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Policy Brief # 7

Is the Business Correspondent Model in Policy Paralysis?

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Banking regulations and government policies have been, and will continue to be, vital determinants of the progress of e/m-banking and the impact it can deliver, particularly for bank-led models.[1] At times, however, there has been a blurred dividing line, and even tension, between the roles of the regulator, (as guardian of the interests of consumers and banking institutions), and activist governments (providing policy direction as the largest shareholder in public sector banks). This can lead to some undesirable consequences. This Policy Brief examines the recent shift in policy direction for the business correspondent model in India and the associated challenges and potential consequences from a consumer standpoint.

Policy and Regulatory Accelerators and Decelerators

The business correspondent (BC) model in India has witnessed numerous regulatory and policy changes through its journey of more than six years so far. Some have been very positive giving huge momentum to the initiative; some have been incremental leaving much to be desired; a few have been decelerating, and perhaps could turn out to be show stoppers.

The Government of India started the business correspondent initiative in 2006[2] with the intent of banking the unbanked. The focus on financial inclusion (FI) was intensified in 2009-10 through several enabling regulations, including permitting ‘for profit’ entities to become BCs. The goal was to provide nearly 74,200 defined villages across India with bank or BC facilities by March 2012. The ambitious target for outreach was achieved, and by March 31, 2012, some form of banking touch point was made available in 74,199 villages.

Despite such a massive outreach, financial inclusion initiatives in the country continue to flounder.[3] According to RBI’s annual report[4] 2011-12, over 75% of the no-frills-accounts are dormant. Business correspondent agents (BCAs), a face of the bank, delivering services to the consumers at the grass root level, find the business model flawed and failing to provide them remuneration commensurate with their efforts or investments.[5] The result is high levels of de-moralisation, de-motivation and attrition amongst agents across the country. The business models being implemented by banks lack analysis of, or focus on, the preferences and expectations of poor consumers, who want differentiated services (in terms of products on offer, service quality, security, protection and so on) and are willing to pay for these.[6]

Existing business correspondent network managers (BCNMs) are struggling too. They still lack recognition by banks as a legitimate alternate low-cost, but full-service channel. They also, typically, lack scale and critical mass, not least of all because inadequate products being routed through them. Finally remuneration

[1] CGAP Focus Note 57 Scenarios for Branchless Banking 2020
[2] *MicroSave* India Focus Note 83: Financial Inclusion through E/M-Banking - The Regulatory Landscape in India
[3] *MicroSave* India Focus Notes 80, 81, 90, 95
[4] RBI Annual Report 2011-12, August 2012
[5] *MicroSave* Policy Brief # 2: The State of Business Correspondence - Agent Networks in India
[6] *MicroSave* research paper Cost and Willingness to Pay

of BCNMs is delinked from quality of services provided or cost of delivery.[7] The business model has encouraged a hyper-competitive environment through a lowest bid approach, without first weeding out unqualified bidders, who do not have the experience, proven delivery capabilities or established credentials of service quality.[8] BCNMs find it difficult to break-even or even survive. Consequently limited investments are targeted towards expansion, service improvement or innovation for the end-consumer. The race to get to numbers without the right business model has meant that clients - the intended beneficiaries, are not getting what they really need or want.

With this backdrop, a new approach to selecting BCNMs has been initiated by the Ministry of Finance and the banks.[9] The design proposes to have one BCNM work across one cluster (more or less equivalent to a large State). 20 clusters have been identified and requests for proposals (RFPs) have been floated starting May 2012. All prices have been specified in the tender (for account opening, percentage for fund transfer, commission on sourcing loans, recoveries and so on); except for the total cash to be handled by the BC. The cash to be handled includes all deposits, withdrawals, loans, MGNREGS and other payments. BCs are required to bid through a reverse auction process for this.

Unfortunately the fundamental flaws of the BC business model remain unaddressed. The new BCNM selection process takes no notice of consumer needs and aspirations[10] for a wider range of products, differentiated services, assured quality, and service continuity. Pricing is still fixed, and does not recognise consumer willingness to pay market driven prices for quality products and services. The prescriptive nature of the reverse tender documents blocks off all avenues for innovation, as well as remuneration according to real cost of delivery.

