Business Correspondent and Facilitator

(Job Role)

Qualification Pack: Ref. Id. BSC/Q8401
Sector: BFSI

Textbook for Grade 11

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NATIONAL COUNCIL OF EDUCATIONAL RESEARCH AND TRAINING

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Vocational Textbook for Grade 11

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Foreword

The National Curriculum Framework (NCF) 2005 recommends bringing out work and education into the domain of the curricular, infusing it in all areas of learning while giving it an identity of its own at relevant stages. It explains that work transforms knowledge into experience and generates important personal and social values, such as self-reliance, creativity and cooperation. Through work, one learns to find one's place in the society. It is an educational activity with an inherent potential for inclusion. Therefore, an experience of involvement in productive work in an educational set up will make one appreciate the worth of social life and what is valued and appreciated in the society. Work involves interaction with material or other people (mostly both), thus, creating a deeper comprehension and increased practical knowledge of natural substances and social relationships.

Through work and education, school knowledge can be easily linked to learners' life outside the school. This also makes a departure from the legacy of bookish learning, and bridges the gap between the school, home, community and workplace. The NCF 2005 also emphasises Vocational Education and Training (VET) for children, who wish to acquire additional skills and/or seek livelihood through vocational education after either discontinuing or completing their school education. VET is expected to provide a 'preferred and dignified' choice rather than a terminal or 'last resort' option.

As a follow-up of this, the NCERT has attempted to infuse work across subject areas and also contributed towards the development of the National Skill Qualification Framework (NSQF) for the country, which was notified on 27 December, 2013. It is a quality assurance framework that organises all qualifications, according to the levels of knowledge, skills and attitude. These levels, graded from one to ten, are defined in terms of learning outcomes, which the learner must possess regardless of whether they are obtained through formal, non-formal or informal learning. The NSQF sets common principles and guidelines for a nationally recognised qualification system, covering schools, vocational education and training institutions, technical education institutions, colleges and universities.

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It is under this backdrop that Pandit Sunderlal Sharma Central Institute of Vocational Education (PSSCIVE), Bhopal, a constituent of the NCERT has developed learning outcome based modular curricula for vocational subjects from Grade 9 to 12. This has been developed under the Centrally Sponsored Scheme of Vocationalisation of Secondary and Higher Secondary Education of the Ministry of Education, erstwhile Ministry of Human Resource Development.

This textbook has been developed as per the learning outcome based curriculum, keeping in view the National Occupation Standards (NOSs) for the job role and to promote experiential learning related to the vocation. This will enable the students to acquire necessary skills, knowledge and attitude.

I acknowledge the contributions of the book development team, reviewers, and all institutions and organisations for supporting towards the development of this textbook.

The NCERT welcomes suggestions from students, teachers and parents, which would help us to further improve the quality of the material in subsequent editions.

Dinesh Prasad Saklani
Director
National Council of Educational
Research and Training

New Delhi
December 2024

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About the Textbook

Business Correspondent and Facilitator are representatives of a bank, responsible for building awareness and sourcing prospective customers. In addition, Business Correspondent is also responsible for carrying out banking transactions for existing customers. As Business Correspondent, the individual at work is an agent for selling banking products and services; opening accounts; and executing: deposit, payment, and transfer transactions. As Business Facilitator, the individual at work introduces banking products to the unbanked market segment and assists the bank in collecting receivables including bad debt.

Business Correspondent and Facilitator represent a bank for building awareness and sourcing prospective customers. As Business Correspondent, also carry out banking transactions for existing customers. The job requires the individual to be self-driven to work in the field and handling multiple situations on banking queries and transactions.

Business Correspondent and Facilitator would be able to work in banking financial services and insurance sector to bring the profit for banks by telling about the banking products, identify the source of new customers, assist with the application process, cash and cashless transactions, banking services to customers, customer-centric service orientation and banking ethics and teamwork. They need to have excellent product knowledge, interpersonal and listening skills.

The student textbook has been developed with the contribution of the expertise from the subject and industry experts and academicians for making it a useful and inspiring teaching–learning resource material for the vocational students. Adequate care has been taken to align the content of the textbook with the National Occupational Standards (NOSs) for the job role of Business Correspondent and Facilitator, so that the students acquire necessary knowledge and skills as per the performance criteria mentioned in the respective NOSs of the Qualification Pack (QP). The textbook has been reviewed by experts to make sure that the content is not only aligned with the NOSs but is also of high quality. The NOSs for the job role of 'Business

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Correspondent and Facilitator' covered through this textbook are as follows:

1. BSC/N8401 sources new customers
2. BSC/N8402 assists with the application process
3. BSC/N8403 facilitates and/or executes cash or cashless transactions

Unit 1 of the textbook gives an introduction to the banking system, discuss the history and evolution of banking in India, banking structure in India and types of banking, functions of business correspondents and facilitator, role and responsibilities of business correspondent and facilitator also been covered. Unit 2 will help the students to learn the sources of new customers. It covers the identification of the demographic profile of customer's, segments of the market based on the demand, prospective customer's financial status, and potential customers. Unit 3 explains the verification of the preliminary information. It deals with preliminary customer information, referral inquiry for potential customers, receives and updates required documents and educates the customer about payment mechanisms. Unit 4 describes banking application. It focuses on the delivery of a document to the bank, the status of the application form, the delivery of documents on account opening, and general administration work.

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THE CONSTITUTION OF INDIA

PREAMBLE

WE, THE PEOPLE OF INDIA, having solemnly resolved to constitute India into a [1]**[SOVEREIGN SOCIALIST SECULAR DEMOCRATIC REPUBLIC]** and to secure to all its citizens :

JUSTICE, social, economic and political;

LIBERTY of thought, expression, belief, faith and worship;

EQUALITY of status and of opportunity; and to promote among them all

FRATERNITY assuring the dignity of the individual and the [2][unity and integrity of the Nation];

IN OUR CONSTITUENT ASSEMBLY this twenty-sixth day of November, 1949 do **HEREBY ADOPT, ENACT AND GIVE TO OURSELVES THIS CONSTITUTION.**

---

1. Subs. by the Constitution (Forty-second Amendment) Act, 1976, Sec.2, for "Sovereign Democratic Republic" (w.e.f. 3.1.1977)
2. Subs. by the Constitution (Forty-second Amendment) Act, 1976, Sec.2, for "Unity of the Nation" (w.e.f. 3.1.1977)

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Gandhiji's Talisman

I will give you a talisman. Whenever you are in doubt or when the self becomes too much with you, apply the following test:

Recall the face of the poorest and the weakest man whom you may have seen and ask yourself if the step you contemplate is going to be of any use to him. Will he gain anything by it? Will it restore him to a control over his own life and destiny? In other words, will it lead to Swaraj for the hungry and spiritually starving millions?

Then you will find your doubts and your self melting away.

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Introduction to Banking

Introduction

Over a period of time, banking history began with merchants of the world. Merchants gave grain loans to agriculturalists and traders who supplied goods between cities. But banking has changed its objectives, functions, and processes over the course of time. Traditionally, banking was used for keeping valuables safe and exchange of values. Banks have started playing many other roles, such as facilitator of business transactions, financiers of trade and commerce, and intermediary to channelise savings to productive investment. Today banking is not just a business, but it touches the life of every household and exercises great influence over the economy of the country. The social and economic importance of banks makes the role of regulation of their activities necessary. This makes it important to understand the history, role, and functions of the bank.

This unit will focus on the introduction to banking. The first session covers the introduction to banking in India, the second session deals with banking structure in India, the third session explains the banking business correspondents and the fourth session discusses the banking business facilitators.

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Did You Know?

Why is the word 'bank' related to Bench?
In the olden days, the moneylender used to do the money lending business in coastal areas by sitting on the stone benches. If they incur profit the next day, they also come and do the business on the stone bench. If in case they suffer loss, they break that bench and never come again for the money lending business.

Session 1: Introduction to Banking in India

Generally, the terms Bank, Banker, and Banking are used interchangeably. But it is necessary to understand these concepts in detail before we discuss the evaluation of banking in the country.

Bank: The word 'Bank' is derived from the French word 'Bancus' and Italian word 'Banco' which refers to a 'Bench'. A bank is an institution that gets funds from the community and gives a loan and advances to those who need them. R.S. Sayer defines a bank as "an institution whose amount overdue (deposits) are widely recognised in the clearance of other people's debts to each other." It provides many types of financial services to its customers and the public.

In general words, a bank is a financial institution which deals with deposits, advances and other related services. It receives money from those who want to save it in the form of deposits and lends it to those in need of it.

Banker: A person who belongs to the banking profession is called a *banker*. He/she is a person of intelligence and acts as a depository agent and depository or financial agent:

1. **The Bills of Exchange Act, 1882** defines a banker as a body of persons, whether incorporated or not who are involved in the business of banking.
2. **The Negotiable Instrument Act, 1881** section 3 defines the banker as a term that includes a person or corporation or a company acting as a banker.
3. **Walter Leaf** defines a banker as an institution or individual who is always ready to receive money on deposits to be returned against the cheque of their depositors.
4. **Dr. Herbert Hart** defines a banker as one who is the ordinary course of his/her business honour's cheque drawn upon him/her by persons, from and for whom he/she receives money on current accounts.

Banking: Section 5(b) of Banking Regulation Act, 1949 defines banking as an acceptance for the purpose

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of lending or investment of deposits of money from the public, repayable on demand or otherwise and withdrawal by cheque, draft, order, or otherwise. Thus, banking refers to the process of undertaking deposit accounts, issue and pay cheque, and renders other valuable financial services.

History and Evolution of Banking in India

In 1770 at Kolkata, the banking system of India started with the base for the Bank of Hindustan. This bank ceased its tasks in 1832. Many other banks have evolved, such as General Bank of India (1786–91) and Oudh Commercial Bank (1881–1958). However, they did not continue their operations for a long time. The Oudh Commercial Bank was the first commercial bank of India. Later on, the Bank of Bengal (1806), Bank of Bombay (1840), and Bank of Madras (1843) have been established and merged into one entity, i.e., Imperial Bank of India.

This bank was partially nationalised to form the State Bank of India (SBI) in 1955. In 1959, seven subsidiaries were established for SBI. At present all these subsidiaries are merged with SBI, such as State Bank of Bikaner and Jaipur (SBBJ), State Bank of Hyderabad (SBH), State Bank of Mysore (SBM), State Bank of Patiala (SBP), State Bank of Indore, State Bank of Saurashtra and State Bank of Travancore (SBT) along with Bharatiya Mahila Bank (BMB).

The remarkable step in the Indian banking structure is the establishment of the Reserve Bank of India (RBI) arranged on April 1, 1935, through the RBI Act of 1934. It took over the central banking activity, which was earlier carried on by the Imperial Bank.

After the independence of India, the nationalisation of banks was the main feature of the Indian banking system. In 1969, the following 14 banks were mentioned:

1. Allahabad Bank
2. Bank of Baroda
3. Bank of India
4. Bank of Maharashtra
5. Central Bank of India
6. Canara Bank
7. Dena Bank

Did You Know?

The banks started by the different princely rulers of our country. Princely ruler banks were started by the Kings (*Raja*) of those provinces, like the State Bank of Mysore by Wadiyar's of Mysore Kingdom, State

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8. Indian Bank
9. Indian Overseas Bank
10. Punjab National Bank
11. Syndicate Bank
12. UCO Bank
13. Union Bank, and
14. United Bank of India

In 1980, further six banks were nationalised which are mentioned below:

1. Punjab and Sind bank
2. Oriental Bank of Commerce
3. Corporation Bank
4. Andhra Bank
5. New Bank of India, and
6. Vijaya Bank

Banks were nationalised to cater their services to all sections of society. In 1975, on the endorsement of the Narasimhan Committee, Regional Rural Banks (RRBs) were established to help the unserved. To support the agriculture-related activities NABARD (National Bank for Agriculture and Rural Development), it was established in 1982. EXIM Bank (Export-Import Bank) was established in 1982 for export and import, National Housing Bank (NHB) in 1988 for housing sector and small-scale industries. SIDBI (Small Industries Development Bank of India) was established in 1990.

The year 1991 saw a remarkable change in the Indian banking structure. Government opened up the economy and invited foreign and private investors to invest in India. This move also marked the entry of private players in the banking sector, such as Industrial Credit and Investment Corporation of India (ICICI), Housing Development Finance Corporation (HDFC), Axis Bank, IndusInd Bank, Development Credit Bank (DCB), as well as Yes Bank. The RBI in 2013–14 allowed licenses to many other banks and introduced two new sets of banks, i.e., payment banks and small banks. In the last 5 years, the following nationalised banks were merged:

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Anchor Bank	Merged Banks
Canara Bank	• Syndicate Bank
Punjab National Bank	• Oriental Bank of Commerce • United Bank of India
Union Bank of India	• Andhra Bank • Corporation Bank
Indian Bank	• Allahabad Bank
Bank of Baroda	• Vijaya Bank • Dena Bank
State Bank of India	• State Bank of Bikaner and Jaipur • State Bank of Hyderabad • State Bank of Mysore • State Bank of Indore • State Bank of Patiala • State Bank of Travancore • State Bank of Saurashtra

Thus, there has been a big revolution in the banking sector over the years and it is bound to evolve further with the various steps undertaken by the government, the banking segment in India will grow further.

I. Objectives of Banking

The banks traditionally provided services of safe keeping of valuables. But modern banks have continued to provide facilities like safe custody of articles and safe deposit lockers, and they are playing more important roles with the objectives mentioned below:

1. To Act by Way of a Financial Intermediary

Banks act as financial intermediary between a society that has savings and needs money for investment in manufacturing and trading activity (Figure 1.1). This mobilisation of funds is necessary so that financial resources could be used for increased productive activities, increased employment, including self-employment, increased income generation and overall economic development.

Banks as intermediaries provide interest to the depositors and earn interest from the debtor at a

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higher rate. The differential in interest creates income for the bank. Banks bear the risk in lending and the depositors are kept protected from this risk. The spread between interest earned and paid is the reward for risk-taking in the process of intermediation. Banks enjoy the trust of the people, and have emerged as the largest intermediaries, over a while, across the globe. The government also implements their policies of economic development through banks. The government has identified certain areas, like agriculture, the small-scale sector, etc., for developmental support so that the financial resources are directed towards such areas, which are essential for the larger benefit of the society. These are called *priority sectors* and lending to these sectors is called *priority sector lending*.

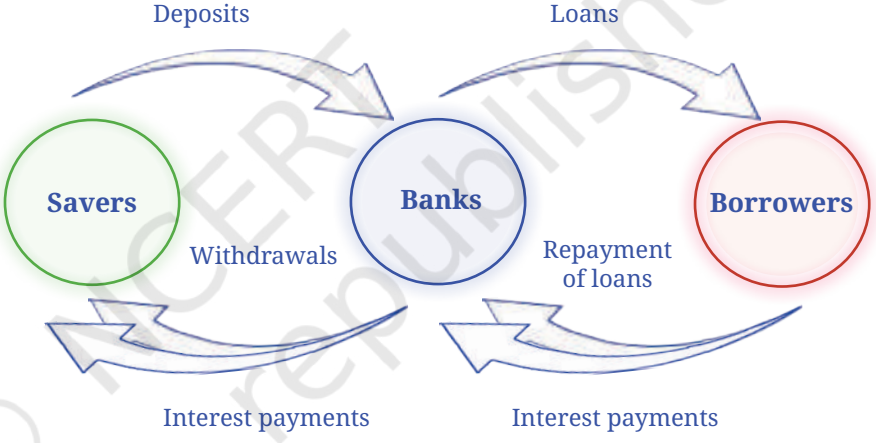

Figure 1.1: *Intermediation*

2. To be a Constituent of Payment System

Bank is the institutional source that can accept deposits and repayable when demanded by depositors by cheque (an order to pay) or in any supplementary form (Figure 1.2). To make payments, the depositors need not carry large volumes of currency notes and coins every time. A depositor can merely hand over the cheque to the person entitled for payment (payee) whereby he/she orders the bank to pay money to the payee from his/her deposit.

The cheque has effectively assumed the role of money and the volume of money in transmission represented by cheque is much more than the volume of money most

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probably like money notes and coins. In addition to handling cheques to settle transactions, banks also move money from place to place and payer's account to payee's account by the process of funds transfer.

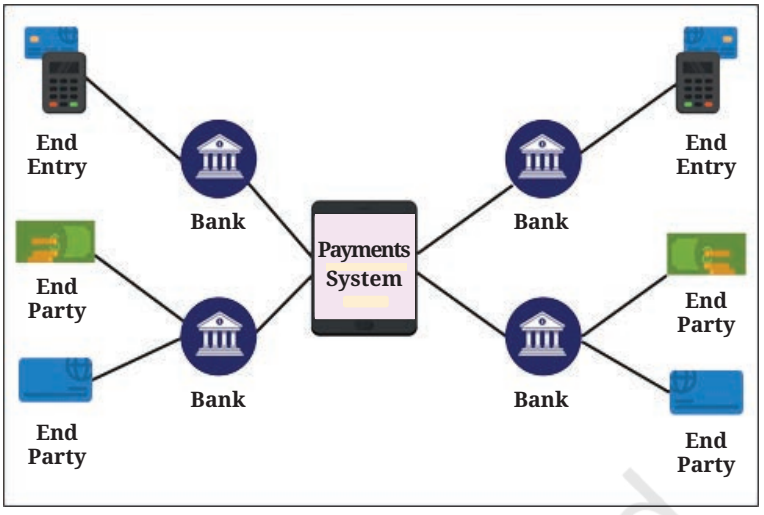

Figure 1.2: *Constituent of Payment Method*

3. Other Utility Services

In addition to accepting deposits, giving loans, providing payment services, the banks also provide many other services. These include, a collection of funds from third parties for customers, foreign exchange-related services, sale of products of mutual funds and insurance, sale of gold coins, safe custody articles, safe deposit lockers, and many more. These activities yield commission income to the banks.

Did You Know?

Banks and financial institutions are the primary sources of finance for long term projects.

II. Types of Banking

The numerous types of banking business are Retail Banking (Individual Banking), Wholesale Banking (Business Banking), International Banking, Digital Banking, and Investment Banking.

1. Retail Banking

Retail Banking can be defined as banking with individual customers (Figure 1.3). It is, however, in the broad sense, known as *consumer banking* or *personal banking*. Bank provides services to the public along with companies.

For example, banks invite deposits, like fixed deposits, saving account balances and current account balances, and other types of accounts balances which are shown on the liabilities side of a bank's balance sheet. On the other hand, banks extend personal loans, housing loans, auto loans, educational loans, trade advances to individuals, loans to farmers for agriculture, etc., all of which appear on the assets side of a bank's balance sheet.

Figure 1.3: *Retail Banking*
Source: https://cutt.ly/fECzMzx

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Retail banking generally requires significant investment for setting up branch offices, as well as other customer service points of contact, such as Automated Teller Machines (ATMs), Cash Deposit Machines (CDM), e-galleries/e-lounge/kiosk/e-lobby, etc.

2. Wholesale Banking/Corporate Banking

Wholesale banking is defined as doing banking with companies, business entities—mostly large commercial and trading houses, including, public sector companies, multinational companies, etc., (Figure 1.4). In India, banks have been doing business traditionally, and this is also called *Corporate Banking/Commercial Banking*. Products offered to this segment are working capital loans, bills discounting, term loans, etc., under fund-based services and Letters of Credit (LCs), Bank Guarantees (BGs), etc., under non-fund based services.

Figure 1.4: *Wholesale/Corporate Banking*
Source: https://cutt.ly/ZECcSaX

3. International Banking

It is the banking business wherein an international bank offers various financial services, like accounts payment/ receipts and lending opportunities to foreign customers. These foreign customers can be individuals or companies. Every global bank has its policies to do business with international customers.

4. Digital Banking

Digital banking is the digitalisation of all the old-fashioned banking undertakings and services that were historically available to customers if they are inside the bank branch (Figure 1.5). These include activities, such as money deposits, withdrawals, transfers, checking or verifying accounts, applying for financial products, loans, and advances, bill payment, etc. Thus, process of digitalisation involves high levels of process automation and web-based services. It provides users the facility to access monetary data through desktops, mobile phones, e-lounge services, like ATM, CDM, etc.

Figure 1.5: *Digital Banking*

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5. Investment Banking

Investment banking is a specific division of banking related to the creation of capital for a company's alternate and other individuals. These banks endorse new liability and equity, securities of corporate bodies, aid in the transaction of securities then help to assist mergers and acquisitions reorganisation and broker trades of both organisations and private institute investors. These banks also provide guidance to the issuers regarding the problem and placement of stock.

III. Recent Trends in Banking

In the past, all the banking services were provided across the counter manually by the banks. In recent years with the development of information technology, all the banks have availed themselves of it to a great extent to provide several services round the clock, to handle the increasing volume of business. All the services of banks may be grouped under two categories, i.e., universal and electronic banking.

1. Universal Banking

Universal banking involves many types of banking activities of commercial banks and investment banks, and provides other financial services like insurance (Figure 1.6). They are also known as full-service financial institutions. A universal bank, logically, offers universal banking. Universal banking is one kind of financial service that combines the aspects of investment, retail, and wholesale banking.

