BCs to ensure clearance of the certification as prescribed by IIBF. However, unfortunately, without adequate budgets, there is little incentive for banks to ensure that all BCs working under BCNMs undergo the requisite and elaborate training for the specified IIBF certification.

It could be argued that if adequate financial support is provided to banks and BCNMs then they may be motivated to push their BCs for better training. While this is feasible, it will lead to much wastage. If 80-85 percent of the BCs are simply involved in CICO all that training costs will benefit no one.

There is a better alternative available. As suggested earlier, a two-three tier approach with minimum coursework and training at the lowest tier provided by the Bank/BCNM, and a more elaborate training certification regime by the IIBF for the higher tiers, will be cheaper, practical, and much more effective.

This approach would require the removal of exclusive mandate to IIBF certification of transaction BCs, which form the bulk of the ecosystem. This should not be difficult, as only the exclusive component needs to be loosened and IIBF can come up with certain standardized guidelines for BCNM/banks to follow for this lowest category. Moreover, this being a market determined ecosystem, the responsibility of ensuring competence of this category of BCs should be given to the banks and BCNMs, who then would have the

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[https://daynrImbl.aajeevika.gov.in/Advisory/BC%20Sakhi%20advisory%20under%20Mission%20One%20GP%20One%20BC%20Sakhi%20for%20SRLMs\\_11072019%20.pdf](https://daynrImbl.aajeevika.gov.in/Advisory/BC%20Sakhi%20advisory%20under%20Mission%20One%20GP%20One%20BC%20Sakhi%20for%20SRLMs_11072019%20.pdf)

flexibility to collaborate in terms of training, including soft skills, for the BCs and conduct in-house training.<sup>24</sup>

Finally, the RBI should institute regular mystery shopping exercises and surprise inspections across the country on a large scale to ensure that standards are upheld at the last mile. The results of these exercises should be shared in public domain/ with banks and DFS for fixing accountability.

#### 4. Concluding Remarks

The fact that the overwhelming majority of BCs currently operating in the country are not compliant with the RBI mandate on certification is proof that the current system under IIBF certification needs a relook. It is therefore important that the recommendation for graded certification made by the RBI Committee for Medium-term Path for Financial Inclusion be taken up. This is an opportunity for the Working Group set up by the DFS to work with the RBI and IIBF and put together official data regarding the variety of services being offered by BCs on the ground and re-examine the appropriateness of the current certification mandate and framework.

While decentralisation of the training and certification mandate will go a long way in raising compliance, the role of the RBI in monitoring the quality of services offered at the last mile is critical.

We have been able to identify a few gaps in the certification and training process that would be much cheaper to institute than the current process and that

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<sup>24</sup> Interestingly in conversations with larger BCNMs, some reported that the IIBF curriculum lacks the practical aspects that they are covering in their own in-house training – this includes for example aspects relating to kiosk banking operations and specific bank products that are being serviced.

will yield quicker and more effective results. This tiered approach would consist of the following: (a) lowest tiered or transaction BCs being certified by banks/BCNMs on the basis of IIBF guidelines, (b) higher tiered or branch-linked BCs and asset BCs to have improved training and improved coursework – since they are fewer in number this would be easier to implement, (c) annual top-up training for all BCs, (d) availability of guidebooks and manuals, (e) getting specialists to create curriculum content especially designed for those with poor basic education, (f) improved data availability through RBI for policymakers and industry to identify gaps in usage and services, (g) mystery shopping and other monitoring exercises by the RBI, and finally (h) fixing accountability on improved number and quality of BCs on a single organization.

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