This Policy Brief investigates the merits, demerits and challenges of this approach and potential consequences from a consumer standpoint. Appendix A highlights a detailed scenario analysis of different BCAs' current and prospective earnings in a range of situations – rural and urban for both individual and BCNM-managed agents. In all situations BCAs are likely to see (often significant) reductions in their already limited and precarious incomes[11] – suggesting that agent churn (already in the range of 30-40%)[12] is likely to further increase.

What is the upside?

The new approach certainly recognises several of the existing gaps and attempts to address those through incorporation of necessary requirements or mandates on the part of the service providers. The major gaps addressed include:

a. Recognition of inadequate basket of products on offer by banks and incorporation of guaranteed pay-outs for a variety of assets (KCC, GCC, OD, other loans) and liability (recurring and fixed deposits) products and services (remittance, SHG/JLG formation and linkage, loan sourcing, recovery of loans and NPAs) and third party financial services (insurance, pension, mutual funds).

   The commissions proposed are, however, not necessarily reasonable based on banks' earnings or any benchmarks.[13] Nor have they been tested for the potential underlying risks or consumer protection issues (for example flat rate pricing for money transfer, or inordinately high compensation for SHG/JLG formation/linkage, loan recoveries or third party products).

b. A minimum assured compensation (Rs.2,500 per month) to the BCAs for at least six months to enable them find a foothold and prepare for a variable commission-based earnings going forward.

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[7] *MicroSave* research paper – State of the Business Correspondent Industry in India – A Supply Side Story
[8] ibid
[9] Common RFP for selection of BCs
[10] ibid
[11] Refer tables 1 to 6 in Appendix A
[12] See *MicroSave* Policy Brief 2: The State of Business Correspondence - Agent Networks in India and State of Business Correspondent Industry in India – The Supply Side Story
[13] A further analysis of the price points proposed using several representative scenarios has been provided in the appendix to this policy brief.

While some banks had adopted this proactively and are paying even higher amounts of Rs.3,500 to 4,000 a month, others had left this to the discretion of the BCNMs. This would certainly provide a much needed safety net for all BCAs for a period during which they can establish themselves.

c. Mandatory establishment of a customer help desk and an incident management help desk for the BCAs. Customers have perhaps been the most ignored stakeholder in the financial inclusion initiative so far, and a greater focus on consumer education, grievance redressal and overall protection is much warranted.

d. Likewise, a mandate for overall 98% uptime of field and back-end equipment and services on a quarterly basis, would give a push for better service quality, a focus on which that has been virtually non-existent so far.

e. Mandatory support for inter-bank operability (for deposits, withdrawals, money transfer and balance enquiry) with transactions from front-end devices enabled on real-time basis with banks' servers / CBS. *MicroSave* established that this is indeed an aspiration of both urban and rural poor and therefore a step in the right direction.[14] However most BCNMs, and even several banks, would need to take considerable time and effort to prepare for inter-operability.

f. Requirement for multichannel support (biometric POS, mobile, internet operated devices) and front-end device support for magnetic stripe and contact-less cards.

g. Clear intent to prescribe and foster:
   i. Suitable branding, consumer awareness and trust building
   ii. Regular audits, service quality monitoring and MIS reporting
   iii. Conformance with ISO and other established standards

The downside however has the danger of putting the 'financial inclusion' clock back by several years!

Consumer Challenges and Consequences

Financially excluded consumers who are the intended beneficiaries of the FI program are likely to face several challenges ranging from inconvenience at the least, to potentially significant pain and even financial loses. There is likely to be substantial downside for banks and currently operational BCNMs with legitimate contractual arrangements with banks. Some of these potential challenges and consequences are analysed below.

1. Restrictive Trade Practices

a. The RFP creates a monopolistic situation wherein a single business correspondent service provider would be appointed for an entire state/cluster (the same service provider can be contracted for up to 6 states)[15] on behalf of all public sector banks (PSBs) and severely limit consumer choice and options for a long period of 5 years, extendable to 7 years.

b. If BCNMs would like to provide superior and differentiated customer service (such as ATM cards, insurance, discounts and offers), the fixed-price and monopolistic nature of the RFP would restrict innovation.