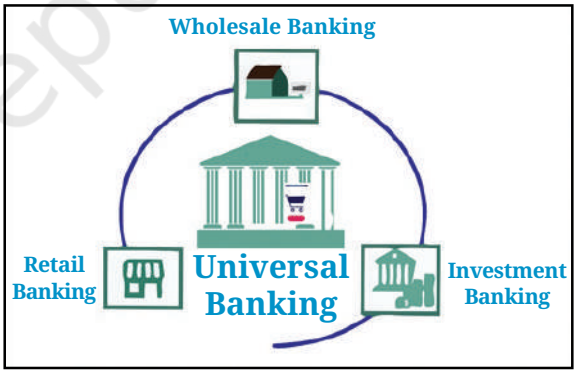

Figure 1.6: *Universal Banking*

2. Electronic Banking

Electronic banking or e-banking undertakes all banking services and dealings performed and finished with electronic means. In electronic banking, funds are transferred through a swap of electronic signals through an exchange of cash, cheque, or other paper documents. Transfer of funds takes place between the financial institution and credit unions.

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Did You Know?

Stanford Federal Credit Union was the first who offered online internet banking services to all its members in the year 1994.

IV. Various Forms of E-banking

The various forms of e-banking are detailed below:

1. Electronic Payment Services (E-Cheques)

E-cheque is replacing conventional paper cheque. In India, e-cheques are used as per the provisions mentioned in the Negotiable Instrument Act. The Act already amended the cheque as Truncated cheque and E-cheque instruments. The account holder inscribes an e-cheque with a computer or new type of electronic means, and transfers the e-cheque towards the payee by electronic means. Like paper cheques, electronic cheques are signed by the payer and endorsed by the payee.

2. Real-Time Gross Settlement (RTGS)

In India, the RTGS system was introduced in March 2004. It is a structure in which banks provide electronic commands to the transmission of funds from one bank account to another bank account. RTGS system is maintained and operated by RBI and provides faster funds transfer. Bank transfers funds on a 'Real Time' basis. Therefore, the fund reaches the beneficiary immediately and the beneficiary's bank has the liability to credit the beneficiary's account in two hours. However, RTGS transactions involve large amounts of cash, generally, funds above ₹ 2,00,000 are transferred using this system and it is a real-time settlement.

3. Electronic Clearing Service (ECS)

An Electronic Clearing facility is a type of retail payment structure. ECS can be used on the way to make lump-sum payments. This facility is designed for companies and government departments to make and receive large volumes of payments, and not for the fund transfer for an individual.

4. Automated Teller Machine (ATM)

ATM is the most accepted and well-known device in India (Figure 1.7). It facilitates customers to withdraw the money 24 hours × 7 days a week. ATM cardholders can use

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ATMs for many other transactions, such as payment of bills, transfer of money, deposit cash into the account, balance enquiry, etc. Thus, an ATM is an automated machine that allows the customer to perform financial transactions.

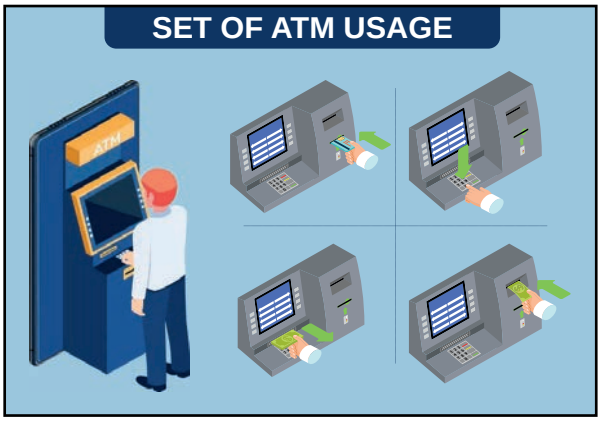

Figure 1.7: *ATM Machine*

5. Point of Sale Terminal (POS Terminal)

POS Terminal is a computer-based mechanism that is linked online to computerised information files of the customer in a bank. It has a magnetically encoded plastic card that identifies customer transactions to the computer. During transactions, the customer account is debited then the retailer's account is credited with the help of a computer for purchase. The same ATM cum debit card can be used for this POS.

6. Tele Banking

It facilitates customers to do all non-cash transactions of banking on the telephone. This device system automatic voice record is used for modest queries, as well as transactions.

7. Electronic Data Interchange (EDI)

Electronic Data Interchange exists as an electronic exchange of documents. It includes invoices, purchase orders, receiving advice, shipping notices, etc., which are in a standard and computer processed, as well as universally acceptable between trading partners.

8. National Electronic Fund Transfer (NEFT)

NEFT is a countrywide payment system that allows the transmission of funds from one bank account to another. Individuals, corporates, and firms can transfer the money from one bank branch to some extent to other bank account held by individuals' firms or corporations in the country. NEFT facility is available 24 hours and 365 days a year. At present transfer of money is undertaken on working days in their working hours. The minimum

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fund transfer is of ₹1 and the maximum is ₹2,00,000. Most of the banks do not charge anything for the NEFT transactions. Even if they charge some, it is a very minimal amount per transaction.

9. Globalised Banking

Global Banking refers to the provision of financial products and services to corporate, governments, and institutions worldwide. Global Banking concentrates on building partnerships with MNCs, corporate, government, institutional customers to help them to get consistent, long-term performance. Since 1990s, with the effect of globalisation, financial services are driven by various factors, like technology, deregulation, and increasing financial assimilation among nations.

Banks have four basic reasons to extend internationally:

(i) To search business prospects and risk diversification.

(ii) To improve competence by using resources to obtain economies of scale.

(iii) To make use of incentives which are given by countries to encourage institutional and regulatory frameworks.

(iv) To go with corporate clients in their international growth and development.

Thus, we find multiple activities are undertaken by banks under the categories of universal banking and e-banking services.

Benefits of E-banking

- Customers do not need to wait in long queues of banks to avail banking services.
- Opening accounts, transfer of money, closing accounts, and taking loans are very easy without visiting the banks.
- Banking services are more easy, convenient, and faster than conventional banking.
- E-banking services are cost-effective to banks and increase their profit margin.

Did You Know?

Clearing House Automated Payment System (CHAPS) is one of the largest RTGS systems in the world.

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Limitations of E-banking

- Huge investment at the initial stage of implementation.
- Security/safety issues to both banks and customers.
- Extra maintenance cost.
- Accessibility issues for rural and illiterate customers.

10. Digital Payment Methods

As part of promoting cashless transactions and converting India into low income society, various modes of digital payments are available. The following are few examples of digital payments (Figure 1.8):

- Banking cards, like debit cards, credit cards, etc.
- Unified Payment Interface (UPI) for immediate payment.
- Mobile wallets, like Paytm, Mobikwik, Airtel money, Jio Money, etc.
- Bank prepaid cards
- Internet banking or net banking for NEFT, RTGS, ECS, IMPS
- Micro ATMs of BCs
- Point of Sale (POS)
- Mobile banking using bank apps in Android, Windows and iOS mobile platforms.
- Aadhar Enabled Payment System (AePS) is a bank led model which allows online interoperable financial transactions at PoS (Point of Sale or Micro ATM) through the Business Correspondent (BC) or Bank Mitra of any bank using the Aadhaar authentication.

Figure 1.8: *Digital Payment Method*
Source: https://bit.ly/3AkisIE

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- **Unstructured Supplementary Service Data (USSD) channel:** This service allows mobile banking transactions using basic feature mobile phone, just by dialling *99#. There is no need to have a mobile internet data facility for using USSD based mobile banking. It is envisioned to provide financial deepening and inclusion of underbanked society in the mainstream banking services.

Summary

In this session, students learned the objectives that identified certain areas, like agriculture, the small-scale sector, etc., for developmental support so that the financial resources are directed towards such areas which are essential for the larger benefit of the society. This session describes that banks are financial institutions that perform deposit and lending functions. There are various types of banks in India and each of them is responsible to perform different functions. The adoption of the latest trends in banking is important as they revolutionise the banking and financial sector.

Practical Exercise

Activity 1

Prepare charts on types of banking by using the concept of "Pair Think Share". Each pair of students will prepare a graphic, using icons and other creative means, to present their four version of a chart depicting types of banking.

Materials required: Chart paper, glue, sketch pen, pencil, eraser, etc.

Procedure:

1. The teacher will form groups (pair) of students.
2. The group members will discuss (think) among themselves and note down points relevant to the topic — types of banking.
3. Internet may be accessed by them to find out the latest developments (find).
4. Each group will prepare a chart on the topic — referral enquiry and its sources, using pen-paper, sheet, colours (develop), etc.

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5. Two students of each group will make a presentation with a chart before the class (share).
6. The remaining students will respond to the questions imposed by their classmates (reflect).
7. The teacher should give suggestions to make a value addition to the presentations (suggest).
8. Prepare the charts with suggestions given by the other group members and teacher, and submit to the concerned teacher (recollect).

Activity 2

Prepare a chart representing the history of banking in India.

Materials required: Access to the internet facility, chart papers, and ordinary pointer can be used, plain papers, sketch pens, pen, pencil, etc.

Procedure:

1. The teacher will form groups of four to five students in each group.
2. The group members will discuss among themselves and note down points relevant to the topic — the history of banking.
3. They are allowed to access internet to find out the latest developments and historical events.
4. Each group will prepare a chart on the topic — 'History of Banking' using pen-paper, sheet, colours with the help of the above-mentioned steps, students prepare with clarity and depth on what they need to present.
5. Two students of each group will make a presentation with a chart before the class. While presenting, the students should use effective communication skills and innovative skills.
6. The remaining students will respond to the questions imposed by their classmates. By this, the students learn how to respond to the questions asked by the students of another group.
7. The teacher should give suggestions to make a value addition to the presentations.
8. Prepare the presentation with suggestions given by other group members and teachers and submit to the concerned teacher.

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CHECK YOUR PROGRESS

A. Fill in the blanks

1. The word 'Banco' means _____.
2. Banks as _____ provide interest to the depositors and earn interest from the debtor at a higher rate.
3. _____ has supervisory power on all types of banking and non-banking financial institutions.
4. Bank receives _____ from the customer.
5. In India, _____ system was introduced in March 2004.
6. Every _____ has its specific policies to do business with international customers.

B. Multiple Choice Questions (MCQs)

1. "A banker is an institution or individual who is always ready to receive money on deposits to be returned against the cheques of their depositors." This definition is given by
   (a) Dr. Herbert L. Hart
   (b) Walter Leaf
   (c) Banking Regulation Act 1949
   (d) None of the above
2. Being _____, banks accept deposits from public to lend loans/advances, also provides other related services.
   (a) financial institution
   (b) customer
   (c) third party
   (d) None of the above
3. Banks as intermediaries provide interest to the depositors and earn interest from the debtor at a _____ rate.
   (a) Moderate
   (b) Low
   (c) Higher
   (d) None of the above
4. _____ is a Central Bank of India.
   (a) RBI
   (b) SBI
   (c) CBI
   (d) None of the above
5. An _____ bank offers financial services, like accounts payment and lending opportunities to foreign customers.

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(a) International
(b) Retail
(c) Wholesaler
(d) None of the above

C. State whether the following statements are true or false

1. The bank is a licensed financial institution to receive money to deposit in the bank.
2. The differential in interest creates income for the customer.
3. The government also implements its policies of economic development through banks.
4. The foreign customers cannot be individuals or companies.
5. Bank provides services to the public.
6. Retail banking can remain defined as doing banking with individual customers.

D. Match the column

Column A		Column B	
1.	RTGS	**A.**	Electronic Data Interchange
2.	ECS	**B.**	Maintain and operate by RBI and provides faster funds transfer
3.	E-cheque	**C.**	Make lump sum payments
4.	EDI	**D.**	Replacing conventional paper cheque

E. Short answer questions

1. What is a bank?
2. What is retail and wholesale banking?
3. What is tele banking?
4. State the meaning of online banking.
5. What do you mean by globalised banking?

F. Long answer questions

1. Write about the history and evolution of banking in India.
2. Explain the recent trends in the banking system.
3. What is the meaning of banking? Explain the types of banking.
4. Explain the objectives of banking services.
5. Discuss the advantages and disadvantages of e-banking.
6. Explain the new digital payment methods.

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G. Check your performance

1. Demonstrate the banking history, evolution, and types.
2. Demonstrate the recent trends and usage, procedures of banking services.
3. Illustrate the latest developments in the banking industry.

SESSION 2: BANKING STRUCTURE IN INDIA

The Reserve Bank of India (RBI) is India's central bank. It controls the issue and source of the Indian rupee. RBI is the supervisory body of the entire banking system in India. The RBI is the single and supreme body in monetary and banking authority in India. RBI bears the responsibility to control and regulate the execution of the banking system in India.

RBI was established by an act known as the Reserve Bank of India Act, 1934, which gives a statutory basis for its functioning. The bank commenced its functions on 1 April, 1935. Its headquarters are located in Mumbai, Maharashtra. It was nationalised in the year of 1949. The first British Governor of this bank Sir Osborne A. Smith and the first Indian Governor was Sir Chintaman Dwarakanath Deshmukh.

On the emblem of the RBI (Figure 1.9), Royal Bengal Tiger is positioned before a palm tree. It is found with thin and thick lines of two concentric circles. The statue tiger indicates that the Belvedere Gate is located at Kolkata and the statue of palm is indicated to shining sun-star and with representational meanings, such as truth, honour, value, warmth, vitality, fertile, protection, expansion, aspiration, unification, resurrection and attainment singleness of determination. It originates masculine energy. The bottom side of the emblem is written as 'Reserve Bank of India' in English, and on the top side of the emblem is written, 'भारतीय रिज़र्व बैंक' in Hindi.

Figure 1.9: *RBI Emblem*
Source: www.rbi.org.in

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I. Functions of RBI

The RBI discharges various functions, which are detailed below:

1. Issuer of Currency

RBI has sole power for issuance of currency in the country excluding one-rupee currency notes and coins. The Indian government (Ministry of Finance) issues one rupee note, as well as coins. Major currency issued by RBI is in the form of notes with the governor's signature. These notes are of rupees 2, 5, 10, 20, 50, 100, 200 and 500. The RBI Act, 1934 permits RBI to issue notes up to the denomination of ₹ 10,000.

RBI contains of two departments: (i) Issuing Department and (ii) Banking Department. The Issuing Department is devoted to issuing currency notes. All money issued is the monetary legal responsibility of RBI that is backed by resources of equal value held by this department. RBI is required to hold a minimum gold of ₹115 crore assets. Any liability above this amount is backed by other assets which comprise coins, foreign securities, and government rupee securities. The department acquires these securities, at whatever time required by issuing currency. The composition of these assets enables us to understand the economy of India.

2. Banker to Government

Being a banker to the government, it is the responsibility of RBI to manage the banking needs of the government. RBI acts as a banker to both central and state governments. RBI manages all the banking dealings of the government connecting the receipts and payments of money. RBI upholds and operates all the accounts of the government. It will collect all funds and also make expenses on behalf of the government. As a participant of the IMF and World Bank, RBI represents the Government of India.

RBI provides short-term credit to both central and state government. RBI is also responsible for managing all the new issues of government loans (securities) and servicing the government debt outstanding. RBI provides

Did You Know?

Contemporary currency notes have 15 languages on the panel which appear on the reverse of the note.

Did You Know?

The government owned presses are at Nasik (Western India) and Dewas (Central India). Two more presses are in Mysore (Southern India) and Salboni (Eastern India). Coins are minted in four mints owned by the Government of India. The mints are located at Mumbai, Hyderabad, Kolkata and Noida.

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a lot of support to the government by lending against these securities for mobilising monetary resources.

3. Banker to Other Banks

RBI plays a key role as a banker's bank. RBI as the banker of banks, play the following roles:

- Keep some cash as reserve of banks.
- Lending finance for a short period.
- Provide centralised clearing and quick payment facilities.

The commercial banks keep deposits in the Reserve Bank. The commercial banks take help from RBI in the financial crisis but charge higher rates of interest.

Did You Know?

The RBI fixes the credit limit for each commercial bank and does not give credit to them beyond that limit.

4. Regulator of Banks and Financial Institutions

Provisions in RBI Act, 1934 and Banking Regulation Act, 1949 empower RBI to supervise, regulate and control the banks and non-banking financial institutions. RBI's regulatory functions relate to regulating and supervising all along with other things, bank management, branch expansion and quality of their assets (loans, etc.).

RBI inspects banks periodically and follows up by asking banks to submit their annual financial returns and other information (within the prescribed period). As per its regulatory powers, RBI makes it mandatory for banks to keep a certain percentage of their overall net liabilities (deposits, borrowings, etc.) in cash or invested form in approved securities (government securities, etc.). This is known as the *Statutory Liquidity Ratio* (SLR).

5. Controller of Currency Supply and Credit

Credit flow of control is an important aspect of the monetary policy used by the Reserve Bank of India. The central bank has to manage the demand and supply of cash and flow of credit in an economy. RBI plays a significant function in terms of controlling paper currency and inflationary tendency. RBI meets the credit requirements of the banking system. RBI uses control measures to execute this function effectively. Some of these are the following:

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- Open market operations
- Changes in statutory reserve
- Lending policy towards banks
- Control over interest-rate structure (deposits, loans)
- Statutory Liquidity Ratio (SLR) of banks

6. Exchange Manager and Controller

RBI is the protector of India's foreign exchange business and related reserves. This control restricted the demand for foreign exchange within the limits of the available supplies of foreign exchange, and users were given rationed foreign exchange according to the government's policy in the context of actual or expected shortage.

RBI accomplishes and controls the flow of foreign exchange in and out of the country. RBI appoints foreign exchange dealers. It also provides guidelines to these dealers. Every transaction in foreign exchange has to be reported to the RBI by the dealers.

7. Publisher of Economic Data and Other Data

RBI maintains and provides all the necessary banking and other financial data with analysis and evaluates the financial policies in India. To execute this function, RBI collates, gathers, and publishes these data often. Users can get these data then give their reviews, comments, and analysis of current policies from various publications of RBI.

8. Promotional Role of RBI

The functions of RBI exist multi-dimensional in nature. The bank performs many developmental and promotional functions. RBI can effectively supply credit, especially to priority sectors, such as agriculture, exports, transport operations, and small-scale industries.

RBI has a number of accomplishments to its credit and is continuously connected in performing non-traditional, promotional tasks as well. Some of these tasks relate to:

- Commercial banking
- Co-operative banking

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- Industrial finance
- Export finance
- Credit guarantees
- Variance rate of interest scheme (loan to very poor people at a very low-interest rate)

II. Structure of Banking System

The structure of the banking system differs from country to country depending upon their economic conditions, political structure and financial system. Banks can be classified on the root of the volume of operations, business pattern and areas of operations.

According to the Banking Regulation Act 1949, the Indian banking structure is divided into scheduled and non-scheduled banks (Figure 1.10). Each category has its advantages and limitations in its operations. They have their devoted target market. Some areas undertake their work in rural areas while others in together with rural and urban areas.

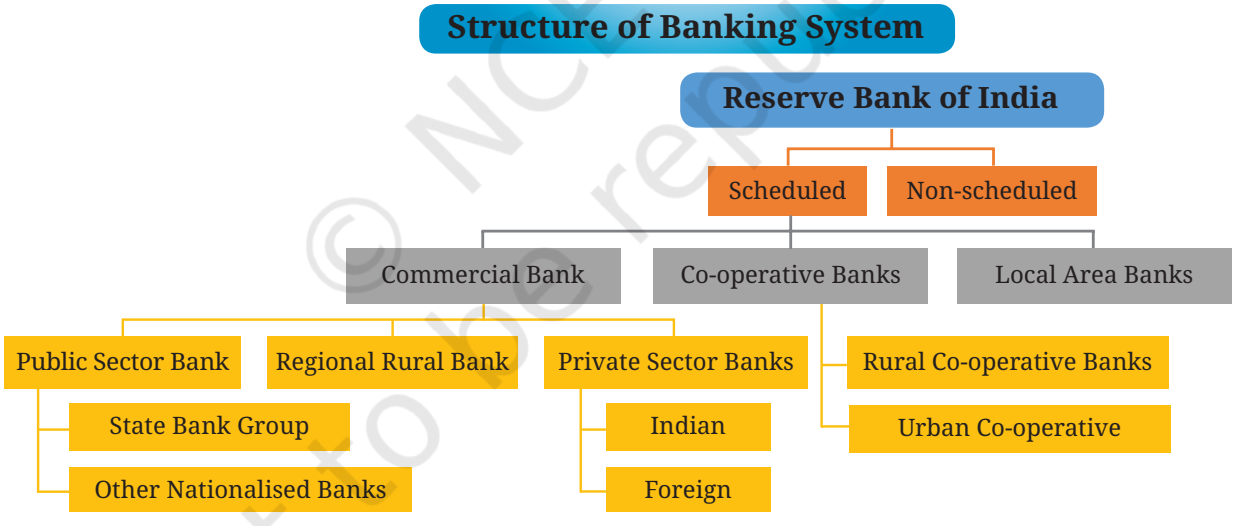

Figure 1.10: *Indian Banking Structure*

1. Scheduled and Non-Scheduled Banks

a. Scheduled Banks

"Banks which are included in the second schedule of RBI Act, 1934" are called *Scheduled Banks*. Banks encompassed in this category should fulfil two conditions:

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- The paid-up investment and reserved fund of the bank cannot be a lesser amount of ₹ 5 lakhs.
- At all, the motion of bank resolution does not unfavourably affect the benefits of depositors.

