

# Banking correspondents

Agent power in banking  
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**Policy Retreat on Banking correspondent mechanism  
at CAB, Pune - 15 May 2009**

# Beginnings

Syndicate bank's experiment of deposit collecting agents for pygmy deposits in the eighties

BASIX experiment of financing through the Arthiyas

More recent experience of DSAs for credit cards and consumer loans

Outsourcing of recovery from difficult cases

# Khan effect

- RBI internal group to look in to microfinance
- Banking correspondent and banking facilitator concept
- RBI acceptance and guidelines
- Emphasis on safety than experimentation
- International experience

# BC positioning

- Financial inclusion context
- Seen as a low cost solution to bank with low revenue customer segment
- Technology seen as necessary accompaniment
- As a concession to the government/RBI
- If it does not work it is someone else's fault
- Customer comes after BC and technology

# Issues – at bank level

- Is BC to be confined to the lower, unremunerative client segment
- Why do we link BCs and financial inclusion only
- Are there product and client mixes that could be offered through BCs that are being overlooked
- Do banks plan to maximise payoffs from inclusion business – how does that reflect on BCs

# Issues - bank and BC levels

- How do we treat initial investment costs and client acquisition costs
- Are we wanting to recover all costs in the first year
- Is the view that banks cannot charge adequate interest rates to pay BCs valid
- Do the present cost and revenue estimates fully factor in the business potential from new business

# Issues – in technology

- Are technologies in use delivering cost-effective results
- What is the need for the several small little variations
- Do high-end, high cost technologies offer an adequately better value proposition
- Does technology failure on the ground deny service to the customer / erode protection levels

# Issues - policy

- What are the barriers to spread of BC model that regulation has to deal with
- Why savings is not prioritised as much as loans
- Do larger organisations have a better chance of providing better service as BC
- Is there a lurking threat the BC would become irrelevant once the bank and customer do business over a period of time

# Looking ahead

- Positioning financial inclusion as a viable business proposition
- Making BC an effective substitute for branches
- Making technology simple and rugged to meet service requirements – not sophisticated
- Establishing performance and service quality standards
- Looking at initial costs as investments
- Keeping politics “of the wrong kind” away