2. Customer Service Delivery and Service Continuity

a. Customer service is loosely defined without appropriate quantifiable or measurable metrics to establish the standard of customer service being delivered. This would leave 'satisfactory performance' to considerable subjectivity and interpretation. Consumers would have no recourse as service levels for them are not defined.

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[14] *MicroSave* research paper Integration and Interoperability of Financial Services

[15] Despite this provision FINO (which has been bidding as FINO Ltd and FINO Fintech) is reported to have been contracted for 9 clusters.

b. Turn-around-times or delivery times have not been prescribed (or even stated as guidance) for account activation or for any other of the services envisaged. BCNMs selected through the tendering process can interpret the delivery timelines as per their convenience, again leaving customers in the lurch, without any transparent / published information on what to expect.
c. If the newly appointed BCNM fails to deliver, the Government would have twice-eroded customer confidence in bringing quality banking within her easy reach. In such an event the bank could pay the next lowest bidder from the security deposit of the first BC to continue operations on the ground. However the next BCNM must also be up and running within a month or two so that customers are not left high and dry – especially those with their hard-earned savings in their accounts.
d. If the technology used by the incumbent and new service provider is different (smart card versus mobile based, for instance), the migration of customer accounts and seamless transition would pose many difficulties. Not enough discussion has gone into this challenge to date, and it could cause extreme anguish to the customers should the selected BC be unable to service their existing accounts.
e. Many of the existing BC service providers stand the risk of becoming unviable and perhaps forced to shut-down operations. Should this happen, millions of customers – several with significant balances in their accounts - could be left stranded. A large number of these customers can only transact through BCAs and would find it extremely difficult to withdraw their hard-earned savings in such a situation.

3. Consumer Protection at Risk

a. Various fundamental aspects of consumer protection are inadequately covered or would be difficult to enforce for lack of articulated 'service levels' or other metrics.[16] These include:
    - Availability of consumer needed products and services;
    - Responsible and transparent pricing;
    - Safeguarding consumer interests;
    - Service continuity;
    - Safety and reliability;
    - Security, privacy and protection of consumer data;
    - Fair and respectful treatment of customers;
    - Robust, suitable and practical means for complaint resolution and grievance redressal; and
    - The acutely needed efforts for creating consumer awareness and enhancing financial literacy.

b. No robust or reliable mechanism has been provided for to ensure consumer protection. Processes, systems and responsibilities for consumer awareness, financial literacy and grievance redressal are not clearly articulated. For lack of these, monitoring and actions proposed through state level bankers' committees (SLBCs) might not become functional.
c. Despite very high dormancy levels[17] in the previously opened no-frills-accounts (NFA), eligible customers would be enrolled again and their previously opened accounts might become inoperative. This would lead to further disillusionment amongst the excluded masses, as according to various research reports and media findings,[18] they have not benefitted in any significant way from the efforts so far.

[16] *MicroSave* Client Protection Principles (CPP) Tool and research paper Client Protection Research in India, the Philippines and Bangladesh
[17] *MicroSave* and other studies on Dormancy of NFAs
[18] Ibid, *MicroSave* India Focus Notes, 82, 95, Financial inclusion for whose benefit, The Hindu, May 2012, Issues and Challenges in Financial Inclusion, Speech by H R Khan, Deputy Governor, RBI, Need regulation to make sure that financial inclusion becomes cost-effective, The Economic Times, May 2012

Implications for Banks

1. **Compromise on Quality of Services**
    a. The selection approach is mainly lowest price discovery through reverse auctions and has limited room for differentiating on quality of service and ensuring a baseline level of performance. The outcomes so far demonstrate that it is leading to bottom-less price quotations, driven perhaps by the objective of acquiring a monopoly business at any cost, irrespective of the ability or capacity to deliver. (The first winning bid in Maharashtra was at 0.48% of the value of the cash handled, followed by Jharkhand at 0.35%, Chhattisgarh at 0.19% and Orissa at 0.11%. More recent bids seem to have been at a ridiculous 0.02%).[19]
    b. Technical qualifications are loosely defined, allowing new entrants to qualify and win by quoting very low, non-competitive prices. In the (likely) event they are unable to deliver quality services, banks' reputation and brand would be tarnished, besides erosion of consumer confidence.
    c. No robust mechanism has been evolved to monitor and control the BCs, provide redressal in case of poor or sub-standard service, address customer complaints and fraud or in extreme cases, initiate suitable action against errant BCs including discontinuation of services.