Examples of scheduled banks: (i) Nationalised banks, (ii) State Bank of India (SBI), (iii) Foreign banks, (iv) Regional rural banks, and (v) Other Indian scheduled commercial banks (in the private sector).

b. Non-Scheduled Banks

The banks which are not included in the list of second schedule in the Act of RBI 1934 are called *Non- Scheduled Banks*. At present there exist 3 banks in the nation.

The Cash Reserve Ration (CRR) is a regulatory requirement that mandates commercial banks to hold a certain percentage of their total deposits in cash reserves with the central banks. This reserve is not available for lending or investment purposes and is intended to ensure the stability and liquidity of the banking system of the nation.

CRR is a regulatory requirement that forces banks to hold a portion of their deposits as cash reserves with the central bank. It helps regulate liquidity in the economy by limiting the amount of money banks can lend, and can be used to control inflation or stimulate lending during economic slowdowns. Central banks adjust the CRR as part of their monetary policy to influence interest rates and economic activity. By doing so, they can affect credit availability and spending in the economy.

The CRR ratio may be different in case of Scheduled Banks, as well as Non-Scheduled Banks.

Non- Scheduled Banks follow Cash Reserve Ratio (CRR) conditions. These banks can have CRR endowment with themselves. RBI can change the CRR at any time.

Non- Scheduled Banks do not possess the eligibility to get loans from RBI for daily activities, but in emergency circumstances, RBI can award the loan to them.

2. Commercial Banks

Commercial banks are banks that started mainly to earn profit, as well as to render different types of banking and non-banking services to their depositors. It enables large payments to be made over a long distance with minimum

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expenses. It constitutes the very lifeblood of an advanced economic society.

The commercial bank is a financial institution that accepts deposits from the public and provides account facilities, makes different kinds of loans, and offers vital financial products similar to certificates of deposits besides savings accounts to people and small firms. Commercial banks have a long history of their survival for many decades. Due to the nationalisation of big commercial banks in 1969, commercial banks are broadly classified as:

a. Public Sector Banks: Public Sector Banks are banks wherein more than 5 per cent of shares are held by the government. These banks are also called 'public sector understanding banks'. For example, SBI, Canara Bank, etc.
b. Private Sector Banks: Private Sector Banks are banks where the majority of the equity is detained by private stockholders and not through the government. For example, ICICI, HDFC bank, Axis bank, etc.
c. Regional Rural Banks: These banks were established by the RBI in 1975 to operate only in rural parts of the country to provide credit as well as other facilities to small and marginal farmers, agrarian labour, artisans, and small entrepreneurs.

3. Commercial Banks — Functions

Commercial banks perform various functions which are detailed below:

a. Accepting Deposits

The most important and conventional function of a commercial bank is accepting deposits from the public. The deposits are of 4 types: Saving account deposits; Current account deposits; Fixed deposits; and Recurring deposit accounts. In case of the current account, people can withdraw deposits at any time they like without intimation, and no interest is paid on current accounts, because the bank is unable to utilise these short-term deposits. Savings Deposit Accounts are payable to customers on their demand and money can be withdrawn by cheques

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or otherwise and also deposit their money whenever they want. But there are certain limitations imposed on the withdrawals of depositors of savings accounts. Due to this reason, depositors get interest at nominal rates. Fixed deposits are made for a long and certain fixed period of time, so a higher rate of interest will be paid on the fixed deposits. In Recurring Deposit Accounts, the depositor has to deposit the amount at regular intervals for a stipulated period and gets back his/her amount with a greater rate of interest at period of maturity.

b. Providing Loans

The second key function of the commercial bank stands to provide loans in contradiction of suitable mortgages towards the public to achieve their requirements of money. Loans can be approved in the form of demand loans, cash credit, overdraft, short-term loans, discounting of bills, agricultural loans, vehicle loans, home loans, gold loans, etc. Further down the cash credit system, the bank can lend credit to the borrower up to the limit, which he/she can. The interest, outstanding by the borrower is calculated based on the amount up to the credit limit drawn. Banks grant demand loans to customers, which can be reminded on demand at any time by the bank.

c. Credit Creation

This is an exclusive function performed by commercial banks. A bank has occasionally been called a 'factory for the manufacture of credit'. Commercial banks can create credit while in the process of acceptance of deposits.

d. Transfer of Funds

Commercial banks are able to transfer funds of one customer to other customer's accounts through cheques, demand drafts (DD), mail transfers, telegraphic transfers, etc.

e. Agency Functions

In modern times, commercial banks also act as agents of the customer. However, banks charge fees or commissions for these functions. The agency functions include:

(i) Collection of cheques, as well as bills and drafts

(ii) Collection of interest on debentures or loans, dividend on shares, etc.

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(iii) Instalment of loans, payment of interest, insurance premium, etc.

(iv) Purchase, as well as the sale of assets and securities.

The commercial banks are also divided into three types that are:

a. Public Sector Banks

Public Sector Banks are the banks in which the government holds 51 per cent and above share capital. There are approximately 12 public sector banks in India, and now the central government has decided to merge a few public sector banks to strengthen them financially (Figure 1.11).

Figure 1.11: *Public Sector Banks*
Source: https://rb.gy/tibrhs

b. Nationalised Banks

Under Banking Companies (Acquisition of Undertakings) Act, 1970, the central government acquired the undertakings of the fourteen major Indian banks and in 1980, the government also acquired six other major banks that were nationalised. These banks were then recognised as Nationalised Banks. Twenty-one other public sector banks, such as Allahabad Bank, Andhra Bank, Bank of Baroda, Bank of India, Bank of Maharashtra, Bhartiya Mahila Bank, Canara Bank, Central Bank of India, Corporation Bank, Dena Bank, IDBI Bank Limited, Indian Bank, Indian Overseas Bank, and so on.

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c. Private Sector Banks

Private Sector Banks are the banks in which majority of stake holding is that of private individuals. For example, AXIS Bank, ICICI Bank, HDFC Bank, etc.

In a mixed economy of India, the private sector also occupies an important place and is expected to play an important role in economic development. The existence of private sector banks has enlarged consumer's choice. These banks are giving tough competition to public sector banks by introducing various innovations, like ATM facility, 24 hours banking, home banking, etc.

Private sector banks again can be divided into two classes:

(i) Foreign Banks: Banks which have their head office overseas and those are owned, controlled and managed from other countries are Foreign Banks. For example, Citi Bank, Standard Chartered Bank, Bank of Tokyo Ltd., Standard Chartered Bank, HSBC, Bank of America, Royal Bank of Scotland, etc.

(ii) Indian Banks: The banks which have head office in India and that are regulated, supervised and controlled by RBI are known as Indian Banks. For example, ICICI Bank, HDFC Bank, AXIS Bank, etc.

4. Local Area Banks

These are the small banks conceived as a low structure that could provide efficient and modest financial intermediation facilities in a limited area of operation. These banks serve primarily in semi-urban and rural areas comprising of connecting districts which are Regional Rural Banks and Cooperative Banks.

a. Regional Rural Banks

The Regional Rural Banks (RRBs) came into existence in the middle of 1970's in India. RRBs are indian scheduled commercial banks (government banks) operating at regional level in different states of India. They are basically commercial banks operating in rural areas and having branch networks in limited geographical areas, say one or two districts.

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Class task

Prepare the Logo—slogan quiz of different banks which are being operated in India.

Each RRB is sponsored by both central and state government and one of the public sector commercial banks. The RRBs mainly cater to the banking requirements of rural areas, such as finance to the agricultural sector, rural industries and small traders. The rural development in respect of agriculture, self-employed trade, commerce and industry is the prime responsibility of RRBs of India.

b. Co-operative Banks

The scheduled banks may also be registered as co-operative banks, i.e., state co-operative banks and urban co-operative banks. These are governed by the co-operative societies' laws enacted by state governments.

(i) **Rural Co-operative Banks:** These are the co-operative banks owned and managed by state governments. These are classified into state co-operative banks, central co-operative banks and primary agricultural credit societies.

(ii) **Urban Co-operative Banks:** It denotes the primary co-operative banks placed in semi-urban and urban areas.

Summary

In this session, students studied about the Reserve Bank of India and how it regulates the banking system of India. Also studied how RBI plays a vital role in regulating the financial transactions in the country. This session also explains the functions of RBI, such as issue of banknotes, bankers to the government, bankers to other banks, a regulator of banks and financial institutions, etc. Banks can be classified on the root of the volume of operations, business pattern, and areas of operations.

Practical Exercise

Activity 1

Prepare charts on different types of banks in India with their symbolic identity.

Materials required: Chart paper, thermopolis, glue, sketch pen, pencil, eraser.

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Procedure:

1. The teacher will form groups of students.
2. The group members will discuss among themselves and note down points relevant to the topic — types of banks.
3. They will be allowed to access the internet to find out the latest developments and to collect their symbolic icons.
4. Each group will prepare a chart on the topic — types of banks, using pen-paper, sheet, colours, etc.
5. The group leader of each group will make a presentation with designed chart before the class.
6. The remaining members will respond to the questions imposed by their classmates.
7. The teacher should give suggestions, to make a value addition to the presentations.
8. Prepare the chart with incorporation of new ideas find from the presentations held and submit to the concerned teacher.

Activity 2

Visit to a different category of banks and collect the information regarding their functions.

Materials required: Access to the internet facility, chart papers, and ordinary pointer can be used, plain papers, sketch pens, pen, pencil, etc.

Procedure:

1. The teacher will form groups of students in the class.
2. The group members would be asked to visit a different categories of banks.
3. Visit the banks and greet bank managers politely.
4. Inform the managers for the purpose of the visit and collect information regarding the functions of their banks.
5. If required, they can access the internet to find out the latest developments.
6. Each group will prepare a presentation based on collected information by comparing the functions of different categories of banks.
7. Two persons of each group will make a presentation using Power Point slides before the class.
8. The remaining will respond to the questions put by their classmates.
9. The teacher should suggest the suggestions wherever required to make a value addition to the presentations.

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10. Prepare the report to incorporate the suggestions given by other group members and teacher, and submit to the concerned teacher.

Activity 3

Visit the website of the State Bank of India, https://www.onlinesbi.com/ and make a note of important points related to information for customers.

Materials required: Access to the internet facility, chart papers, and ordinary pointer can be used, plain papers, sketch pens, pen, pencil, etc.

Procedure:

1. Various forms available for downloading, short videos, other material for customer education and support.
2. Make a list of important information available for customers on SBI's website (Figure 1.12).

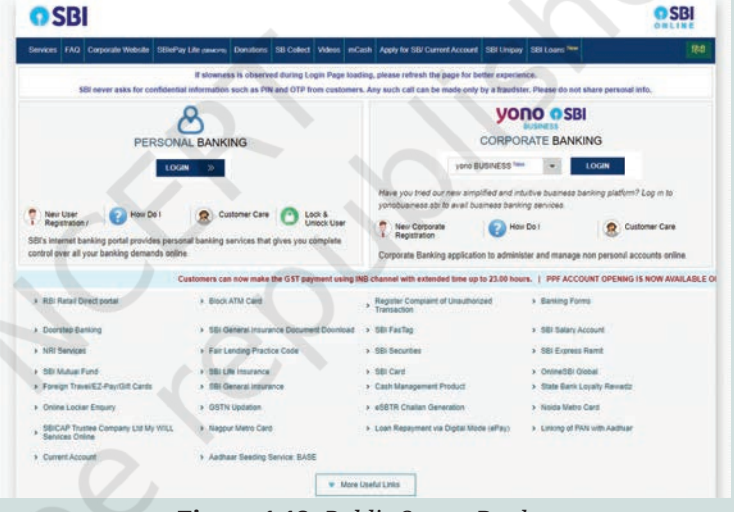

Figure 1.12: *Public Sector Banks*

3. Find out different kinds of information on website and download it for further understanding about SBI.
4. Share the information learned by him/her through this activity to their classmates.

Check Your Progress

A. Fill in the blanks

1. RBI was established by an Act known as Reserve Bank of India Act, _____.
2. RBI has sole power for issuance of currency in the country _____ one-rupee currency notes and coins.
3. The _____ banks kept deposits in the Reserve Bank of India.

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4. RBI plays a significant function in terms of _____ paper currency and inflationary tendency.
5. The structure of the banking system _____ from country to country.

B. Multiple Choice Questions (MCQs)

1. The Reserve Bank of India (RBI) is India's _____ bank.
   (a) Main
   (b) Central
   (c) Common
   (d) None of the above
2. RBI uses control measures to execute this function effectively. Some of these are:
   (a) Open market operations
   (b) Lending policy towards banks
   (c) Deviations in statutory reserve
   (d) All of the above
3. Scheduled banks, "Banks which are included in _____ schedule of RBI Act, 1934."
   (a) First
   (b) Second
   (c) Third
   (d) None of the above
4. _____ banks are the banks in which the government holds more than 50 per cent share capital.
   (a) Public sector
   (b) Private sector
   (c) Both (a) and (b)
   (d) None of the above
5. Regional rural banks came into existence in the middle of_____ in India.
   (a) 1980's
   (b) 1960's
   (c) 1970's
   (d) 1990's

C. State whether the following statements are true or false

1. RBI bears the responsibility to control and regulate the banking system in India.
2. The Indian government (Ministry of Finance) does not issue one-rupee notes rather than coins.
3. RBI has three departments.
4. RBI is the protector of India's foreign exchange business and related reserves.
5. The functions of RBI remain multi-dimensional.

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D. Match the column

	Column A		Column B
1.	Scheduled Banks	**A.**	Operating at the regional level in different states of India
2.	Non-Scheduled Banks	**B.**	Which started mainly to earn profit, as well as to render different types of services to their depositors.
3.	Commercial Banks	**C.**	Not included in the list of second schedule of the RBI Act, 1934
4.	Regional Rural Banks	**D.**	Included in the second schedule of the Act of RBI 1934

E. Short answer questions

1. Write a short note on RBI.
2. What do you mean by scheduled and non-scheduled banks?
3. What is a commercial bank?
4. What is a foreign bank?
5. Write a short note on co-operative bank.
6. What do you mean by local area bank?

F. Long answer questions

1. Explain the banking structure in India in detail.
2. What is a commercial bank? Explain functions of commercial banks.
3. What is RBI? Explain its different functions.

G. Check Your Performance

1. Demonstrate present banking structure and different types of banks in existence.
2. Differentiate between the RBI and commercial banks functions with tables.
3. Illustrate the latest SLR, CRR, base rates which are published in the RBI website on the timely basis.

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SESSION 3: BANKING BUSINESS CORRESPONDENTS

The Government of India has launched a Financial Inclusion Scheme. As more than 40 per cent of the country's citizens do not have an approach to banking services. It increased the concern, link between financial inclusion and poverty of citizens. Financial inclusion

is catering banking services at a reasonable cost to all sections of poor and low-income groups.

When a bank finds it not easy or not profitable to open a branch in remote areas (rural areas) then it appoints banking correspondent to provide fundamental banking services for the rural people. Even today in the twenty-first century, some of the people are still unbanked or, under-banked financial illiterates. The major reason for this problem is lack of security concern, lack of awareness of rural people, and also it is non-beneficial for banks. To overcome this issue, RBI brought business correspondents to provide basic banking services at people's doors. In the year 2006, RBI launched this initiative to provide banking and financial services to achieve financial inclusion.

Definition

Business Correspondent is the person who is permitted by the bank to conduct dealings with customers as a bank agent on behalf of the bank (Figure 1.12). BC is appointed through third-party services, and he or she gets commission based on his or her transactions.

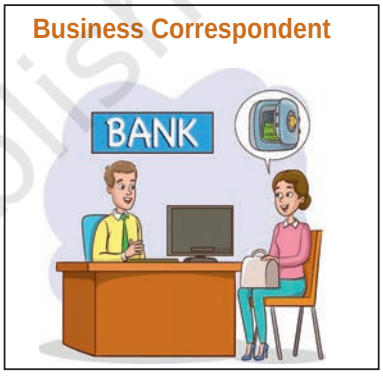

Figure 1.12: *Business Correspondent*
Source: https://rb.gy/cg1gbl

A Business Correspondent is a bank-in-person who is allowed to collect a small amount of deposit and expand small credit on behalf of the bank. A person sanctioned to offer services on cash transactions. The primary role of the business correspondent is to oversee the proper development and implementation of indirect banking channels.

Thus, business correspondents are bank representatives. They help villagers to open bank accounts. The business correspondent carries an electronic and mobile device, which helps village people in banking transactions, such as depositing money, withdrawing money out of savings account, giving loans, etc.

1. Eligibility for Business Correspondent

The guidelines given by RBI have to be adhered to avail the services of Banking Business Correspondents. The banks may engage the following individuals/entities as BC:

- Individuals
- Retired bank employees
- Owners of shops (*kirana*)

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- Medical staff
- Public Call Office (PCO) operators
- Teachers
- Government employees
- Ex-servicemen
- Small savings scheme agents
- Authorised functionaries of well-run Self-Help Groups (SHGs)
- Insurance companies
- Co-operative societies registered under Mutually Aided Co-operative Societies Acts/co-operative Societies Acts of States
- Non-Governmental Organisations (NGOs)
- Self Help Groups (SHGs)
- Micro Finance Institutions (MFIs)
- Post offices
- Khadi and village industries units
- Insurance agents
- Farmers' clubs
- Panchayat
- Civil Society Organisations (CSOs)
- Community-based organisations
- Village knowledge centres
- Co-operative societies
- Agri Clinics/Agri Business Centres
- Krishi Vigyan Kendra
- Corporate entities with IT outlets in rural parts

The business correspondent should be selected from these groups, but they should also possess basic computer knowledge and good communication skills.

2. Objectives of BCs

The main objectives of Business Correspondents (BCs) are as follows:

- To facilitate basic banking services and every segment of society to each.
- To accept deposits, withdrawal, account opening, fund transfer, Kisaan Credit Card (KCC), Insurance (Pradhan Mantri Bima Yojana), etc., at doorsteps of customers.

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- To help people link their bank accounts to Aadhaar numbers.
- To make people financially literates.
- To inculcate the saving and banking habit among the people to increase their income and assets.
- For the economic development of the country.
- To implement the Government of India and RBI directives to achieve financial inclusion.

3. Functions of BCs

BCs are authorised to perform various functions as agents, which include:

- Identifying prospective customers for the bank.
- Generating banking awareness among the general public and customers.
- Providing information about the saving options and other products of the bank.
- Educating and advising customers for managing money and saving habits.
- Take loan counselling and recommending small loans to targeted customers.
- To recover the principal and interest amount due to banks from the customers.
- Get the approval of small value credit for small businesses.
- Sale of microinsurance, pension, and mutual fund products, other third-party products, and issuing a receipt.
- Promoting and monitoring of self-help groups/ joint liability groups/credit groups/others.
- Any other service on behalf of the bank, duly authorised by the appropriate authority.
- The activities to be undertaken by the BC would be within the normal course of the bank's banking business.

Thus, BCs have permission to undertake many banking transactions on behalf of banks.

4. Roles and Responsibilities of BCs

Business Correspondents have well-defined roles and responsibilities which are given in the following:

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- They create awareness about savings and other products.
- They educate the poor villagers about the importance of saving and managing the money, and also debt counselling.
- They identify prospective customers for various financial products offered by the bank.
- They have to verify the eligibility of customers for the financial products based on eligibility criteria provided by the bank from time to time.
- They enroll target customers for various financial products on behalf of their partner bank.
- They will sell the financial products to eligible customers based on the partner bank's guidelines.
- They advise small loans for target customers, like MUDRA.
- They help the bank in collecting the KYC data from time to time.
- They give small loans, such as agricultural loans, group loans, entrepreneurial loans, etc., based on the partner bank's guidelines.
- They open saving accounts to customers as per partner bank's guidelines.
- They help in the collection of principal and interests and abide by the strict code of conduct.
- They collect small value fixed deposits.
- They cross-sell micro insurance, pension products, mutual fund products, and other suitable third-party products, i.e., centrally sponsored schemes, like Atal Pension Yojana, Jeevan Jyothi Suraksha Bima Yojana, etc.
- They inform the local branch/centralised hub of bank/NBFC about the closure of any account.
- They take up post-sanction monitoring and follow-up recovery.
- BCs can make payment for the public in the village undertaking various works under several central and state government schemes, like OAP, MNREGS, gas subsidies, and group salary accounts.
- To initiate the enrolment process by the collection of master data, filling up of forms, preliminary

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processing of loan applications or account opening forms for deposits including verification of data.

