

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES
LOK SABHA

STARRED QUESTION NO. *89

ANSWERED ON MONDAY, FEBRUARY 10, 2025/MAGHA 21, 1946 (SAKA)

Welfare of Banking Correspondents

***89. DR. K. SUDHAKAR:**

Will the Minister of **FINANCE** be pleased to state:

- (a) whether the Government has noticed that large number of banking correspondents today face the issues of survival due to unrevised commission structures and outdated incentives that doesn't adjust with rising inflation levels and if so, the details thereof;
- (b) the steps taken by the Government to ensure that banking correspondents channel remains most active to ensure last mile banking connectivity for rural areas of our country along with the steps taken by the Government for the welfare of banking correspondents;
- (c) the total number of banking correspondents currently providing increased financial inclusion for the state of Karnataka; and
- (d) the total number of Fintech companies currently operational in the country with their total business output and their contribution in today's credit flow markets, State-wise?

Answer

THE FINANCE MINISTER

(Smt. Nirmala Sitharaman)

(a) & (b) As per the extant guidelines of Reserve Bank of India (RBI) dated 01.07.2014, Scheduled Commercial Banks, including Regional Rural Banks and Local Area Banks, have been permitted to provide financial and banking services through the use of Business Correspondents (BCs).

Banks formulate a policy for engaging BCs with the approval of their Board of Directors' wherein the banks may pay reasonable commission/fee to the BCs, the rate and quantum of which is reviewed periodically. Further, Indian Banks' Association (IBA) has, in consultation with Banks and Indian Institute of Banking & Finance (IIBF), developed suitable training modules in the local language(s) for providing proper attitudinal orientation and skills to the BC agents.

BCs get commission for each transaction they perform. Over the years, number of services, which a customer can avail at BC point, has increased and, as on date, BCs are providing up to 56 services to their customers. These include transaction services, PMJDY account opening, deposit mobilisation, loan leads, NPA recovery, Micro insurance, recurring deposit etc. thereby increasing the opportunities available to BCs for earning higher commissions by rendering these services to the customers. Further, for BCs operating in hilly areas & North-Eastern States, NABARD has launched a scheme wherein an incentive of Rs. 1,000/- per month per BC is given to two top performing BCs per village.

(c) The total number of fixed point inter-operable banking correspondents working in the state of Karnataka as on 31.01.2025 is 56,607.

(d) FinTechs mostly collaborate with Regulated Entities (REs) like banks and NBFCs to provide innovative services/solution to them which brings in speed and efficiencies in various aspects of their working. Generally, these entities work in collaboration with REs as outsourced agencies and are governed under the outsourcing guidelines of the Reserve Bank. The data relating to these companies is not maintained centrally.