2. **Limits Opportunity for Innovation**
    d. Some BCs would like to provide superior and differentiated customer service through their own efforts even if it involves higher investments. Under the proposed system the business economics would be heavily skewed against them[20]. This would constrain innovation on the part of banks and BCs.

3. **Survival of Existing and Functional BCs/BCAs[21]**
    e. A large number of BC service providers previously contracted by banks, have made investments, created agent network infrastructure for previous rounds of enrolments and are currently providing services. They are likely to become unviable as a large source of transaction income would now be taken away[22]. The new approach puts their very survival at stake that could leave enrolled customers with inoperative accounts and the banks without an established outreach channel.

Summarising, the new approach to BCNM selection does not attempt to address the fundamental challenges of the BC business model that has failed to deliver over the past six years. In order to create a win-win proposition for consumers, BCs/BCAs and for the banks, the BC business model needs a refresh with an approach of greater consumer centricity, differentiated services, encouraging innovation, and remuneration mechanisms linked to service quality and benchmarked against real cost of delivery.

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[19] Economic Times: Splitting India into clusters may create monopolistic situation: BC companies
[20] Refer Appendix A
[21] Several scenarios contrasting BCAs current and prospective earnings are provided in Appendix A
[22] Refer tables 1 to 6 in Appendix A

APPENDIX A

Scenarios contrasting BCAs' current and prospective earnings in select situations

1. Integrated BC and BF service providers in rural Maharashtra (mainly individual BCAs)[23, 24]

In rural Maharashtra, individual BCAs of a leading public sector bank are working in the capacity of BCs and BFs. They provide door-step financial services to rich farmers in this sugar belt of India, and are therefore generating significant income for themselves through a variety of BC/BF activities. The average BCA earnings here are Rs.5,100 per month.

A comparison of their current income and potential change with the adoption of the new model is given below. It is obvious that while some BCAs might gain additional income due to a higher proposed payout of 2% on NPA recovery (and this could, unfortunately, motivate them to put efforts only on NPA recovery), they would stand to lose on income accrued from mobilising fixed and recurring deposits and even on the minimum monthly sum assured. In this case as most BCAs are independent, there is no difference in incomes of BCNMs and BCAs.

Table 1.0

Commissions Received by BCNMs* (per BCA or by individual BCs)	Current			Proposed			Differential
	Unit Rate	Volumes per month (Nos or INR)	Total receipt per month*	Unit Rate	Volumes per month (Nos or INR)	Total receipt per month*	Gain (Loss) per activity per month
Account opening	INR 10	239	INR 2,390	INR 20	239	INR 4,780	INR 2,390
Deposit / withdrawal transactions	INR 0		INR 0	INR 0		INR 0	INR 0
Opening Fixed Deposits	0.50%	INR 46,69,000	INR 23,345	INR 5	66	INR 330	INR -23,015
Sourcing loans	0.50%	INR 66,57,000	INR 33,285	0.50%	INR 66,57,000	INR 33,285	INR 0
Recovery of NPAs	0.50%	INR 7,29,000	INR 3,645	2%	INR 7,29,000	INR 14,580	INR 10,935
Recovery on regular accounts	0.50%	INR 4,69,000	INR 2,345	0.50%	INR 4,69,000	INR 2,345	INR 0
Cash Management	INR 0	0	INR 0	0.48%	0	INR 0	INR 0
Fixed Minimum Commission	INR 3,500	-	INR 3,500	INR 2,500	-	INR 2,500	INR -1,000

(* Every BCA is not involved in all activities, hence the gross monthly payout is not a sum of the amounts above).

2. Remittance focussed CSPs in rural and semi-urban Surat[25]

In large parts of industrial areas in Surat and their catchment areas, several BCAs are providing domestic remittance services as their main business, sometimes even their only occupation. There are hundreds of thousands of migrants living in and around Surat, who need to regularly send money to their families or friends residing in other states. This is a thriving market for money transfer and BCAs make a good living from it. Below is a comparison of how the new model might impact their income stream.