- To submit duly filled in application forms and other support documents at the base branch in physical form and without any delay, as specified by the bank for authentication of the customer data and authorising the beneficiary for opening the account and other banking services.

5. Advantages of Business Correspondents

The benefits of availing the services of business correspondents are detailed below:

- People can benefit from door-to-door step banking.
- People can avail loans at a reasonable rate of interest.
- The government will transfer the subsidy straight into all accounts; this will remove the corruption of the middleman.
- It will increase people's savings habits.
- The money of each individual will be safe and secured.
- There will also be an option to avail insurance schemes and pension schemes in rural areas.
- It helps people to know the different government social security schemes and other banking products and services.
- It is more advantageous for banks to reach out to the rural population with minimal cost.

Thus, business correspondents help the bankers and people to a greater reach, ensure doorstep banking and improve the loan performance.

6. Challenges of Business Correspondents

Though India's progress on financial inclusion is considerable, it is far below the expectations, and Business Correspondents could not change the outlook of the banking scenario. Even though the number of bank accounts opened increased after 2014, according to the Findex report around 48 per cent of these accounts are inoperative. The BC approach could not yield desired results owing to the following limitations:

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- BCs are facing problems involving cash handlings, like transporting and safeguarding cash, and avoiding fraud and misappropriations.
- BCs have limited overdraft facilities and transaction limits that may not be adequate for the desired requirements of the customers.
- BCs could not increase the level of awareness about the value of banking services owing to a shortage of funds.
- BCs have lost money in some cases leading to significant attrition.
- BCs expand unbanked areas which involve costs that the bank finds difficult to cover.
- BCs facing regulatory problems. They must complete financial transactions with bank branches within 24 hours which is not possible where a long distance is involved. In the light of the above challenges, it is evident that BCs may not be able to handle all banking services, particularly more advanced credit functions.
- Embezzlement of cash by the untrustworthy BCs.
- Low monetary considerations for the BCs.
- Unhealthy competitions among the BCs.
- Lack of technology access by the BCs in the rural areas.

7. Customer Service Point (CSP) in Banks

Recent updates have stated that the government is planning to open at least 5 lakhs CSPs of different banks all over the country. The CSP is expected to create at least 10 lakh jobs in the coming years. Becoming a Bank Mitra today, is the right choice for earning.

In CSP Bank Mitra, BC is the technology service provider and business correspondent to several banks. It was formed with the aim of serving the customers of various banks with their best facilities. They also aim at providing financial support to the lower income groups of the society, like labourers and workers who do not have a savings account due to the lack of proper documents.

The nationally recognised agent for the banks is Bank Mitra who provides immense branchless banking facilities to the common people. Bank Mitra has tie-ups

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with several public and private sector banks, like Indian Bank, YES Bank, Punjab National Bank, Axis Bank, SBI, Allahabad Bank, Canara Bank and more. Their wide network is expanding even more to support the business partners and provide the best facilities to the loyal customers of the banks now. It is very easy to become a Bank Mitra that requires a few qualifications, like one must be of 18 years of age or above and pass a simple screening test that is provided by different banks, and the process might vary depending upon the banks. Once the screening test is cleared, one is eligible to become a Bank Mitra, officially.

The duties of a Bank Mitra include works, like:

- Cash deposit
- Cash withdrawal
- Account opening
- Micro insurance
- Atal pension account
- Suraksha Bima
- Jeevan Jyoti Bima

There are several other services given in the following that are provided by Bank Mitra:

a. Banking Services

People can make their mini bank shop with the help of Kiosk Banking BC plan that is offered by Bank Mitra. These mini bank shops are here to provide the customers with branchless bank services.

b. Travel Booking Services

Bank Mitra is recognised and approved by IRCTC travel booking services all over India.

c. Bill Payment Services

All sorts of bills like power bill, phone bill, gas bill, water bill, etc., can be paid with the help of Bank Mitra. Bank Mitra allows each family to pay 2–5 bills every month.

d. Recharge Services

Bank Mitra is approved to provide portable and DTH recharge from the Bank Mitra shop nearby. The Bank Mitra users are provided with android application for the purchasers and the retailers which enables them to provide this service.

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Summary

In this session, students discussed about the Banking Business Correspondents who are retail agents engaged by banks for providing banking services at locations other than bank's branch or ATM. Students also learned their roles, functions, objectives, classification, types, functions, and their regulation. By using BCs, banks can reach out to areas that lack in financial services. This session also explains how BCs have struggled particularly with problems of cash handling, like transporting and safeguarding cash, and avoiding fraud and misappropriations. Customer Service Point helps customers to withdraw and deposit money. CSP works as a representative or agent of the bank, and gets a fixed salary irrespective of the bank or branch.

Practical Exercise

Activity 1

Demonstrate the role of a business correspondent.

Materials required: Notebook, pen or pencil, and checklist

Procedure:

1. Prepare a checklist for the points of observation or study and give it to the students.
2. Divide the students into groups as per the class strength.
3. Reach the commercial bank as per schedule.
4. Interact with the bank manager or the bank executive.
5. Greet him/her and ask the following questions:
   (a) role of the business correspondent
   (b) responsibilities of the business correspondent
   (c) eligibility to become a business correspondent
6. Note all the observations, discuss with friends and finalise the report.
7. Confirm with the bank executive.
8. Ask the students to demonstrate various types of forms.
9. Prepare a report and submit it to the subject teacher.

Activity 2

Prepare a chart on eligibility to work as a BC.

Materials required: Access to the internet facility, chart papers, and ordinary pointer can be used, plain papers, sketch pens, pen, pencil, etc.

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Procedure:

1. The teacher will form groups of students with four to five members in each group.
2. The group members will discuss among themselves and note down points relevant to the topic (eligibility to become business correspondent).
3. They can access the internet to find out the latest developments.
4. Each group will prepare a chart on the topic (eligibility to become business correspondent) using pen-paper, sheet, colours, etc.
5. Each group will make a presentation with a chart on eligibility to become a business correspondent and present before the class.
6. Handle the queries and questions imposed by their classmates.
7. The teacher should give observations on the presentation so as to make a value addition to the presentations.
8. Prepare a chart with suitable incorporations and submit to the concerned teacher.

CHECK YOUR PROGRESS

A. Fill in the blanks

1. _____ increased the concern, link between financial inclusion and poverty.
2. _____ brought business correspondent to provide basic banking services at people's doors.
3. Business Correspondents are _____ representatives.
4. Business Correspondents should possess basic _____ _____ knowledge and good communication skills.
5. Business Correspondents will also help people in _____ to bank accounts with Aadhaar numbers.

B. Multiple Choice Questions (MCQs)

1. The main objective of appointing Business Correspondents is
   (a) To facilitate basic banking services for every segment of society.
   (b) To help people link their bank accounts with Aadhaar numbers.
   (c) Making people financial literates.
   (d) All of the above

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2. BCs permitted to perform various functions as an agent, which include
   (a) Identifying prospective customers for the bank.
   (b) Generating awareness among customers.
   (c) Both (a) and (b)
   (d) None of the above
3. Business Correspondents have roles and responsibilities, which are not the role of the business correspondent.
   (a) Business Correspondent has to create awareness about savings and other products.
   (b) Business Correspondent has to educate the poor villagers about the importance of saving, managing the money, and also debt counselling.
   (c) Business Correspondent does not need to identify prospective customers for various financial products offered by the bank.
   (d) They have to enrol target customers for various financial products on behalf of their partner bank.
4. Who can become a Business Correspondent according to the bank?
   (a) Individuals
   (b) Retired bank employees
   (c) Owners of shops (*kirana*)
   (d) All of the above

C. State whether the following statements are true or false

1. More than 60 per cent of the country's citizens did not have an approach to banking services.
2. A Business Correspondent is a person who is permitted by the bank to carry out dealings with customers as a bank agent.
3. Business Correspondents do not help people in linking their bank accounts with their Aadhaar numbers.
4. There will also be an option to avail insurance schemes and pension schemes in rural areas.
5. Business Correspondent will open saving accounts to customers as per partner bank guidelines.

D. Short answer questions

1. Who is the Business Correspondent?
2. Explain the functions of BCs.
3. What are the objectives of BCs?
4. What do mean by CSP?
5. What is the meaning of Bank Mitra?

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E. Long answer questions

1. Who is a business correspondent? Explain the roles and responsibilities.
2. What are the guidelines for the eligibility of BCs?
3. What are the advantages of availing services of BCs?
4. Explain the challenges faced by BCs.
5. Explain the duties and services of Bank Mitra in banks.

F. Check your performance

1. Demonstrate the BCs role and responsibilities with role play and group discussions.
2. Meet the Bank Correspondent of any bank of your choice and list out the roles, responsibilities and challenges faced by them.

SESSION 4: BANKING BUSINESS FACILITATORS

As a part of financial inclusions, the RBI issued new guidelines based on recommendations of the Khan Commission in January 2006, i.e., allowing banks to utilise two categories of intermediaries, they are Business Correspondents (BC) and Business Facilitators (BF). RBI formulated certain guidelines for BCs or BFs. BF can guide customers to pursue their proposal and facilitate the bank to carry out transactions, but cannot transact on behalf of the bank.

As per scheduled guidelines, commercial banks, as well as Regional Rural Banks (RRBs) and Local Area Banks (LABs), have been allowed to use the services of mediators in providing banking services to the entire country and even in remote areas.

BC and BF will help people to connect with the banking world. It also increases the habit of savings. It increases the deposits in banks. So, there is a win-win situation for both people, as well as the banks. It will help in increasing financial inclusion.

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I. Business Facilitator (BF)

Business Facilitators (BF) act as agents (Figure 1.14). They are representatives to their banks and provide banking services in remote locations where the bank does not have any branches and also to promote financial inclusion.

1. Definition

The Business Facilitator is a person who can refer or guide to his or her customers, follow the customer's proposal and the bank facilitates transactions, but cannot perform on behalf of the bank. He or she has no power to handle cash transactions until banks instructed him or her. Normally, BF is appointed by the bank at the branch level only.

2. Eligibility of Business Facilitator

The eligibility criterion for Business Facilitators has been provided by RBI. Business Facilitator acts as an agent to their banks. The following are eligible to act as BF:

Figure 1.14: *Business Facilitator*
Source: https://rb.gy/dd0et3

- The non-government organisations/ farmers' clubs, co-operatives related persons.
- Community-based organisations and IT and corporate entities.
- Few government offices, like post offices, insurance agents, well-functioning Panchayat, village knowledge centres.
- Few business organisations and centews, like Krishi Vigyan Kendra and KVIC/ KVIB units.

3. Roles and Responsibilities of Facilitator

Business facilitators are the entities that act as extended arms of the bank in making banking services affordable to their customers. The Business Facilitators play a crucial role and responsibilities:

- Business facilitator undertakes activities of forwarding the documents or details to the concerned bank, which are submitted by the customers.
- BF has to acquire knowledge of banking products and services.

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- The business facilitator helps his or her customers (especially illiterates) in filling the related forms.
- BFs have to promote banking products and services by providing accurate information to customers.
- Business facilitators make available transactions to depositors or borrowers in printed form, i.e., passbook, mini statement, etc.
- BF should advertise features of various products available in the bank to make people financially literates.
- BFs undertake activities of advising, assisting customers for their benefit, as well as the development of the bank.
- BFs do follow ups, recoveries from self-help groups (SHG), joint liability, and partnerships by conducting pre-sanction verification.
- BFs should take up marketing of life and non-life insurance products, and mutual funds to earn more profits.
- Business facilitators also help their banks in KYC updating by collecting information and concerned documents from customers.
- Business facilitators do not have any authority to handle cash, open accounts, and process transactions.

4. Functions of Business Facilitator

The RBI formulated certain guidelines for functioning of Business Facilitators. They are similar to the BC with some exceptions and limitations. Following are some important functions of BFs:

- Business Facilitators act as an agent for the concerned banks.
- BFs undertake activities, like suggesting and advising customers about their financial transactions.
- BFs are not allowed to perform cash transactions, like deposits and withdrawals.
- BFs have to function within the limitations on fixed deposits and recovery of debts and their functionalities.

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- BFs can undertake preliminary processing of loan applications.

5. Opportunities After Completion of This Course

An opportunity is a situation that makes it favourable for the achievement of the goal by gaining knowledge. BC and BF provide appropriate and sufficient knowledge to learners through different levels by providing their job roles.

Business correspondent or business facilitators are the intermediaries between the customers and bankers in certain outreached areas. After completion of this course, learners can obtain eligibility to get opportunities in all types of banking and non-banking financial institutions.

These banking and non-banking financial institutions require persons who can understand financial services of banks in unreachable areas and all locations. Hence, this job role will make BCs and BFs with proper theoretical and practical knowledge.

a. Benefits of BFs

Business Facilitators help the bankers and customers in the following ways:

(i) Identifying the potential customers.

(ii) Advising or counselling village people about appropriate bank products and services.

(iii) Helping the village people in completing formalities that are needed to transact with banks.

(iv) Educate the customers about terms of sanction, repayment, and recovery.

(v) Helping the villagers in the small value transactions.

b. Challenges of BFs

Even though the role of BFs is vital in rural banking they suffer from the following limitations and challenges:

(i) BFs are the only linking bodies for a banker with rural people. They cannot undertake any transaction in a full-fledged manner.

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(ii) BFs should be updated with changing policies of products and services offered by banks regularly. Otherwise, they cannot reach the customers with the latest information.

(iii) The efforts of BF would be fruitful only when the transaction is complete, but they are not empowered to complete the transactions.

(iv) The people in a rural area may not develop confidence in BFs as they are only intermediaries.

Thus, we find the confidence reposed on business correspondents is more than the business facilitators.

c. Differences between BCs and BFs

Based on the functions, roles and responsibilities of BCs and BFs, the following differences may be identified:

Business Correspondent		Business Facilitator	
1.	BCs are permitted to carry out transactions as agents on behalf of the bank.	1.	BFs can guide customers pursue their proposal and facilitate the bank to carry out transactions, but cannot transact on behalf of the bank.
2.	The persuasion of BCs can be converted into the completion of banking transactions.	2.	The persuasion of BF's may or may not lead to complete the transaction.
3.	The passbook or mini statement can be issued by BCs.	3.	The BFs can not issue any passbook, mini-statement, or any other document on behalf of the bank.
4.	The confidence and trust of rural people are more in the case of BCs, since they help us complete transactions immediately.	4.	The confidence and trust of people on BFs are less since the bank transaction can not be completed.

Summary

In this session, students discussed the responsibility of Business Correspondents and Business Facilitators who are representatives appointed by banks to act as their agents and provide banking services in remote locations where the bank does not have a presence to promote

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Class task

Meet the Bank Facilitator of any bank of your choice and list out the roles, responsibilities and challenges faced by them.

financial inclusion. This session includes BCs and FCs eligibilities and roles. This session also enlightens on the benefits and challenges of BCs and BFs.

Practical Exercise

Activity 1

Make a comparison chart and understand the different opportunities to BFs as per the guidelines of banks.

Materials Required: Access to the internet facility, chart papers, ordinary pointer can be used, plain papers, sketch pens, pen, pencil, etc.

Procedure:

1. The teacher will form groups of students.
2. The group members will discuss among themselves and note down points relevant to the topic — different opportunities to BFs as per guidelines of banks.
3. The internet can be accessed by them to find out the latest developments.
4. Each group will prepare a chart on the topic—different opportunities as per guidelines of banks using pen-paper, sheet, colours, etc.
5. Each group will make a presentation on the chart present before the class.
6. Handle the queries and questions put by their classmates.
7. The teacher should give suggestions on the presented charts to make a value addition to the charts.
8. Prepare a final comparative chart with suggestions given by another group member and teacher.
9. Submit the report to the concerned teacher.

Activity 2

Read the newspaper articles related to the working conditions of the BCs and BFs note down important points related to the Role and Functions of both BCs and BFs that you observe in that article.

Materials required: Newspaper cuttings, chart papers, and ordinary pointer can be used, plain papers, sketch pens, pen, pencil, etc.

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Procedure:

1. The teacher will divide groups of students — five members in each group.
2. The group members will collect the newspaper cuttings related to the roles and responsibilities to do the services of BCs and BFs.
3. Discussion will be held among themselves and relevant points will be noted down — roles and responsibilities to do the services of BCs and BFs.
4. Each group will prepare a presentation on the analysis of roles and responsibilities to do the services of BC and BF in banks.
5. Each group will make a presentation on the chart present before the class.
6. Group leader will give the presentation in the classroom.
7. Handle the queries and questions put by their classmates.
8. The teacher should give suggestions on the presentation to make a value addition to the charts.
9. Prepare a final presentation with suggestions given by another group members and teacher.

CHECK YOUR PROGRESS

A. Fill in the blanks

1. _____ formulated certain guidelines to BFs are allowed to do transactions at customer home instead of a bank.
2. Business Facilitators act as _____ for the cornered banks.
3. _____ of concerned banking products and services became one of the key roles of BF.
4. Business facilitators help their customers (especially illiterates) in _____ the related forms.
5. _____ of life and non-life insurance products and mutual funds to earn more profits.

B. Multiple Choice Questions (MCQs)

1. As a part of financial inclusions, the _____ issued new guidelines based on recommendations of Khan Commission, in January 2006.
   (a) SBI
   (b) PNB

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(c) RBI
(d) None of the above

2. Business Facilitators acts as _____.
   (a) Agents
   (b) Customer
   (c) Bank
   (d) None of the above
3. Business Facilitator acts as an agent to their concerned _____.
   (a) Customer
   (b) Banks
   (c) Businessman
   (d) None of the above
4. _____ are the intermediaries between the customers and bankers in certain outreached areas.
   (a) Business Correspondents
   (b) Business Facilitators
   (c) Both (a) and (b)
   (d) None of the above
5. If a person becomes a business facilitator, banks may use intermediaries they are;
   (a) Non- government organisations/farmers clubs
   (b) Community-based organisations
   (c) IT and corporate entities
   (d) All of the above

C. State whether the following statements are true or false

1. Banking business facilitators decrease the savings of people.
2. Business facilitators are the entities that act as extended arms of the bank in affording banking services to customers.
3. BFs advise and assist customers and banks.
4. Community-based organisations and IT and corporate entities are eligible to become BF.
5. Business facilitators having the authority to handle cash, open accounts, and process transactions.

D. Short answer questions

1. Who is a Business Facilitator?
2. What kind of opportunities are available after completion of BCs or BFs courses?
3. What are the functions of BFs?

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E. Long answer questions

1. Who is a Business Facilitator? Explain the eligibility criterion of BFs.
2. Discuss the roles and responsibilities of BFs.
3. Explain the benefits and challenges faced by BFs.
4. Differentiate between the BCs and BFs.

F. Check your performance

1. Demonstrate the role and responsibilities of BFs with role play and group discussions.
2. Prepare a list of persons/entities eligible to function as a BFs.

NOTES

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UNIT 2

Sources of New Customers

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Introduction

Banking industries play a vital role in employment generation. Nowadays new job opportunities are being developed in the banks, as BCs and BFs. BCs and BFs are recruited as representatives of the bank. Their responsibility is to build awareness and promote prospective customers for the bank. Apart from this, a business correspondent's duty must carry out banking transactions for the banking customers.

Business correspondent works like an agent of a bank to sell banking products and services. His/her task is to open and execute the customer's account. He/she is also helpful for a customer in deposit, transfer, and payment transactions. Business facilitator introduces banking products to the rural market segment, where there is no banking facility available, and helps the bank in the recovery of bad debt. He/she is self-driven for fieldwork and handles different situations. His/her job requires satisfying banking queries raised by customers.

The important duty and responsibility of BCs and BFs is to find out the sources of new customers. BCs and BFs have to identify a demographic profile of the customers based on market demand. BCs and BFs should also analyse the prospective customer's financial status and find out the potential customers for business for banking products.

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This unit focuses on different sources of new customers of a bank. The first session covers the demographic profile of customers, the second session explains the segmentation of customers, the third session deals with prospective customer's financial needs and processing bank applications and the fourth session discusses customer information systems.

SESSION 1: DEMOGRAPHIC PROFILE OF CUSTOMERS

A bank customer means a person who opens an account in a bank. To become a bank customer, he or she must have a deposit account, like a savings account, fixed deposit, recurring deposit, or a loan account in a bank.

As soon as someone opens an account and deposits money or cheque into the bank and it is accepted by the bank, the relationship starts between the bank and the customer. Only visiting the office of a bank for some transactions; like buying a draft or withdrawal of cheque, etc., by a person, does not make him/her a customer. Thus, a bank customer means any individual who has a banking relationship with a bank.

I. Demographic Factors of Bank Customers

Demographic factors have a great impact on consumer attitudes and behaviours towards banking. The various demographic factors, such as age, gender, education, income, occupation, marital status, physical disability, area of residence, etc., have a greater impact on banking usage. The details are given below:

1. Age

Customers are divided into different age groups. Age is one of the variables in customer segmentation with the assumption that customers vary with age groups. Bank needs to know the age of a customer to determine the type of customer, such as minor, adult or senior citizen.

2. Gender

Customers can be segmented based on their genders. Biological dissimilarity makes men different from

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women. These differences influence their responsiveness toward products and communication appeals. The gender segmentation of customers is required by the bank to formulate varying policies and schemes for men and women.

3. Education

It is another important customer segmentation needed by the banks. The customer education level very much influences the bank's policies and programmes. The literacy and illiteracy of customers have a greater impact on the bank's business.

4. Income

Customer segmentation based on income categories is useful in gaining insight about what kind of products are likely to be preferred by him/her. This helps the banker to offer appropriate products and services to the right category of customers.

5. Occupation

The various occupations determine the buying behaviour of customers. The occupation of the customer helps the banker to open an appropriate account and sanction loans or credit limits.

6. Marital Status

Marital status of a person largely influences a person's lifestyle. An unmarried customer has a more independent and spendthrift attitude, while the needs and expenditure of married customers vary according to their requirements. Hence, a banker needs information on the marital status of the customers.

7. Physical Disabilities

Physical disabilities are conditions that affect a person's mobility, physical capability, stamina, or dexterity. This will include brain or spinal cord injuries, respiratory disorders, hearing, and visual impairment, etc. This information is vital for the banker to open the account in the names of customers, and for subsequent banking transactions.

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8. Geographical Areas

A residential area is a place used for living as opposed to industrial and commercial areas which are used to produce manufacturing. The criterion of residential, industrial, and commercial areas shall help the banker to locate their branches and area of operation.

A study of these demographic factors of the customers will help the bankers to formulate suitable policies and programmes for their banks.

II. Types of Bank Customers

Ordinarily, the person who opened an account in a bank is called a Bank Customer. Banks have various types of customers as individuals, minors, blind persons, senior citizens, physically challenged, lunatic persons, illiterate persons, pensioners, Hindu Undivided Family, and business firms (Figure 2.1).

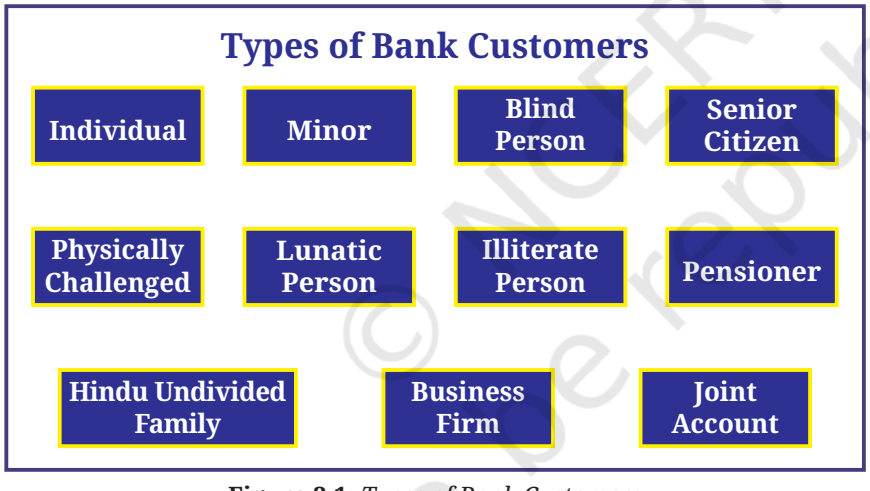

Figure 2.1: *Types of Bank Customers*

1. Individuals

A person, who wants to open an account in a bank individually, is called an Individual Account Holder. An individual can open a bank account for his/her personal use. He/she can deposit and withdraw money as per banking rules. For opening a bank account, an individual has to submit the required documents to the bank. This type of account is opened by individuals and used by their capacity, and also maintained and operated by them.

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2. Joint Account

A joint account is an account that is opened by two or more persons together. This account is operated by joint account holders. Also in this account, the account holders are empowered to withdraw and deposit money in the bank.

3. Minors

Minor is a person who has not completed the age of 18 years as on date of opening his or her account. They can also open an account in their names. There are two types of accounts operated by minors, first by the minor themself a self-operated account; and secondly, a guardian can open an account for the minor.

4. Blind Persons

A blind person can open a bank account in a bank. They may be educated or uneducated, and there are no restrictions for them to open an account in a bank. A blind person cannot see, therefore, while opening an account bank take extra precautions. 'Know Your Customers' (KYC) norms are applicable strictly in the case of a blind person. As and when a blind person wants to do any transaction, he/she should be accompanied by a literate witness. The witness signs the relevant forms along with the blind person.

5. Senior Citizens

Did You Know?

In general, all the banks provide higher rate of interest nearly 0.5 per cent to 1 per cent for senior citizen on their deposits.

A "senior citizen" means an Indian, who has attained the age of 60 years and above. RBI issued directions on 9 November, 2017 for banks to provide special facilities to elderly persons. Preferences are being given to senior citizens by banks while dealing with them, like special counters have been opened for providing different services. Banks are taking many steps to provide additional facilities to their elderly customers.

6. Physically Challenged

If a customer has lost their arms or toe impression, they are physically challenged and can open an account in a

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bank. After opening an account to withdraw money, he or she can visit a bank to comply with bank regulations. Banks have provided necessary facilities to all disabled persons. Ramps are being constructed at bank premises and ATMs. To provide banking facilities to visually impaired persons, banks provide them cheque book facility/operation of ATM/locker, etc., with a priority basis.

Union Bank of India's Accessible Talking ATM is one such example of technology innovation and careful consideration in bringing financial independence to persons with disabilities. Their talking ATM solution has set a benchmark on accessible banking in India and provided financial access to blind persons in getting cash on their own anytime. Talking ATM also provides greater banking usability for the low vision, illiterate and aged population. In this process on 6 June, 2012, they launched a "Truly Accessible Talking ATM" at Blind People's Association, Vastrapur, Ahmedabad (Figure 2.2). Bank's first talking ATM was inaugurated by their *Chairman* and *Managing Director* D. Sarkar.

Figure 2.2: *Truly Accessible Talking ATM*

7. Lunatic Persons

Persons who are unsound and unstable minds are known as *lunatics*. Lunatic persons cannot open a bank account. A valid contract cannot be done by a person of unsound mind. So, an account in the name of a person of unsound mind should not be opened by the bankers. If a customer becomes lunatic after opening an account in the bank, the bank suspends all operations of customer accounts after receiving information about the customer's lunacy.

The advent of our Truly Accessible ATM has made persons with disabilities independent in respect of personal financial matters. It provides complete accessibility to the customer with a wheelchair, as well as to a visually challenged ATM user. Their accessible and talking ATM meets standards of RBI guidelines. The launch of truly accessible solution of talking ATMs clearly show their serious commitment to cater to the needs

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Figure. 2.3: *ATM for Physically Challenged Persons*

of all customers across segments. Inclusive design of accessible talking ATM provides access to general public, as well as to persons with disabilities (Figure 2.3). This ATM is part of their ATM brand "Sampurna ATM". Many of their talking ATM users who are persons with disabilities have given their feedback that they consider their accessible talking ATM as an excellent model which is very user friendly as they can do ATM transactions independently.

Union Bank of India's accessible talking ATM has brought in many initiatives for the first time for talking ATM in India, like use of bilingual Indian accent Text-To-Speech (TTS) voices in English and Hindi, accessible infrastructure for physically disabled, complete voice guidance support for ATM operation for our bank, as well as other banks ATM card transaction, IVR type very user-friendly keypad-based operation, verbal orientation at the start, braille labels, etc. Users can use regular ATM card issued by banks. No special ATM card is needed to enable talking mode. We have also taken care of security and privacy of ATM operation for a visually challenged person through voice guidance which will be heard privately through a headphone and user has a choice to hide ATM screen.

"The first talking bilingual accessible ATM that has been installed by the Union Bank of India at the BPA, Vastrapur, Ahmedabad is one such example of what true accessibility in an ATM is. We commend the efforts of Union Bank of India in taking this step forward, which will impact the banking industry and how it views accessibility and the lives of persons with disabilities". Sam Taraporevala, *Director*, XRCVC and *Head*, Department of Sociology, St. Xavier's College, Mumbai. (Taraporevala is advocating for talking ATMs in India since 2009. He visited the talking ATM site on 9 June, 2012).

8. Literate Persons

Literate person is an educated one and can understand the operating rules and regulations of an account and act

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accordingly. Therefore, he/she can open and maintain all types of accounts in a bank.

9. Illiterate Persons

In the case of illiterate persons who cannot sign, bankers take thumb impressions instead of signature and copy of their recent photographs. An authorised witness attests to the application form and photograph of an illiterate person. For withdrawing money, he/she comes to the bank and affixes his/her thumb impression before bank officials.

The illiterate account holders have to bring a passbook for banking transactions. Bank officials (not below manager level) verifies photos of illiterate persons at the time of withdrawal. Bank officials allow him/her to take money by matching his/her photo with the one pasted on the passbook and thumb impression. Bank never issues a cheque book to an illiterate customer because he/she must come personally to the bank for a banking transaction.

10. Pensioners

Especially after retirement or old age a person lives on a pension. Pensioners also open their accounts in the bank. They receive pension through the bank from their respective department. The state and central governments make pension payments to their retired employees through banks. A pensioner is eligible for an open account along with cheque book facility and can also make a nomination for his/her pension account. The pension is credited to the pensioner's savings account. Income tax is also deducted at the prescribed rate from the pension amount and the net amount is paid to the pensioner's account.

11. Hindu Undivided Family (HUF)

HUF can also open different bank accounts in the bank. Only family members who constitute a family with common ancestor rights are called *HUF*. HUF accounts have different characteristics that make it different from regular saving bank accounts:

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Did You Know?

Karta or elder son of the family is the head of the Hindu Undivided Family (HUF), who acts as the head and is responsible for managing its affairs, legal and financial

- All family members are eligible to deposit their income in the HUF account.
- Single person empowers with participation from the entire family.
- HUF avails tax benefits on deposits under various sections.

12. Business Firms

A firm is a commercial enterprise and corporate company that buys and sells products and services to consumers to earn a profit. In any business, a firm can be a corporation, limited liability company, public limited company, sole proprietorship or partnership in which providing products or services for sales are included.

Opening a bank account in the name of a firm requires more documents than opening a personal account. Before a customer applies for a business bank account, he/she has to make sure to submit documents and information to the bank.

Thus, we find different types of customers for whom the bank opens various accounts to suit their requirements.

Summary

In this session, students understand that the demographics profile of the customer is one of the key elements of customer segmentation. Some of the most common customer demographics for business purposes include age, gender, geographical location, education level, marital status, household income, occupation, etc. In this session, types of customers are described, also banks have various types of customers as individuals, minors, blind persons, senior citizens, physically challenged, lunatic persons, illiterate persons, pensioners, Hindu Undivided Family. Lastly, they conclude with topic introduction, and information business firms.

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Practical Exercise

Activity 1

Visit a commercial bank to identify the demographic profile of a customer.

Materials required: Notebook, pen or pencil, and checklist.

Procedure:

1. Prepare a checklist for the points of observation or study and give it to the students.
2. Divide the students into groups as per the class strength.
3. Reach the commercial bank as per the schedule.
4. Interact with the bank manager or the bank executive. Greet him/her, and enquire:
   (a) Type of bank customers, and various banking products offered by the bank
   (b) Nature of bank customers
   (c) Identify the demographic profile of the customer in a particular bank branch
   (d) Degree of customer satisfaction
5. Meet one or two customers present in the bank. Greet them, and enquire about:
   (a) Profile of bank customer
   (b) Their level of satisfaction
   (c) Suggestions they would like to offer for improving the quality of various banking products
6. Note all the observations, discuss with friends and finalise the report.
7. Confirm with the bank executive.
8. Prepare a final report with the incorporation of additional aspects and submit it to the subject teacher.

Activity 2

Made a small demo video wherein a visually challenged user is shown doing an ATM transaction with hidden screen and give explanation on what he is doing, according to voice guided instructions.

(https://www.unionbankofindia.co.in/english/personal-talkingatms.aspx)

Materials required: Video link, notebook, pen or pencil, and checklist.

Procedure:

1. Show the demo-video wherein a visually challenged user is shown doing an ATM transaction with hidden screen and give explanation in the class.

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2. Ask the students to note down the important points on the demo video.
3. Distribute the entire class into five groups and ask them to discuss and come with outcome of that particular video.
4. Ask the groups to prepare small report on the video they have seen and observe the situations occurred.
5. Group leader will give the presentation in the class and handle the queries by other group members.
6. Teacher will give the suggestions on the presentations and provide value additions to improve their observations.
7. Prepare the final reports to incorporate the suggestions given by other group members and teacher.
8. Submit the report to concern class teacher for evaluation.

CHECK YOUR PROGRESS

A. Fill in the blanks

1. For becoming a bank customer, it is necessary to have any kind of _____ account.
2. As soon as someone deposits money or cheque into the bank and it is accepted by the bank, _____ starts between bank and customer.
3. Minor is a person who is below the age of _____ years as on the date of opening an account.
4. Banks are taking _____ to provide these facilities to their elderly customers.
5. _____ cannot be done by a person of unsound mind.
6. HUF can also open _____ bank accounts in the bank.

B. Multiple Choice Questions (MCQs)

1. Banks offer different banking products to their customers.
   (a) Saving account
   (b) Fixed deposit accounts
   (c) Recurring deposit account
   (d) All of the above
2. A person of unsound mind
   (a) Cannot make a valid contract
   (b) Can make a valid contract
   (c) Can make a partial contract
   (d) None of the above
3. A blind person
   (a) Cannot open a bank account
   (b) Can open a bank account

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(c) Can open only saving account
(d) Can open only fixed deposit account

C. State whether the following statements are true or false

1. Illiterate persons are those persons who cannot sign.
2. A person who has not opened an account in a bank is called a bank customer.
3. Opening a bank account in the name of a firm requires more documents than opening a personal account.

D. Short answer questions

1. Who is a bank customer?
2. What is a physical disability?
3. Who is a lunatic?
4. Who is a minor?
5. Who is a senior citizen?
6. What is HUF?
7. Who is a pensioner?
8. Why is gender important for bankers?

E. Long answer questions

1. Explain the demographic factors of bank customers.
2. Discuss the difference between a blind customer and a lunatic customer.
3. Explain the different types of bank customers.
4. Explain the features and utilities of Truly Accessible Talking ATM.

F. Check your performance

1. Illustrate a chart of the types of bank customers.
2. Prepare a presentation containing the demographic factors of bank customers with examples.
3. Identify and list the services provided by the bank to different bank customers.
4. Demonstrate the different features of Truly Accessible Talking ATM.

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SESSION 2: CUSTOMER SEGMENTATION IN BANKS

Customer segmentation helps in formulating strategies for the marketing of bank products and services. The customer lifecycle can be understood by segmentation, and it helps in predicting customer behaviour. It helps

the banker to know which type of products and services customers want to purchase and what kind of revenue generates for the bank. Age, geography, gender, generation, income, marital status, and other vital information can be obtained by segmentation. It also explains interactions and transactions between customers and their banks, which channels they use and how often, and which products they adopt.

I. Customer Segmentation Meaning

It is the process of dividing customers into small groups based on common characteristics so that banks can market to each group effectively and suitably. The banks can often segment customers according to demographic factors, which include age, gender, marital status, location or area, lifestyle, etc.

1. Need for Customer Segmentation

The customer segmentation helps the banker to better tailor marketing efforts to various types of bank customers. The segmentation helps the bankers in the following way:

a. Create and communicate marketing messages that will resonate with specific groups of customers.
b. Select the best communication channel for the customer segment that is email, social media posts, radio, and TV advertisement, etc.
c. Identifying the ways to improve the product or new products or service opportunities.
d. Enables to establish better customer relationships.
e. Leads to focus on the most profitable customers.
f. Improved customer service measures can be undertaken by the banker.

Thus, customer segmentation is a vital step undertaken by every banker.

2. Bases for Segmentation of Customers for BCs and BFs

Since business correspondents and facilitators play an important role in expanding the banking business,

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it is necessary to study how banking customers are segmented to suit the requirement of BCs and BFs. The following criteria are used for segmenting the bank customers in rural areas (Figure 2.4):

a. Village

Village banking is based on micro finance methodology. Village banking services are not centralised, but they are administered locally. Early village banking methods are innovated by regional rural banks. The village is an important segment of bank customers. Bank correspondent evaluates demand for different products at the village level. Various methods are used by the bank to approach prospective customers, like; door-to-door calls and community gatherings for creating awareness among them about banking products in the village segment.

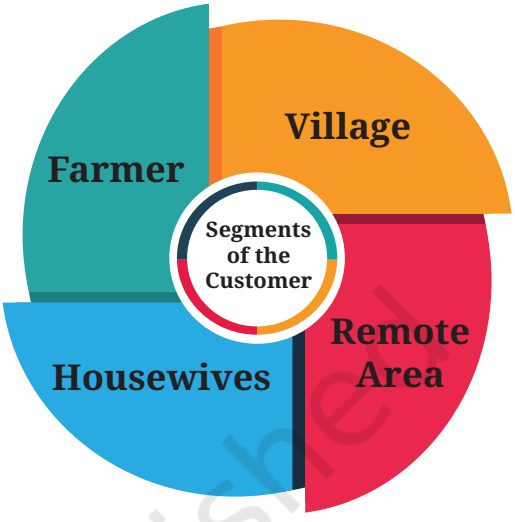

Figure 2.4: *Segments of the Customers*

b. Remote Areas

Remote areas are the areas which are very far from the urban areas and are of a secluded community from the secluded populated area or dearth of transport facility and lack of basic infrastructure. In these areas the bank's correspondent can arrange campaigns, educational activities to inform potential customers regarding products offered. Bank correspondents can also discuss with a prospective customer about the need of finance. Regional rural banks are offering facilities to rural or remote areas. Bank correspondents can discuss with customers the importance of para-banking facilities which are debit and credit cards, locker facilities, mobile and internet banking, UPI, etc.

c. Housewives

A housewife is a married woman. Her main occupation is looking after her family, doing housework, and managing household activities. Housewives are also an important segment for banks. Bank correspondents can discuss with housewives and suggest suitable banking products according to their basic financial needs. Banks can also assess prospective customer's financial status (income, dependents, etc.) and current trends of cash flows. It is

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difficult for the housewives to get financial assistance due to a lack of awareness. However, to give confidence to women by helping in developing a business, banks can offer various banking products to housewives. These banking products are specially designed for women and many of these are sponsored by the government.

d. Farmers

A person engaged in agriculture, raising living organisms for food or raw materials is called a farmer or agriculturist. A farmer may have his land or work as labour on land owned by others. In India, most of the farmers are working as labourers on land owned by others. In the farmer segment, business correspondents of the bank can discuss with different farmers about their financial status and financial needs. He or she can suggest appropriate products for their agricultural requirements. Banks also explain to prospective customers about terms and conditions, process of application, requirement of essential documents and processing period for application. It is the responsibility of the bank to respond to all the queries regarding the products and applications.

3. Approach to Prospective Customers

The business correspondent and facilitators of the bank adopt various approaches, such as door-to-door calls, community gatherings, and campaigning (Figure 2.5). These are discussed below in the following.

Figure 2.5: *Approach to Prospective Customers*

a. Door-to-Door Calls

The bank should provide door-to-door service to their customers. Bank correspondents must facilitate the customers for all banking services at home. In door-to-door services, customers take up banking transactions

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without going out and enjoy doorstop high-quality banking services. Banks can make cash deposits and withdrawals safely and relieve customers from worries.

b. Community Gathering

Community gatherings play a significant role in attracting prospective customers at the local level. Banks can finance some district-level sports teams or summer camps of children or national level conferences. Banks put effort into community gatherings, resulting in mobilising customers. Bank's presence at community parades results in benefits for smaller towns in their region.

c. Campaigning

Like big companies, banks are also operating in extremely competitive markets these days. Banks initiate marketing campaigns and allocate significant resources for generating customers. Marketing campaigns can be planned with different objectives in mind, launching a new product, enhancing sales of a banking product already in the market, or even reducing the impact of negative news. Bank campaigns for a segment of a potential customer. It can also undertake campaigning programmes through newspaper advertisement, TV, hoarding boards, and digital media to promote banking products.

Summary

In this session, students will get to know about the meaning of customer segmentation, its importance, uses, and how it is used to predict customer behaviour. It helps the banker to know which type of products and services customers want to purchase and what kind of revenue generates for the bank. Age, geography, gender, generation, income, marital status, and other vital information can be obtained by segmentation.

Practical Exercise

Activity 1

Visit a commercial bank to identify different segments of customers.

Materials required: Notebook, pen or pencil, and checklist.

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Procedure:

1. Prepare a checklist for the points of observation or study and give it to the students.
2. Make students' group as per the needs.
3. Reach the commercial bank as per schedule.
4. Interact with the bank manager or the bank executive. Greet him/her and collect information on the following:
   (a) Village customers
   (b) Rural remote customers
   (c) Housewives bank customers
   (d) Farmer bank customers
5. Meet one or two customers present in the bank. Greet them and enquire about the following:
   (a) Door-to-door call receiving
   (b) The level of satisfaction.
   (c) Suggestions they would like to offer for campaigning banking products.
6. Note all the observations, discuss with friends and finalise the report.
7. Confirm with the bank executive and customers.
8. Prepare a final report with the incorporation of additional aspects and submit it to the subject teacher.