Table 2.0

Commissions Received by BCNMs (per BCA)	Current			Proposed			Differential
	Unit Rate	Volumes per month (Nos or INR)	Total receipt per month	Unit Rate	Volumes per month (Nos or INR)	Total receipt per month	Gain (Loss) per activity per month
Account opening	INR 15	60	INR 900	INR 20	60	INR 1,200	INR 300
Deposit / withdrawal transactions	INR 4	75	INR 300	INR 0	75	INR 0	INR -300
Remittance / Money Transfer	INR 45	1000	INR 45,000	INR 10	1000	INR 10,000	INR -35,000
Cash Management	INR 0	INR 45,22,500	INR 0	INR 0	INR 45,22,500	INR 9,045	INR 9,045
Fixed Commission	INR 0	-	INR 0	INR 2,500	-	INR 2,500	INR 2,500
Cumulative			**INR 46,200**			**INR 22,745**	**INR -23,455**

[23] Based on *MicroSave's* consulting services to the bank
[24] Individual BCAs are directly employed, managed and remunerated by banks
[25] Based on *MicroSave's* Rapid Agent Assessments

The comparison is for revenues of the BCNMs managing these BCAs and exhibits BCNM earnings per BCA. It can be seen that the flat rate of Rs.10 proposed for remittance / money transfer can bring down the BCNMs earnings per BCA by 50% and the loss can be very significant in rupee terms too. This is offset by the additional revenue from cash management or the promise of the assured minimum income.

3. Government payment focussed agents in rural Andhra Pradesh[26]

Andhra Pradesh has been leading the efforts in electronic delivery of Government welfare payments. Significant volumes of welfare payments under Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) and National Social Assistance Program (NSAP) are paid out on a weekly or monthly basis. Banks are extensively employing BCNMs to support the disbursal of these payments. The following brings out the change in earnings expected by BCNMs for each agent deployed for disbursing the Government payments.

Table 3.0

Commissions Received by BCNMs (per BCA)	Current			Proposed			Differential
	Unit Rate	Volumes per month (Nos or INR)	Total receipt per month	Unit Rate	Volumes per month (Nos or INR)	Total receipt per month	Gain (Loss) per activity per month
Account opening	INR 10	30	INR 300	INR 20	30	INR 600	INR 300
Distribution of MGNREGA & SSP payments	1.50%	INR 3,58,000	INR 5,370	INR 0	66	INR 0	INR -5,370
Cash Management	INR 0	INR 3,58,000	INR 0	0.20%	INR 3,58,000	INR 716	INR 716
Fixed Commission	INR 0	-	INR 0	INR 2,500	-	INR 2,500	INR 2,500
Cumulative			**INR 5,670**			**INR 3,816**	**INR -1,854**

It seems despite an assured Rs.2,500 per month, a BCNM stands to lose nearly 35% of their current earnings with the significant dip in the overall compensation they would likely receive under the new model. This assumes that the cash management rate would be more like 0.2% in states like Andhra Pradesh. However if it is in the range of 0.1%, as some of the recent bids have demonstrated, the expected loss could be 40% to 45%, as is shown below.

Table 4.0

Commissions Received by BCNMs (per BCA)	Current			Proposed			Differential
	Unit Rate	Volumes per month (Nos or INR)	Total receipt per month	Unit Rate	Volumes per month (Nos or INR)	Total receipt per month	Gain (Loss) per activity per month
Account opening	INR 10	30	INR 300	INR 20	30	INR 600	INR 300
Distribution of MGNREGA & SSP payments	1.50%	INR 3,58,000	INR 5,370	INR 0	66	INR 0	INR -5,370
Cash Management	INR 0	INR 3,58,000	INR 0	0.10%	INR 3,58,000	INR 358	INR 358
Fixed Commission	INR 0	-	INR 0	INR 2,500	-	INR 2,500	INR 2,500
Cumulative			**INR 5,670**			**INR 3,458**	**INR -2,212**

4. BCNM providing Financial Inclusion Services in rural Indore[27]

The above scenarios were characterised by either a significant customer pull for financial services (as in case of remittance in Surat or rich farmers in Kolhapur willing to benefit from branchless banking in their villages) or Government push for electronic transfer of benefits (as in Andhra Pradesh). Next we review a scenario where a BCNM is delivering only financial inclusion services in rural Indore and there is no product or service with a significant natural demand at the moment – as is often the case in many parts of rural India. A comparison of BCNMs earning potential is given below.