CHECK YOUR PROGRESS

A. Fill in the blanks

1. The customer lifecycle can be understood by the _____.
2. Village banking is based on _____ methodology.
3. Remote areas are those which are _____ the urban areas.
4. Bank correspondent must _____ the customers all banking services at home.
5. Banks can _____ some district level sports teams or summer camp of children or national level conference.
6. Banks initiate marketing _____ and allocate significant resources for generating customers.

B. Multiple choice questions (MCQs)

1. Different segments of bank customers are
   (a) Village
   (b) Rural remote
   (c) Farmers
   (d) All of the above

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2. Housewives are the segment of
   (a) Hospital
   (b) College
   (c) Bank
   (d) None of the above
3. Banks can promote products through different types of media
   (a) Television
   (b) Radio
   (c) Print
   (d) All of the above

C. State whether the following statements are true or false

1. Early village banking methods were innovated by regional rural banks.
2. Remote areas are the areas which are nearby urban areas.
3. Housewives are not an important segment for banks.
4. A farmer may have his land or work as labour on land owned by others.
5. Bank correspondents must facilitate the customers for all banking services at home.

D. Short answer questions

1. What is door-to-door calling?
2. What are the segments of banking customers?
3. What is customer segmentation?
4. What is campaigning?
5. What is a community gathering?

E. Long answer questions

1. Explain different segments of bank customers.
2. Discuss the difference between door-to-door calls and community gatherings.
3. Explain the need for segmentation of customers to a bank.
4. Explain various approaches to the customer segmentation.

F. Check your performance

1. Illustrate a chart on the different segments of bank customers.
2. Demonstrate the different approaches to reach prospective customers.
3. Spell out the different campaigning methods to attract the customers to banks.

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Session 3: Financial Needs and Processing Application

A prospective customer for a bank is a person who takes interest in a banking product and financially capable to buy it. Bank correspondents and bank facilitators should emphasise to know about prospective customer's financial status. For banks, digital marketing is a great opportunity to encourage prospective banking customers to become banking customers. Customers want comfort and worth, and they are ready to exchange personal data. Banking customers expect from their bank's better facilities.

In today's digital era customers have many banking options in the financial market and they are ready to change banks if they do not get services as per their requirements. Customer needs and wants should be kept at top priority. It will help the bank to acquire a new customer and retain existing customers. Therefore, banks must know about the financial needs of prospective banking customers.

Figure 2.6: *Financial Needs of Customers*

I. Financial Needs

Financial need is the difference between cost and ability to pay. The customer approaches the bank when the cost is more and the ability to pay is less. Hence, the bankers have to study the financial needs of customers to carry out banking business successfully (Figure 2.6).

1. Financial Needs of Customers

Keeping on top of what bank customers want is very important for acquiring a new customer and retaining existing ones in a highly switching and low loyalty environment. If bankers understand what customers desire, then banks and customers both will win. The financial needs that the customers expect from the bank are detailed below in the following:

a. Customers want banking products and services to be simple and easy.

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b. Customers want 24/7 access and options on the web at home, physical branches, on phone, etc.
c. Customers desire responsive customer service.
d. Customers want individual attention and relevant offers from their bank.
e. Customers want great value from their banking products and services.

Thus, the financial needs of the customer are very much influenced by the above factors which require the attention of the bankers. If the bankers work in this direction, they will be highly successful in meeting the requirements of prospective, as well as present customers.

2. Customer's Financial Status

It is necessary to ascertain the financial status of customers to satisfy their financial needs. The customer's financial status depends on various factors which are detailed below in the following:

a. Income

It is very important to know about the income status of prospective bank customers of a bank. Business correspondent of the bank needs to enquire about the financial position of the prospective customer, which reflects the income level of the customer. On the basis of the income level of the customer different banking products can be offered. Therefore, the study of customer's income levels is an essential task for business correspondents.

b. Dependents

A dependent person, who depends on another person for a primary source of income. For example, minor children who are under the age of 18 years, old age parents of the customer can be dependents of a bank customer. A bank business correspondent needs to find out on whom prospective bank customers are dependents. This helps them decide the loan amount, which is to be given to the customer.

c. Cash Flows

Cash flows are useful to know the financial position of a business firm. It can be easily assessed by the financial

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statements of a particular business firm. Financial statements reveal data about the financial position. It also focuses on performance and changes in the financial position of a business firm. That information is useful for the business correspondent to decide about selling required banking products to a business firm.

d. Customer Life Cycle

Better understanding the customer life cycle is important for suggesting proper banking products to customers. The study of the customer life cycle is a great tool to provide appropriate banking products to prospective customers. One of its advantages is that it helps in selling different banking products to customers. But it is important to remember that business correspondents should suggest banking products to their customers as per the customer life cycle. The study found that the customer life cycle put in place by the bank is supposed to suggest appropriate banking products to their customers. A customer life cycle is a marketing framework for understanding the requirements of customers.

3. Processing the Application

The business correspondent and facilitator should be aware of formalities for processing the applications of customers to the bankers. The process of customer application to the bank includes the following:

a. Prospective Customer

A prospective customer is a person who will take an interest in buying different banking products and who is financially suitable to buy them. For approaching these prospective customers, different methods already have been explained. Apart from these methods, we can use digital methods, like email marketing, which is a great chance to encourage prospective customers to buy banking products.

b. Terms and Conditions

Business correspondents should explain terms and conditions to their prospective customers to open an account in a bank. The bank account can be opened in the name of a person or jointly in the name of two or more persons. Eligibility for opening an account and facilities

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depends on prevailing policies, criteria, and procedures. The bank reserves the right to refuse an application for an account at its sole discretion. Banks can withdraw all rights and privileges accounts at any time. Accounts are opened for personal use, but cannot be used for commercial purposes. Requirements for an open bank account are dictated by RBI credit policies and may be amended from time-to-time.

c. Application Procedure

There are different types of accounts maintained in banks. These accounts require different application forms. We can also open our accounts online. But some banks still require signed documents. Until they receive the required documents, the account cannot be activated. Therefore, it is required by a business correspondent to explain every aspect of opening an account in the bank. If we open a savings account in the bank, we need to deposit some amount into the account. We can deposit money into the bank in several ways, for example, cash deposits, cheques, or electronic funds transfers.

d. Documents Required

The business correspondent of the bank is required to inform the prospective customer about necessary documents which are to be attached with the application form. Customer should submit 'Know Your Customer' (KYC) documents. For proof of identity and address of bank customer's verification, the following documents (any two or three) are required to be submitted by the customer:

- Voter ID, utility bill (electricity, gas, water, telephone)
- Aadhaar card
- Driving license
- Passport
- PAN card
- Ration card
- NREGA job card
- Employee ID
- Any photo ID card issued by the central/state governments
- Bank account statement or passbook of a bank

Figure 2.7: *Passport*
Source: https://urlzs.com/JJb8X

Figure 2.8: *Voter Card*
Source: https://urlzs.com/uwMQe

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Figure 2.9: *Aadhar Card*

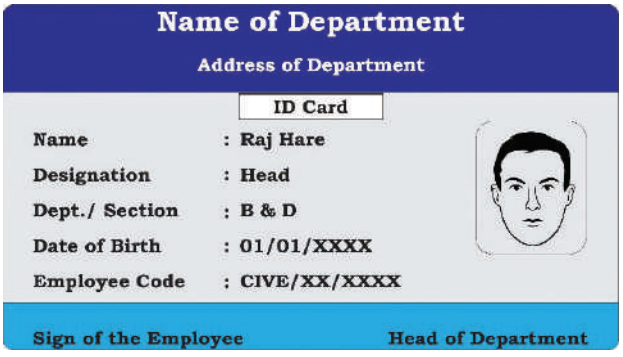

Figure 2.10: *Government ID Card*

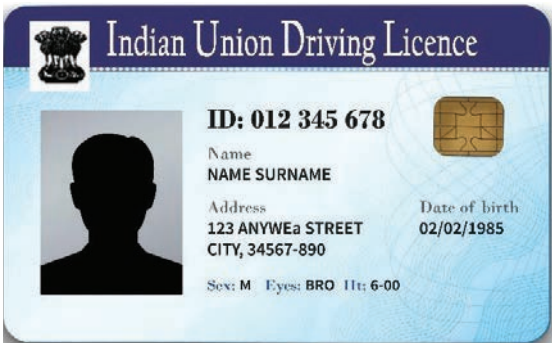

Figure 2.11: *Driving Licence*

Figure 2.12: *PAN Card*

Figure 2.13: *Identity Card*
Source: https://bit.ly/3itno7a

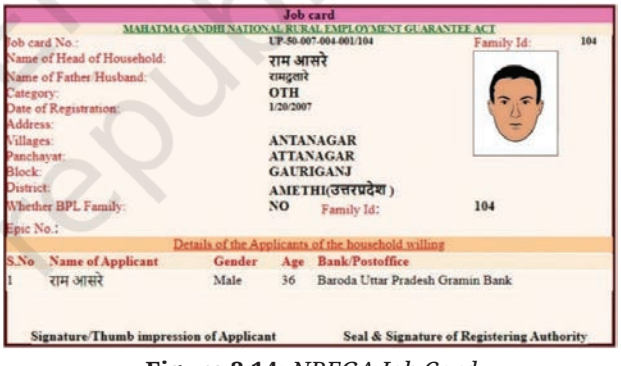

Figure 2.14: *NREGA Job Card*
Source: https://bit.ly/3ziSlBO

Figure 2.15: *Bank Passbook*

Figure 2.16: *Ration Card*

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- A letter stamped, signed or recognised from a gazetted officer or public authority to verify the address details of the applicant.

Along with the above-mentioned documents, the applicant should also submit a passport size photo and a filled and signed account opening form.

Once the customer submits all the requireed documents, the bank authority verifies details and states whether he or she is eligible for opening a bank account or not. To prevent rejection, business correspondent should inform the eligibility criteria to the customer before accepting the application.

e. Timelines for Processing Application

When a customer wants to open the account online, he or she has to collect all relevant documents beforehand; the customer may be able to complete an application within 10–15 minutes (or less). Processing customer applications and issuing his/her account number could take a day or two. The customers have to wait seven to ten business days to receive a debit card and some account information in the mail.

If a bank customer prefers to open an account in person, the process may take much longer, i.e., 30 minutes to an hour or more. A bank customer should wait a while unless he/she books an appointment in advance. If someone opens an account online or over the phone and he/she has to wait a week or two to receive account materials, therefore they may visit the bank branch. Someone may be able to obtain print documents and debit or ATM cards.

f. Responding to Queries

It is the business correspondent's responsibility to respond to all queries raised by prospective bank customers. Business Correspondents (BCs) are representatives of banks; therefore they should educate their prospective bank customers and satisfy them about the application process of banking products and remove doubts of customers, prospective banking, why it is necessary to know customer's life cycle, income etc.

Assessing the process of application, its timeline, responding to all queries raised by prospective bank customers, etc.

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Practical Exercise

Activity 1

Make a table to record the financial status of customers based on income, dependents, and cash flows that occurred at the bank.

Materials required: Chart paper, notebook, pen or pencil, and checklist.

Procedure:

1. Prepare a note on the process of bank application.
2. Group the students as per needs.
3. Demonstrate how to suggest appropriate products as per customer life cycle.
4. Interact with the bank manager or the bank executive. Greet him/her and collect information on the following:
   (a) Prospective customer
   (b) Terms and conditions for opening a bank account
   (c) Application procedure
   (d) Documents required
5. Meet one or two customers present in the bank. Greet them and enquire about the following:
   (a) Customer basic goals and needs
   (b) Customer financial status
   (c) Suggestions they would like to offer for appropriate products as per CLC
6. Note all the observations, discuss with friends and finalise the table with suitable components.
7. Confirm with the bank executive and customers.
8. Prepare a final table with the incorporation of additional aspects and submit to the subject teacher.

CHECK YOUR PROGRESS

A. Fill in the blanks

1. When banks _____ what their prospective customers really want, banks win.
2. It is needed to _____ Know Your Customer (KYC) documents.
3. The study of _____ life cycle is a great tool to provide appropriate banking products to prospective customers.
4. For different type accounts customers require different _____ forms.
5. Business correspondents should explain _____ and conditions to their prospective customers for opening an account in a bank.

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B. Multiple Choice Questions (MCQs)

1. A bank account can be opened on name of
   (a) One person
   (b) Two or more persons
   (c) Two persons
   (d) None of the above
2. For proof of identity and address of customer's verification which of the following documents are required?
   (a) Aadhaar card
   (b) Voter ID
   (c) Passport
   (d) All of the above
3. Requirements for an open bank account are dictated by
   (a) Reserve Bank of India's credit policies
   (b) Bank policy
   (c) (a) and (b)
   (d) None of the above

C. State whether the following statements are true or false

1. Minor, who is under the age of 18 years, and old age parents of a customer can be dependents of a bank customer.
2. It is not needed to submit Know Your Customer (KYC) documents by the customer.
3. Once the customer submits all documents, the bank authority verifies the details.
4. We cannot open our account online.

D. Short answer questions

1. What do you mean by a customer's financial status?
2. What application procedure is required to open a bank account?
3. What is meant by financial need?

E. Long answer questions

1. What is the responsibility of the business correspondence regarding customer's queries?
2. What documents are required for identity and address proof for bank customer verification?
3. Explain the financial needs of the customers.
4. Explain the various elements which determine the customer's financial status.
5. Discuss how a customer's application is processed by a business correspondent of the banks.

NOTES

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F. Check your performance

1. Prepare a chart on the financial status of customers based on income, dependents, and cash flows.
2. Demonstrate how to suggest appropriate products as per customer life cycle.
3. Spell out the process of application with different columns and rows.

Session 4: Customer Information System

A customer is an individual, organisation, business firm, who proposes to buy banking products from the business correspondent. For a bank's business correspondent, the study of the potential customer is an essential task. Because, potential customers are only persons, who are capable of purchasing banking products from the bank. Therefore, by searching for potential customers, a business correspondent can decide his/her target for selling banking products. Searching potential customers lead to a need for a customer information system.

I. Meaning of Customer Information System

Business correspondent of the bank can use Customer Information System (CIS), which provides customer information efficiently. CIS helps in collecting customer data that helps business correspondents to make decisions regarding a potential customer.

Apart from this, CIS is used as big storage to record and classify customer information. Customer relationship management is obtained by CIS only. CIS contains all customers' related data regarding their premises, addresses, determinants of income, etc. These days, the CIS becomes a back-office collection. Today the CIS is seen as an essential part of the bank. With the help of CIS technology, the business correspondents can gather and manage customer information (Figure 2.17).

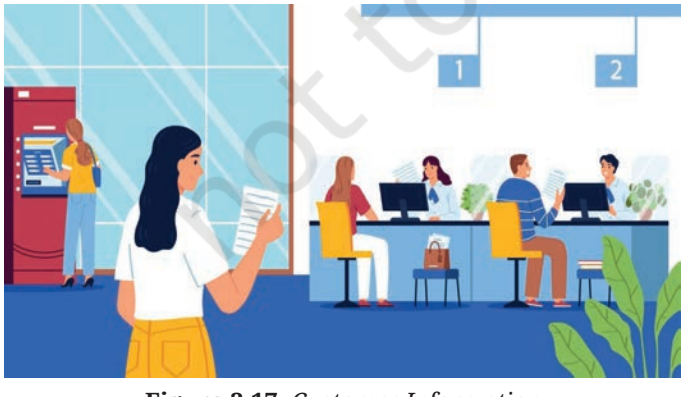

Figure 2.17: *Customer Information*

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The business correspondent can also improve system operations and marketing techniques. Today's customer information systems have become a strategic resource for competitive and customer-centric banks. Customer Information System (CIS) enables services in such a way that timely and active response is given to bank's customer requests, market forces, and regulatory changes.

1. Information Systems for Bankers

Banks and their business correspondents and facilitators can make use of various customer information systems to carry out their businesses. The details are given below in the following:

a. Internet Facility

Customer information can be gathered through the use of the internet. Customer's account information is saved in a Customer Information File (CIF) which is an electronic file that stores customer's personal and account information. CIF number is allotted by the bank, which allows the bank to view its customer accounts. All banks have their customer files. CIFs have been especially associated with the banks. A client's credit, accounts, types of accounts owned, and ownership information are given in CIF. It is a computerised file that is used by banks. It should be updated daily by a business correspondent to ensure accuracy and is to be used for selling various banking products.

A CIF provides the transaction with a summary of a particular account holder. The customer information file enables the bank to examine customer data without looking at each account or transaction individually.

Business loans, credit cards, and various credit products which are being used by customers can be seen with the help of CIF. Today, the data of CIF is often used as a marketing tool.

b. Periodic Status Report of the Acquired Customer

To judge the clear position of a bank, it is essential to make a periodic report on the status of acquired customers. With the help of this periodic report, business correspondent can follow with all daily, weekly, monthly, quarterly,

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half-yearly, and yearly banking transaction activities in the summarised form. The periodic report contains the status of existing customers, active account holders, non-active account holders, disbursed loan amount, credit card holders and non-performing assets, etc., based on a periodic status report of the acquired customer, business correspondent of the bank decides to draw a valid conclusion. The periodic status report of the acquired customers has its importance for banks and we cannot deny its significance. It brings an added advantage for business correspondents of a bank to enhance the sale of banking products. It also helps business correspondent to review its performance.

c. Set Revenue/Account Targets

If a business correspondent wants his or her business to expand, then he or she needs a strong vision for it. Firstly, business correspondents should identify their success and develop the way accordingly. As part of this, they should set a target for a number of accounts to be opened and selling banking products. Clear revenue targets will help them guide their business strategy.

Often, most business correspondents choose their previous year's deposits as their benchmark deposits year. It is recommended that a business correspondent should always use highest revenue target as the benchmark.

Target can be determined in different segments in the following way as mentioned below:

Year	2017 Target	2017 Achieved	2018 Target	2018 Achieved	2019 Target	2019 Achieved	Target for 2020
Segment	**Deposits in ₹**	**Deposits in ₹**	**Deposits in ₹**	**Deposits in ₹**	**Deposits in ₹**	**Deposits in ₹**	**Deposits in ₹**
Villages	6,00,000	5,50,000	5,00,000	4,75,000	6,50,000	5,00,000	6,50,000
Remote Areas	4,00,000	3,50,000	3,50,000	2,50,000	500,000	4,00,000	5,00,000
Housewives	7,50,000	5,50,000	6,50,000	5,00,000	4,50,000	3,50,000	7,50,000
Farmers	3,00,000	2,00,000	4,50,000	3,50,000	6,00,000	3,50,000	6,00,000

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The above table explains that business correspondents should choose the highest target for business. In the above table the highest target is chosen for villages, remote areas, housewives and farmers in the year 2020 from the previous years. Research is essential for setting target customers, profiles of existing customers, demography patterns, and habits of frequent deposits by a customer should be studied. For achieving the target, the business correspondents should emphasise on the distribution of promotional materials.

d. Evaluation of Targets

Evaluation is a vital part of the business correspondents of the bank. The basic tool for independent evaluations of performance is to assess the past performance of business correspondents. The bank business correspondent needs to prepare a report on the target achieved and set new targets based on past performance for the future. Realistic targets should be decided for the future. It is necessary to prepare a report on actual targets achieved. Actual results are to be kept in mind by business correspondent before preparing a report on targets achieved and setting future targets. Otherwise, unnecessarily the business correspondent will be under pressure to achieve the target. It is better to identify possible opportunities for future expansion based on realistic targets. Business correspondents should know their capacity to achieve the target and set goals accordingly. Even though the target must always be challenging, but not hopeless and demoralising. So, an achievable target should decide.

In this session, students get to know CIS and its importance. It helps in collecting customer data that helps business correspondents to make decisions regarding a potential customer. This session also explains how information systems are helpful for the use of technology in banks which has made dealings easier for customers and speeded up the operations.

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Practical Exercise

Activity 1

Visit a bank and collect information and create a customer information system.

Materials required: Chart paper, notebook, pen or pencil, and checklist.

Procedure

1. Group the students as per needs.
2. Ask each group to choose a bank for the visit.
3. Interact with the bank manager or the bank executive. Greet him/her and collect information on the revenue/ account targets.
4. Students were asked by the bank executives about the following:
   (a) How they maintain customer information systems at their banks.
   (b) How they update customer's information with suitable procedures.
   (c) How they satisfy their customers with suitable services provided by them.
5. Meet one or two customers present in the bank. Greet them and enquire about the following:
   (a) Customer satisfaction with the Customer Information System maintained by the bank.
   (b) Updated customer information records are sent to the customers.
   (c) Suggestions they would like to offer for improving the CIS.
6. Note all the observations collected from the bank officials and the customers.
7. Discuss with friends in the class for improvement of the final report.
8. Prepare a report incorporating the suggestions given by the classmates and teacher, and submit it to the teacher.

CHECK YOUR PROGRESS

A. Fill in the blanks

1. Customer Information System (CIS) helps in collecting _____ data.
2. By the help of CIS technology business correspondent can _____ and manage customer information.

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3. Customer's account information is saved in customer _____ file.
4. To judge the clear position of a bank, it is essential to make a periodic _____ on status of acquired customers.
5. The bank business correspondent needs to prepare a report on _____ achieved.

B. Multiple Choice Questions (MCQs)

1. The potential customers of the bank may be
   (a) An individual
   (b) Organisation
   (c) Business firm
   (d) All of the above
2. CIS contains all customers related data
   (a) Regarding their premises
   (b) Regarding their addresses
   (c) Regarding determinants of income, etc.
   (d) All of the above
3. Today's Customer Information System became a strategic resource for competitive and
   (a.) Customer-centric banks
   (b.) Customer
   (c.) Business correspondent
   (d.) None of above

C. State whether the following statements are true or false

1. The periodic report on the status of acquired customers has its importance for a bank.
2. Customer Information System helps in collecting customer data.
3. A CIF does not provide the transaction with a summary of a particular account holder.
4. Clear revenue targets will help to guide business strategy.
5. Evaluation is not a vital part of the business correspondents of the bank.

D. Short answer questions

1. What is Customer Information System (CIS)?
2. What is the importance of periodic status reports of the acquired customers?
3. How is the internet useful for a CIS?
4. What is periodic status report in CIS?
5. What is the evaluation of targets?

NOTES

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E. Long answer questions

1. Why do business correspondents require the setting of revenue targets?
2. Explain the importance of reports on targets achieved and renew future targets.
3. Explain the information systems useful for the bankers.

F. Check your performance

1. Prepare a chart on CIS.
2. Make a report on the evaluation of targets of BCs.

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UNIT 3

Verification of Customer Information

Introduction

Business Correspondent and Business Facilitator (BC and BF) are representatives of the bank, responsible for verifying preliminary information provided by the customers. BC and BF provide forms to the customers when needed. BC and BF must assist customers in filling application forms for those who have to open an account, close an account, issue a cheque book or want to start an online transaction, etc.

BC and BF obtain the necessary documents required for processing the account opening application in a bank. They also perform basic verification of documents submitted by the customer for account opening and also ensures that the primary information shared by the customer is authentic. Business correspondents and facilitators pursue referral enquiries about the record of the person or business of the customer. They must receive all the required documents and forms which are duly filled and signed or thumb printed by the customer along with the application form. They should upload the required documents of the customers and information received. Fill customer information into the computer system or smart device, such as Kiosk, POS unit, etc., as per the company's policy. Business correspondent and facilitator educate the customer about payment

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mechanisms available. They also prepare a payment schedule, if required.

BC is responsible for carrying out banking transactions for existing customers. He/she works as an agent for selling banking products and services; opening accounts; and executing deposit, payment, and transfer transactions. BF introduces banking products to the unbanked market segment and assists the bank in collecting receivables including bad debts.

This unit will focus on the verification of preliminary information of the customers, and it consists of four sessions. The first session covers the basics of verification of customer information; the second session deals with referral enquiry of potential customers; the third session explains receiving, verifying, and opening an account; and the fourth session educates customers about the payment mechanisms.

SESSION 1: PRELIMINARIES FOR OPENING AN ACCOUNT

To open an account of prospective customers, the banker must obtain preliminary information from the customer, which requires verification to comply with KYC norms stipulated by RBI.

Preliminary information means basic information of the customer to open an account in the bank. The customer has to make use of the application forms provided by the bank to furnish received information.

I. Types of accounts

1. Savings Bank Account (SB a/c)

It is an account normally opened by any individual. The main purpose of this account is to increase the savings among households. This account holder normally gets interest for their savings.

2. Current Account

This account is more suitable for business concerns. Overdraft facilities are given in case of current accounts only.

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The difference between savings account and current account can be summed up as follows:

Point of Difference	SB Account	Current Account
Business banking	Not Available	Available
Minimum balance maintenance	Required	Higher
ATM-cum-Debit card	Available	Available
Overdraft facilities	No	Yes
Daily transactions limit	Yes	Not applicable, mostly
International transactions	Depends on	Available
Interest	Yes	No

3. Recurring Deposit Account (RD a/c)

This account is also called as *cumulative deposit*. Savings are done on a regular or recurring basis, so the banks have started various daily, weekly, or monthly deposit schemes in recent year. In these accounts, the money is generally deposited in monthly installments for a fixed period and is repaid to the depositor along with interest on maturity.

4. Fixed Deposit Account (FD a/c)

In addition to accepting deposit on savings and current accounts, bankers receive money on deposit accounts undertaking to repay the amounts on the expiry of a specified period, or subject to notice. Generally, bankers prefer deposits that are repayable after the maturity of a specified period. Such deposits are known as *fixed deposits* or *term deposits*.

II. Application form for customer

When a customer wants to open a new account, desires to get a cheque book, intends to transfer the money, demand draft and wants to close an existing account, apply for debit or credit card, or want to start online banking transactions, he or she needs a form to fill the information required by the banker.

Did You Know?

The maximum term or tenure to keep the fixed deposit or term deposit is 10 years. After that the account holder must renew.

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NOTES

1. Types of Forms

Apart from account opening forms, the banker provides four different types of forms that the customers can use. These are as follows:

- **Cash or Cheque deposit forms** are used when a customer needs to submit any cheque or deposit money in the bank.
- **Withdrawal forms** are used when a customer needs to withdraw money.
- **Money transfer forms** are used when a customer needs to transfer money from his/her account to someone else's account.
- **Loan application forms** are used when a customer desires for the loan.

2. Assist Customers to Fill Application Form

BC and BF need to assist the customer in filling the application form to open an account in the bank. They must check all the documents, like identity proof, address proof, photo identity proof, signature, and personal photograph of the customer.

In case, any of the information is missing, BC and BF must go back and ask for the missing information or document from the customers. Assisting the customer to fill the form is beneficial for the customer, as well as the bank. It reduces the risk of mistakes occurring when filling the form. Business correspondents and facilitators provide the services to customers in completing, filling, and submitting bank application forms. They may assist customers over the phone, face to face talk or at customer's place, or a bank. BC and BF provide customers with step-by-step assistance and query resolution on completing their application forms. This customer-centric service can be customised to suit the requirements of each bank customer.

3. Documents Required for Account Opening

An applicant needs to submit certain documents to verify his or her identity to open an account in a bank. To validate customer address, an applicant requires submitting government-approved documents to the

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bank. There are various kinds of documents required for opening an account in the bank. These documents can be categorised into three, which are as follows:

- **Proof of Identity:** Passport, Voter ID card, Aadhaar card, Driving license, PAN card, etc.
- **Proof of address:** Passport, Driving license, Voter ID card, Aadhaar card, etc.
- PAN card
- Form 16 (in case PAN card is not available)
- 2 latest passport size photographs

4. Documents Required for KYC Formalities

"Know Your Customer" (KYC) is a term used for customer identification. This involves making reasonable efforts to determine the identity and beneficial ownership of accounts, source of funds, the nature of customer's business, fairness of operations in the account in relation to the customer's business, etc., to help the banks to manage their risks cautiously.

To open a savings bank account, current account, fixed deposit account, or recurring deposit account, the prospective customers must submit the following documents along with a filled application form to complete the KYC formalities:

- Aadhaar card
- Voter ID
- Passport
- Driving license
- PAN card
- Ration card
- Any photo ID card issued by the central or state government
- A letter stamped or signed or recognised from a gazetted officer or public authority to verify the address details
- Employee ID
- Utility bill (electricity, gas, water, telephone)
- NREGA job card

Apart from the above-listed documents, the applicant is required to submit the latest two passport size photographs and a duly filled account opening form.

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Once a customer submits documents, the concerned authority of the bank will verify details and state whether the customer is eligible for opening an account or not. To prevent rejection, it is best to read the eligibility criteria before applying.

5. Eligibility to Open Account

To open a savings account in an indian bank, customers need to meet certain criteria:

- Should be a citizen of India.
- The individual should be 18 years and above.
- In case of minors, parents or legal guardians of the minor can open the account on their behalf.
- The applicant is required to have valid identity and address proof, which is approved by the government.
- Following approval from the bank, an applicant will have to make an initial deposit, depending on the minimum balance requirement of that particular account chosen by the applicant.

6. Verification of Primary Information

It is the first and important step in opening an account of a customer to check or verify primary information. Primary information of the customer for opening an account in the bank and documents submitted should be verified by the business correspondent, and then submit the same to the banker for further check and to open the account.

Summary

In this session, students get to know the essential initial information required for opening an account. Assist the customers to fill the application form to guide them for the requirement of documents for opening an account. This session explains the KYC term, and essential documents required for its formalities.

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Practical Exercise

Activity 1

Visit a commercial bank to find out various types of application forms and pay-in-slips.

Materials required: Notebook, pen or pencil, and checklist.

Procedure

1. Prepare a checklist for the points of observation or study and give it to the students.
2. Divide the students into groups, as per the class strength, with four to five students in each group.
3. Reach the commercial bank as per schedule.
4. Interact with the bank manager or the bank executive. Greet him/her politely and ask the following questions:
   (a) Type of bank forms offered by the bank
   (b) Uses of bank forms offered by the bank
   (c) Identify various types of forms in the bank branches
5. Note all the observations, discuss with friends and finalise the report.
6. Confirm with the bank executive to show the final report they prepared.
7. Ask the students to demonstrate various types of forms they collected from the bank in the class.
8. Prepare a report along with the collected different forms as specimen copies and submit it to the subject teacher.

Activity 2

Demonstrate how to fill the application form and collect the necessary documents.

Materials required: Access to the internet facility, chart papers, and ordinary pointer pen, pencil, etc.

Procedure:

1. The teacher will form groups of students.
2. The group members will discuss among themselves and note down points relevant to the topic — how to fill the application form with different components and collect the necessary documents.
3. The internet can be accessed by them to find out how to fill application forms and collect the necessary documents.
4. Allot the assigned role to every student for demonstration.
5. Each group member will perform a role on how to fill an application form and how to collect the necessary documents.

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6. The remaining members will respond to the questions put by their classmates.
7. The teacher should give observations on their demonstration group-wise so as to make a value addition to the presentations.

CHECK YOUR PROGRESS

A. Fill in the blanks

1. _____ information means basic information of a customer to open an account in a bank, which comes before any other information.
2. BC and BF need to _____ the customer in filling the application form.
3. It is the duty of BC and BF to check all the _____.
4. BC and BF provide customers with _____ resolution on completing their application forms.
5. Customer-centric service can be _____ to suit the requirements of each bank customer.

B. Multiple Choice Questions (MCQs)

1. To verify the identity, a customer can provide and submit the following document to the bank:
   (a) Voter ID, passport, driving license
   (b) Aadhaar card, PAN card
   (c) Ration card
   (d) All of the above
2. To verify the address proof, a customer can provide and submit the following documents to the bank:
   (a) Driving license
   (b) Passport
   (c) Aadhaar card, Voter ID
   (d) All of the above
3. To be eligible to open a bank account in any indian bank, which criterion do the customers need to meet?
   (a) Should be a citizen of India
   (b) Should be 18 years and above
   (c) In the case of minors, parents or legal guardians of a minor
   (d) All of the above
4. The applicant is required to submit _____.
   (a) Latest passport size photographs
   (b) A duly filled account opening form
   (c) Both (a) and (b)
   (d) All of the above

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C. State whether the following statements are true or false

1. Preliminary information means information needed at the last stages of account opening.
2. An applicant needs to submit certain documents to verify his or her identity to open an account in the bank.
3. No documents are required for opening an account in the bank.
4. The application form and required documents were sent to the check team of the bank.
5. To prevent rejection, it is best to read eligibility criteria before applying.

D. Match the columns

Column A		Column B	
1.	Cheque depositing forms	A.	When a customer needs to withdraw money.
2.	Withdrawal forms	B.	When a customer needs to submit any cheque or deposit money.
3.	Money transfer forms	C.	When a customer applies for the loan.
4.	Loan application forms	D.	When a customer needs to transfer money from their account to someone else's account.

E. Short answer questions

1. What is preliminary information?
2. Explain different types of forms.
3. What documents are required for processing the account opening?

F. Long answer questions

1. Describe the need for assisting customers to fill the application forms and collect the necessary documents.
2. Explain the eligibility to open an account in a bank.
3. Explain various documents which are required to open an account in a bank.

G. Check your performance

1. Demonstrate various types of forms with suitable components to fill.
2. Demonstrate how to fill the application form and collect the necessary documents.

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SESSION 2: REFERRAL ENQUIRY OF POTENTIAL CUSTOMERS

Business correspondents and facilitators must check the customer information carefully. They can get more information about the customers by asking them about their locality. Business correspondents and facilitators can pursue referral enquiries on the records of the customer.

I. Referral Enquiry

Referral means when a business correspondent directs a customer to another person or place for getting more information, help, or any other kind of action. This inquiry is very important for customer information. During cross-check of credit checks, the sanctioning authority may also make independent enquiries to ascertain the veracity of the data and information given in the loan proposal. The authority may refer to certain persons and other sources. The assistance of a business correspondent can be taken if considered necessary. The discrepancies brought through the referral enquiries have to be explained and/or rectified by the credit check team.

Referral enquiries are needed when the bank asks business correspondents to visit different places for getting customer information. These help to act regarding open or approve the loan to a person or group with more information. In banking, we refer an enquiry to specialist service when we have limited information about the customer, where the customer image is doubtful or loan amount is big.

Business correspondents must pursue the referral enquiring for the previous record of customers or their business to ensure the safety of dealing with the customer. They must receive all the required documents and forms, which are duly filled and signed by the customer. If a customer is illiterate the impression of thumb should be on the allotted place in required documents. Business correspondent must get a signature or print thumb impression of the customer before themselves, and also attach it with the application file.

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It is a very important duty of BCs and BFs to upload the required information on the system. Business correspondents and facilitators must ensure that all required information is entered into the system by referring to documents submitted by the customer. They must use a computer system or a smart device to enter the information into the system. He/she can also use the services of kiosks or point of sale units etc.

Referral enquiry helps BCs and BFs to get accurate information about the customer where he/she is residing. It can be done from the neighbourhood, the village members, the community members, and leader, and sarpanch. The business correspondent and facilitator should help to get the present condition of the customer or business of a customer. Referral enquiries include the following information, like full name of the customer, address of the customer, from how many years he/she is residing in the area, the previous record of the customer, and default cases of the customer if any.

II. Source of Referral Enquiry

There are various sources of referral enquiries — neighbourhood, community leaders, local bodies and sarpanch of the village.

1. Neighbourhood

Whenever a person wants to open an account in the bank or wants to take a loan from the bank, he/she can approach the business correspondent. Business correspondents should enquire about the potential customer when a person wants to open an account or take a loan from the bank. Business correspondent also gets the information about the customer from his/her neighbourhood, i.e., what type of person he/she is, what is the financial condition of the customer, source of income and their characteristics. Neighbourhood is the best place from where a business correspondent gets the information about the potential customers.

2. Community Leaders

Community leader is a person who leads the community in the village area. It is a very old concept in villages or

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rural areas that every community has one leader who represents others. It is a good source of information for potential customers. The business correspondent can approach community leaders to get information about the particular person who belongs to the same community.

3. Background Check through Local Body

A business correspondent can also approach the local bodies to get the information about the potential customer. It is also one of the sources to get the enquiry about the potential customer.

4. Sarpanch

The *sarpanch* represents the whole village and has the capability and ability to decide in favour of villagers. A business correspondent can also approach the *sarpanch* to get the information required about the prospective customer and also confirm the collected information about them.

III. Advantages of Referral Enquiry

Referral enquiries play a very important role in the job of BC and BF. There are several advantages of referral enquiry:

- ***Getting Accurate Information:*** Referral enquiries help the business facilitator to generate accurate information about the customer, and achieve a higher level of lead. It also helps in getting accurate information about the customer through their neighbourhood. Most of the time referral enquiries also help in converting a potential customer into an actual customer.
- ***Increase the Closing Rate:*** Another importance of referral enquiries is that it increases the closing rate of the business. Business correspondents can sanction the loan or open an account in a bank based on strong referral enquiry. All the information received from the community leader, *sarpanch*, or neighbourhood of the customer helps to open the account.
- ***Increase the Sales:*** It also helps the business correspondent and facilitator to increase the

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overall sale of the financial products or help to sell the banking products.

- ***Reduce the Default Customers:*** Referral enquiries also reduce the chances of default customers.
- ***Generate Positive Attitude:*** Referral enquiries generate a positive attitude of the customer towards the banking services.
- ***Get Accurate Information:*** Bankers get the accurate information with referral enquiries even if it is hidden by the customers.

Summary

In this session, students understand the importance of referral enquiries on the records of the customer. The business correspondent and facilitator should help to get the present condition of the customer or business of a customer. The importance of referral enquiries is to increase the closing rate of the business. Business correspondents can sanction the loan or open an account in a bank based on strong referral enquiry.

Practical Exercise

Activity 1

Visit the field for observing the referral enquiries done by BCs and prepare a chart on referral enquiry and its sources.

Materials required: Access to the internet facility, chart papers, and ordinary pointer, plain papers, sketch pens, pen, pencil, etc.

Procedure:

1. The teacher will form groups of students in a class.
2. The group members will discuss among themselves and note down.
3. Visit BCs office and take permission for observing the referral enquiries done by the BCs.
4. Students are allowed to access internet to find out the latest developments regarding referral enquiries by the BCs.
5. Each group will prepare a chart on the topic — referral enquiry and its sources.
6. Group leaders of each group will make a presentation on a chart and present it in the class.

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7. The remaining students will respond to the questions put by their classmates.
8. The teacher should comment on the chart's presentation prepared by the groups so that he/she can make a value addition to the chart presentations.
9. Prepare final chart presentation with the incorporations suggested by the other group members and teacher.
10. Submit the chart presentation to the concerned teacher.

CHECK YOUR PROGRESS

A. Fill in the blanks

1. Business correspondent and facilitator can _____ referral enquiries about the past records of the customer.
2. Referral inquiry is important for _____ information.
3. The _____ brought through the referral enquiries have to be explained and/or rectified by the credit check team.
4. _____ must put a signature or print thumb impression of the customer before themselves and also attach it into the application file.
5. It is a very important duty of BC and BF to _____ required information on system.

B. Multiple Choice Questions (MCQs)

1. Referral enquiries include the following information
   (a) Full name of the customer
   (b) Address of the customer
   (c) From how many years he/she is residing in the area
   (d) All of the above
2. There are various sources of referral enquiries
   (a) Neighbourhood
   (b) Community leader
   (c) Both (a) and (b)
   (d) None of the above
3. _____ is the best place where a business correspondent gets the information about the potential customers.
   (a) Neighbourhood
   (b) Community leader
   (c) *Sarpanch*
   (d) Local bodies
4. There are advantages of referral enquiry
   (a) Getting accurate information
   (b) Increase the closing rate and sale

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(c) Reduce the default
(d) All of the above

C. State whether the following statements are true or false

1. The business correspondent did not get the information about the customer from his/her neighbourhood.
2. Business correspondents must pursue referral inquiring for the record of customers or their business to ensure the safety of dealing with customers.
3. Business correspondents must receive all the required documents and forms, which are not duly filled and signed by the customer.
4. Referral enquiry helps the business correspondent and facilitator to get accurate information about the customer where he/she is residing.
5. A business correspondent can also approach the local bodies and get information about the potential customer.

D. Short answer questions

1. What is a referral inquiry?
2. Describe various sources of the referral enquiries.
3. Explain the advantages of referral enquiry.

E. Long answer questions

1. Describe various sources of the referral enquiries in detail.
2. Explain the advantages having with the referred enquiry.

F. Check your performance

1. Prepare a chart on referral enquiry and its sources.
2. Demonstrate sources required for referral enquiry.

SESSION 3: RECEIVING, VERIFYING AND OPENING ACCOUNT

To open an account in a bank, a Business Correspondent must receive all the required documents and fill an application form duly signed or thumb printed by a potential customer. After receiving all required documents, the BC must check the information filled in the form by the customer with supporting documents. After checking the original documents, the business correspondent and facilitator must return the original documents to the customer and keep the soft or hard copy with him or her. Once the business correspondent is ensured that the information given by the customer is true, he/she must forward the application to the credit check team.

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I. Processing Received Application Form by Bank

The process of receiving and updating the required documents is as follows:

- ***Duly filled form:*** Business correspondent and facilitator first receive the filled application form from the customer. In case, if the customer is an illiterate business correspondent or facilitator must help the customer to fill the application form by asking for required information from a customer.
- ***Signed or thumb printed:*** After filling the application form, the business correspondent or business facilitator must take the signature of the customer on the form. If a customer is illiterate, the business correspondent has to take a thumb impression on the application form.
- ***Other formalities:*** The next stage of processing the application form is to verify whether any information is missed or not filled by the customer. If any information is missing, the business correspondent should contact the customer again and complete all formalities from the customer side. Once the business correspondent receives the customer application to open an account in a bank, the business correspondent should upload required documents and relevant information in the system as per the company's policy so that the check team cross-checks the customer information.