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[26] Based on *MicroSave* Research

[27] Based on *MicroSave's* work with the bank and the BCNM

Table 5.0

Commissions Received by BCNMs (per BCA or by individual BCs)	Current			Proposed			Differential
	Unit Rate	Volumes per month (Nos or INR)	Total receipt per month	Unit Rate	Volumes per month (Nos or INR)	Total receipt per month	Gain (Loss) per activity per month
Account opening	INR 10.00	6	INR 58	INR 20	6	INR 116	INR 58
Deposit / withdrawal transactions	INR 0.40	2884	INR 1,154	INR 0	2884	INR 0	INR -1,154
Opening Fixed Deposits	0.50%	0	INR 0	INR 5	0	INR 0	INR 0
Sourcing loans	0.50%	1866	INR 9	0.50%	1866	INR 9	INR 0
Recovery of NPAs	0.50%	1587	INR 8	2%	1587	INR 32	INR 24
Recovery on regular accounts	0.50%	0	INR 0	0.50%	0	INR 0	INR 0
Cash Management	INR 0	INR 1,50,000	INR 0	0.20%	INR 1,50,000	INR 300	INR 300
Fixed Minimum Commission	INR 3,500	-	INR 3,500	INR 2,500	-	INR 2,500	INR -1,000
Cumulative			**INR 3,500**			**INR 2,957**	**INR -543**

With no real source of transaction or service based income in this kind of a region, the BCNM and their BCAs are currently making their ends meet from the minimum subsistence of Rs.3,500 provided by the public sector bank as per internal policy. With the new recommendation of Rs.2,500 as the minimum payout, even the marginal earning of the BCNM would go down by 15% in an optimistic scenario of cash management bids getting finalised at 0.2%. Taking the earlier case of 0.1% for cash management, the fall could be 20% or more.

Table 6.0

Commissions Received by BCNMs (per BCA or by individual BCs)	Current			Proposed			Differential
	Unit Rate	Volumes per month (Nos or INR)	Total receipt per month	Unit Rate	Volumes per month (Nos or INR)	Total receipt per month	Gain (Loss) per activity per month
Account opening	INR 10.00	6	INR 58	INR 20	6	INR 116	INR 58
Deposit / withdrawal transactions	INR 0.40	2884	INR 1,154	INR 0	2884	INR 0	INR -1,154
Opening Fixed Deposits	0.50%	0	INR 0	INR 5	0	INR 0	INR 0
Sourcing loans	0.50%	1866	INR 9	0.50%	1866	INR 9	INR 0
Recovery of NPAs	0.50%	1587	INR 8	2%	1587	INR 32	INR 24
Recovery on regular accounts	0.50%	0	INR 0	0.50%	0	INR 0	INR 0
Cash Management	INR 0	INR 1,50,000	INR 0	0.10%	INR 1,50,000	INR 150	INR 150
Fixed Minimum Commission	INR 3,500	-	INR 3,500	INR 2,500	-	INR 2,500	INR -1,000
Cumulative			**INR 3,500**			**INR 2,807**	**INR -693**

In virtually all these scenarios, it appears the BCNMs would be at a disadvantage if the new policy of payout were to be adopted. It is obvious that BCAs would suffer too when BCNMs earnings take a big hit.

Pricing policy and strategy can make or break the BC model. A detailed analysis of implications of pricing mechanisms and price points, keeping the diversity of Indian demographics in view, is essential before a nation-wide adoption of the current proposals. *MicroSave* is taking a step in this direction by developing a 'consultation paper' on the BC model.

APPENDIX B

Table of Fixed Charges to be paid to the Service Provider (as per one of the recent RFPs)

Activity	**Remuneration**
Customer mobilization (for BC activities)	
Savings Bank Account opening	Rs. 20 per account
Recurring Deposit account opening	Rs. 5 per account
Fixed Deposit	Rs. 5 per account
Overdraft/Retail Loans/KCC/GCC	0.5% of loan amount sanctioned subject to a minimum of Rs. 25 and maximum of Rs. 5,000
3rd Party financial products like Insurance (Life and Non-Life), Pension etc. (subject to regulatory approvals and the product not being sold by the bank)	25% of the commission bank earns
SHG and JLG	
For formation and promotion including credit linkage	Not exceeding Rs. 1,000 per SHG/ JLG formed and credit linked with the Bank in stages as under.
For stationary and overhead expenses after saving linkage of SHG	Rs. 300
4 months after saving linkage of SHG	Rs. 300
Immediately after credit linkage of SHG	Rs. 400
Non cash transactions	
Remittance/Fund transfer	Rs. 10 per transaction
Balance Enquiry	Nil
Follow up and Recovery (subject to meeting regulatory requirements)	
Repayments in standard assets (payment will be effected only if the account remains 'standard')	Term Loans: 0.5% of amount recovered Cash Credit/Overdraft: 1% of interest recovered
Recovery of NPAs (Subject to meeting regulatory requirements, the SP/BCA will be responsible for recovery of all NPAs in the area of operation, both sourced by the BCA as well as others The banks will appoint the SP/BCAs as recovery agent strictly as per the guidelines of RBI).	Substandard: 1% of amount recovered Doubtful: 2% of amount recovered Loss & Written off: 10% of amount recovered.

There will be an increase of 10% in the above remuneration after 3 years. In case the contract is extended beyond five years from the date of signing in terms of Para 3 of the RFP, the fixed charges would be increased by another 10% over the level prevailing at the end of five years.

In addition to these charges, the Service Provider will be paid fixed charges @ Rs.2,500 per month for each outlet for a period of six months from the date of activation of each outlet. The date of activation would be the date of first transaction. The fixed charges will be paid subject to the condition that the BCA records at least 25 transactions (enrolment of new accounts or transactions in existing accounts) during each month.

APPENDIX C

The results of the RFP bidding process until June 2012.

#	Cluster	Bank Responsible for Tendering	Winning BCNM	Bid value (Cash handling fee) [Paisa / Rs.100]
1	Karnataka, Goa	Syndicate Bank	FINO Ltd.	**3**
2	Bihar 1	State Bank of India	FINO Ltd.	**5**
3	Bihar 2	State Bank of India	FINO Ltd.	**11**
4	Madhya Pradesh	Central Bank of India	MP Con	**18**
5	Andhra Pradesh 2	Andhra Bank	FINO Fintech	**22**
6	Uttar Pradesh 1	Bank of Baroda	Srei Sahaj	**28**
7	Uttrakhand and Parts of UP	State Bank of India	Srei Sahaj	**31**
8	Jharkhand and parts of Bihar	Bank of India	FINO Ltd.	**35**
9	Uttar Pradesh 2	Bank of Baroda	FINO Ltd.	**35**
10	West Bengal 1	United Bank of India	FINO Fintech	**35**
11	West Bengal 2, Sikkim, Andaman and Nicobar	United Bank of India	Srei Sahaj	**45**
12	Tamilnadu. Kerala, Puducherry	Indian Overseas Bank	FINO Fintech	**46**
13	Maharashtra	State Bank of India	Vakrangee Finserve	**48**
14	Andhra Pradesh 1	Andhra Bank	FINO Fintech	**54**
15	Delhi and Rajasthan	Bank of Baroda	Vakrangee was the lowest bidder at 2 paisa / Rs.100. Bid cancelled and would be reissued.	
16	Odisha	State Bank of India	The lowest bid was at bidder at 11 paisa / Rs.100. Bid cancelled and would be reissued.	
17	Chattisgarh	State Bank of India	FINO was the lowest bidder at 19 paisa / Rs.100. Bid cancelled and would be reissued.	
18	Gujarat, Dadra, Daman and Diu	Dena Bank	Vakrangee was the lowest bidder at 120 paisa / Rs.100. Bid cancelled and would be reissued.	
19	Punjab, Haryana, Himachal Pradesh, Jammu and Kashmir	Punjab National Bank	Technical evaluation underway	
20	Parts of North East	UCO Bank	Postponed	