II. Verification of Customer Information

After receiving the application form and supporting documents from BC and BF, the check team of the bank has to verify the information provided by the customers. Know Your Customer (KYC) procedures applied by the check team. These are critical functions to assess customer risk and a legal requirement to comply with anti-money laundering laws. Effective KYC involves knowing customer's identity, their financial activities, and the risk they pose to the bank. KYC compliance responsibility rests with the banks only. It includes the following:

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1. ID card verification
2. Face recognition
3. Document verification such as utility bills as proof of address
4. Biometric verification

Thus, verification of customers and information provided by them involves all the necessary actions to make sure that bank customers really assess and monitor risks. This will help to prevent and identify money laundering, terrorism financing, and other illegal corruption activities. If the banks fail to comply with KYC, heavy penalties are imposed by the RBI.

1. Upload Documents and Information Received

Business correspondent collects the required information from customers. They feed all required customer data into the system. The business correspondent should send customer data to the credit check team for verification and approval. They must hand over the application and required customer documents to the credit-check team. Normally, details mentioned below are captured in respect to an individual for opening a deposit or loan account in a branch of the financing institution:

- Name
- Father/Husband/Guardian's name
- Gender
- Marital status
- Date of birth
- Religion
- Residential address
- Valid KYC documents
- Occupation
- Educational qualification
- Annual household income
- Number of dependents and their details
- Disability status
- Existing bank account of family members/ household
- Mode of operation
- Nomination details

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A signed declaration form from the customer is obtained by the business correspondent to the effect that the information provided by the customer is true. Business correspondent accepts the terms and conditions of the bank. Form 60 (for customers who do not have PAN) and/or Form 61 (for customers who do not have any income except agricultural income), as applicable, are also submitted by the customer.

Specimen signatures or thumb impressions and recent photographs are also obtained and kept securely on records for identification and verification of the person, at any time.

2. Process to Open an Account

Business correspondent executes various tasks while opening an account for different banking products:

- First of all, business correspondents must collect and process different forms for the deposit which require verification of basic information or data.
- Business correspondent is responsible for enrolling customers for various financial products of the bank.
- The business correspondent is also involved in filling various application forms for account opening, like nomination and submission to the bank.
- Business correspondent also completes an account in the bank of the entire KYC (Know Your Customers) as part of opening formalities.
- BC and BF are authorised by the bank to provide mini account statements to the customer.
- They are authorised to give balance-related information for a minimum period of 3 months to the customers.
- Business correspondent is authorised to deliver other services to a customer on behalf of a bank duly authorised by an appropriate authority.
- Business correspondents and facilitators also promote cross-selling of banking products, like microinsurance through the Kiosk, mutual fund products, pension, micro-insurance, and other third-party products.

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Summary

In this session, students understand the process of receiving and updating the basic details of customers including required documents. Role of business correspondent in enrolling customers for various financial products of the bank. This session also describes how a business correspondent executes different tasks while opening an account for various banking products.

Practical Exercise

Activity 1

Conduct role-play and demonstrate the whole process of receiving, verifying, and opening an account in a bank.

Materials required: Access to the internet facility, plain papers, sketch pens, pen, pencil, etc.

Procedure:

1. The teacher will form groups of students in the class.
2. The group members will be asked in the class to prepare a role-play script on receiving, verifying, and the process of opening an account in a bank.
3. Assign the role to each group member for role play based on the script prepared by them, and prepare dialogues.
4. Ask every group to perform their role-play as per their script with suitable dialogues and actions.
5. The group members will also respond to the questions put by their classmates.
6. The teacher should give comments on the role-playing of each group so that he/she can make a value addition to their role-play demonstrations.
7. Modify the scripts and dialogues with the suggestions given by the teacher and submit it to the concerned teacher.

CHECK YOUR PROGRESS

A. Fill in the blanks

1. Business correspondent _____ all the required documents.
2. Business correspondent must _____ the information filled in the form by the customer with its original documents.

NOTES

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3. After checking the _____ documents business correspondent and facilitator must return the original documents to the customer.
4. In case, if customer is illiterate business correspondent or facilitator must help the customer to _____ the application form.
5. Business correspondent is responsible for _____ the customers for various financial products.

B. Multiple Choice Questions (MCQs)

1. The process of receiving and updating the required documents is _____.
   (a) Duly filled form
   (b) Signed or thumb printed
   (c) Other formalities
   (d) All of the above
2. Business correspondent delivers many other services on behalf of the bank duly authorised by the _____.
   (a) Appropriate authority
   (b) Business correspondent himself/herself
   (c) Bank manager
   (d) None of the above
3. A signed declaration form from the _____ is obtained by business correspondent to affect whether the information provided by him or her is true.
   (a) Business correspondent himself/herself
   (b) Customer
   (c) Bank manager
   (d) None of the above
4. _____ should send customer data to the credit check team for verification and approval.
   (a) Business correspondent
   (b) Customer
   (c) Bank manager
   (d) None of the above

C. State whether the following statements are true or false

1. If any information is missed or not filled by the customer, BC/BF should contact the customer to complete all formalities.
2. Business correspondent does not collect the required information from the customers.
3. If a customer is illiterate, a business correspondent or facilitator must help the customer to fill the application form by asking for required information from the customer.

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4. It is not the duty of business correspondent to feed all required customer data into the system.
5. Business correspondents execute various tasks while opening an account for a banking product.

D. Short answer questions

1. What is the process of receiving and updating the required documents?
2. What is meant by verification of customer information?

E. Long answer questions

1. Describe the process to execute various tasks while opening an account for various banking products.
2. Explain the points to keep in mind while uploading documents and information received from the customer.
3. Explain how KYC is useful in the verification of customer information.

F. Check your performance

1. Demonstrate the receiving and checking the duly filled form for opening an account.
2. Demonstrate the whole process of opening an account in a bank with suitable formalities.

Session 4: Educate Customer about Payment Mechanism

Business correspondent is accountable for carrying out banking transactions for existing customers. They work as agents for selling banking products and services (Figure 3.1); opening accounts; and executing deposit, payment, and transfer transactions. Business facilitator works as an agent of a bank, introduces banking products to unbanked market segments and assists the bank in collecting receivables including bad debts.

When a customer takes a loan from the bank, then the customer has to return the amount in a predetermined manner. Each bank has to follow a certain payment mechanism to get back the loan amount from the existing customers otherwise they will face a big loss in the business. Every business runs to earn a profit, whether it is

Figure 3.1: *Selling Banking Products and Services*

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a profit-making company or a financial institution. The other objective of a financial institution is to help people, to improve the standard of living, and keep the money of customers.

I. Payment Mechanisms

There are many banks that are working in remote areas and providing various services to customers. BC and BF help the customers to open an account in a bank. In this process, BCs can open customer service points at different remote areas for providing the customer services (Figure 3.2).

Figure 3.2: *Customer Service Point*
Source: https://rb.gy/ffon8s

The banks provide various facilities, like money deposit, withdrawal, fixed deposit, and recurring account facility. These accounts are operated in two ways:

- Customers can operate their account by bank account number.
- Customers can operate their accounts by Aadhaar enabled payment system by which remote area customers make deposit, withdrawal, fixed deposit and open a recurring account at customer service points through their Aadhaar number.

Banks also provide loan facility to their remote area customers to start a small size business with some conditions. Customers need to visit banks and complete the loan formalities and follow the procedure. The whole process is overlooked by the bank itself.

Once the customer gets the loan from the bank, he or she has to repay in the form of easy monthly instalments, i.e., EMI, but there are certain conditions:

- Bank or BC: If the EMI amount is less than ₹ 20,000 per month, customers can pay directly to the bank or can take the help of a Kiosk or business correspondent.
- Bank: In case, if monthly instalment amount is more than ₹ 20,000 per month, customers have to visit a bank and repay the loan. The business correspondents cannot take EMI if it is more than

Did You Know?

The maximum term or tenure to keep the fixed deposit or term deposit is 10 years. After that they must renew.

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₹20,000 per month and deposit into the bank on behalf of the customer.

- **Auto Deduction Option:** Another way to repay the loan is the auto deduction option. In this case, the customer can opt for the facility during filling the form for taking a loan, in which the customer permits the bank to deduct the Equated Monthly Instalments (EMI) amount from the savings account on the fixed date of every month automatically.

II. Payment Schedule

Payment schedule refers to the period of payment allowed for repayment of the loan amount. When customers take loan from the bank, they have to repay the amount to the bank within a given period of time. For proper management, the bank prepares a payment schedule in which customers have to pay the loan amount in the form of easy monthly instalments. The repayment schedule also includes certain terms and conditions. First EMI starts after one month, three months, and six months from the day the loan is sanctioned or it depends on the bank policy. The payment schedule varies from bank to bank.

Bank fixes the payment schedule and accordingly customers have to pay the loan amount. Sometimes the payment schedule falls between the first to the tenth day of every month fixed for the payment of loan amount.

Customers can approach business correspondents and facilitators and request them to take money from them and deposit it in the bank against the loan. The customer can also go directly to the bank and deposit the amount within the given dates of each month. Bank also fixes the schedule of the date on which the EMI amount is deducted from the customer account in case the customer otps for the facility of auto deduction option.

1. Proper Scheduling to Follow Up Visits

In the case of a loan account, banks are responsible to get back the loan amount from customers. Banks should prepare proper scheduling and keep the updated

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information regarding the customer's visits for repayment of the loan in the bank. In case, a customer fails to repay the loan amount from the last 2–3 months, then it is the duty of the bank manager to take up follow-up action.

Summary

In this session, students understand the importance of customer education, that helps to inspire their loyalty by building trust. Providing awareness to customers will upgrade new and better ways to use banking products and services. Customers will learn new features and how to use them. They will learn tips, tricks, and best practices that provide them with more value.

Practical Exercise

Activity 1

Draw a chart on payment mechanism and incorporate the procedure for the payment schedule.

Materials required: Access to the internet facility, presentation equipments, such as LCD projector, digital pointer, etc. If these requirements are not available, then chart papers and ordinary pointer, plain papers, sketch pens, pen, pencil, etc., can be used.

Procedure:

1. The teacher will form a group of students in the class.
2. The group members will discuss among themselves and note down points relevant to the payment mechanism, and also incorporate the procedure for a payment schedule.
3. The internet can be accessed by them to find out the latest developments.
4. Each group will prepare a chart on the topic — payment mechanism and incorporate the procedure for payment schedule using pen, paper, sheet, colours.
5. The leader of each group will make a presentation on charts and present in the class.
6. The remaining members will respond to the questions put by their classmates.
7. The teacher should observe the charts and presentations presented by each group so that he/she can make a value addition in the presentations.
8. Prepare a chart presentation with the incorporations suggested by the teacher and submit to the concerned teacher.

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CHECK YOUR PROGRESS

A. Fill in the blanks

1. Business correspondent is responsible for carrying out banking _____ for existing customers.
2. When a customer takes _____ from a bank, the customer has to return the amount in a predetermined manner.
3. There are many banks working in _____ areas and providing various services to customers.
4. Every bank has to follow a certain _____ mechanism to get back the loan amount from the existing customers otherwise they will face a big loss in the business.
5. _____ amount deducted from customer account in case customer opt the facility of auto deduction option.

B. Multiple Choice Questions (MCQs)

1. Banks provide various facilities, like
   (a) Money deposit facility
   (b) Withdrawal facility
   (c) Fixed deposit and recurring account facility
   (d) All of the above
2. Payment schedule implies that when a customer take loan from bank he/she has to repay the amount _____.
   (a) Within a given period of time
   (b) Whenever customer want
   (c) Both (a) and (b)
   (d) None of the above
3. Customers repay the loan amount by
   (a) Aadhaar enabled payment system
   (b) Auto reduction option
   (c) Direct to bank
   (d) All of the above

C. State whether the following statements are true or false

1. Business correspondent and facilitator help the customer to open an account in a bank.
2. Customers cannot operate their accounts by bank account number at the bank.
3. Banks also provide loan facility to their remote area customers to start a small size business with some conditions.

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4. The customer can also go directly to the bank and deposit the amount within the given dates of each month.
5. In case of a loan account, business correspondents are responsible to get back the loan amount from customers.

D. Short answer questions

1. What is a payment mechanism?
2. What is the procedure for the payment schedule?

E. Long answer questions

1. Explain the payment mechanism and also incorporate the procedure for the payment schedule.

F. Check your performance

1. Demonstrate the payment mechanism with suitable EMI's by customers.
2. Illustrate a chart containing the form elites followed by scheduling of payments with suitable visits.

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UNIT 4

Processing of Banking Application

Introduction

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It is very important to have a working knowledge of a bank and its basic functions for a person who is willing to work as a business facilitator/business correspondent. The primary function of banks is to collect deposits from the community. These deposits can be saving deposits, fixed deposits, current deposits, or recurring deposits.

These deposits are used by banks to lend in the name of cash credits, overdrafts, demand loans and term loans for trading business, manufacturing and service activities, agricultural activities, and personal needs, such as the purchase of house, car, education, medical and marriage expenses. Apart from these basic functions, the banks also undertake important functions of processing the applications for account opening for deposits and loans, and advances. This function is vital for the banker as it helps to identify the right customers which lead to financial stability and soundness and credential of banks increases in the market.

Hence, the business correspondent and facilitator should know how the bank processes the application for loan accounts or deposit accounts. This helps the BC and BF to identify the right customers for the banks and comply with the regulations of the bank.

Hence, this unit focuses on processing banking applications divided into four sessions: The first session

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discusses the evaluation of accounts opening forms; the second session explains the status of the application form; the third session deals with the delivery of documents on account opening; and the fourth session focuses on general administration work.

SESSION 1: EVALUATION OF ACCOUNT OPENING FORMS

After receiving an application form from a prospective customer to open an account, the primary duty of the bank is to verify whether the customer fulfils KYC norms or not, hence BC and BF should know the provisions of KYC norms.

I. Meaning of KYC

The expanded form of KYC is "Know Your Customer." It is a procedure involving a collection of address and identity details of the customers while opening their accounts in banks. In simple words, KYC means "who the customer is, where he/she lives and what he/she does." Such details facilitate the prevention of the misuse of banking services provided to customers. The KYC details obtained are to be updated regularly at fixed intervals. In compliance with the directions given by the Reserve Bank of India, banks have to ensure that:

- No account is opened in an anonymous or false name.
- No bank account is opened wherever verification and identification of the applicant are not possible. This may be due to the non-cooperative attitude of the buyer or in case where the documents succumbed in support of the customer's identity and address are not verifiable.
- No business transaction should to be allowed without completing the proper KYC process.
- The information needed for KYC and subsequent updating thereof is clearly stated.
- Additional information for the bank's use for subsequent marketing of other products is obtained with the customer's consent.

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- In case of a joint account, the KYC process is completed in respect of all joint account holders.
- Whenever a customer is allowed to perform on behalf of any other person, it is mentioned.
- No person mentioned in RBI's caution list can open the account.

Electronic KYC (E-KYC) is also possible for those people who possess Aadhaar card. These persons are required to submit their consent to the Unique Identification Authority of India (UIDAI) to release their necessary data to the bank or business correspondent for opening the account.

Receipt of data from UIDAI electronically is treated as a valid procedure for KYC verification. If someone has changed their name on account of marriage, or any other reason and Officially Valid Documents (OVD) is in the prior name, an account can be opened by submitting the available OVD and a copy of the marriage certificate supplied by the state.

II. Verifying Acceptable Documentary Proofs and Address

A passport size photograph, proof of address, and proof of identity are required for bank account opening. For 'proof of identity' any of the following documents can be submitted. These documents are known as 'Officially Valid Documents' (OVD) for proof of identity.

- Passport
- Driving license
- Voter ID card
- PAN card
- National Rural Employment Guarantee Act job card
- Aadhaar card issued by UIDAI.

If the document submitted by the account opening applicant for proof of identity also has an address therein, there is no necessity of any other document for proof of address. Otherwise, another officially valid document containing the address is required to be submitted.

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A simplified procedure may be applied by bankers for opening a normal account in case where no official valid document for proof of identity, as mentioned herein earlier, is available with the customer. For this, a copy of one of the documents mentioned below serves the purpose of proof of identity:

1. Identity card having a photograph of the holder, issued by state or central government, public sector undertakings statutory/regulatory authorities, public financial institutions, and scheduled commercial banks.
2. A letter supplied by a gazette authority with the attested photograph of the person desirous of opening the account.
3. Any one of the documents stated below may be submitted for proof of address:
   (i) Electricity bill
   (ii) Telephone bill
   (iii) Post-paid mobile phone bill
   (iv) Piped gas bill
   (v) Water bill, on the period not older than 2 months

   any one of these documents is sufficient.
4. Municipal tax or property tax receipt.
5. Statement of account, containing the address of the account holder of a savings account maintained in a bank or post office.
6. Pension charge orders or circle of relative's pension payment orders issued by the public sector undertakings or government offices to their retired employees.
7. Letter of allocation of the accommodation supplied by state or central government responsibilities, statutory or controlling bodies and public sector organisations, financial institutions, scheduled industrial banks and indexed companies to their employees.
8. Letters issued via a foreign delegation or mission in India, or files issued via government departments of overseas jurisdiction.
9. Address proof issued by the post office of that particular area.

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III. Process of Evaluating Applications

The process of evaluating customer applications involves the following steps (Figure 4.1):

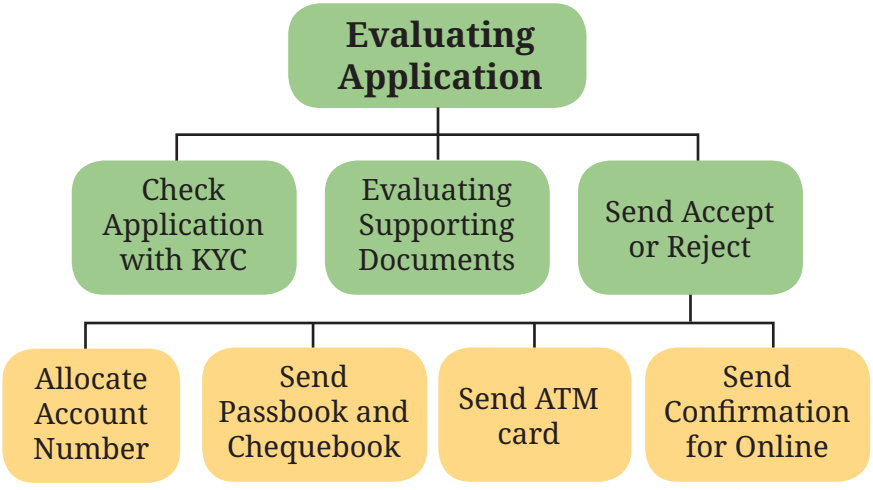

Figure 4.1: *Evaluation Application*

The process of evaluating customer application for a bank account is detailed below:

1. Check Application

After receiving an application form from the customer to open an account, the banker has to verify the information provided and its reliability by keeping in view the KYC norms. If the information is insufficient or needs any clarification, the banker should instruct the BC, BF, or customer to explain or provide the obligatory information. When the banker is totally satisfied with the contents of the information provided in the application, he/she can move to the next stage, i.e., evaluating the documents submitted for examination or verification.

2. Evaluate Supporting Documents

The customers along with the account opening forms, have to submit a copy of passport/driving license/ voter ID card/PAN card/Aadhaar card/NREGA (National Rural Employment Guarantee Act) job card, etc., for verifying their details and address. Hence, the banker has to examine the validity and authenticity of the documents before an account is opened in the name of the prospective customer.

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3. Accept or Rejection

Once the customer's application is found correct and all the KYC norms adhered, the banker has to communicate to the customer for its acceptance. In case, the banker is not satisfied with the contents of the application form, he/she may reject and communicate about it to the prospective customers stating the reasons for it.

4. Allocate Account Number

Once the customer's application is accepted, the customer should be given an account number, which becomes a basis for preparing passbooks, chequebook, and for providing other services.

5. Send Passbook and Chequebook

After opening a bank account the banker has to send the passbook and chequebook to the address given by the buyer. This process helps the customer to take up subsequent banking transactions.

6. Send ATM/Debit Card

When the customer has given an application and opted for an ATM card, the banker has to complete the formalities for sending an ATM card to the customer. Along with an ATM card, a copy of guidelines along with instructions of how to use the card is also sent to the customer.

7. Confirmation

The banker would also confirm online facility offered to the customer by sending a mail to their email ID provided by them. With this, all the formalities shall be completed in opening an account for the new customer.

Thus, the process of evaluation refers to checking the application with KYC norms, evaluating supporting identity documents, sending acceptance or rejection, allocating account numbers, and sending passbooks, chequebooks and ATM cards, etc.

Summary

In this session, students will learn about the importance of KYC, the details and documents required while opening an account, such as Passport, driving license, voter ID

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card, PAN card, NREGA job card, Aadhaar card issued by UIDAI. They will also study the process of evaluating customer applications.

Practical Exercise

Activity 1

Evaluation of bank account opening form through role play.

Materials required: Notepads, paper, pens.

Procedure:

1. Under the direction and guidance of the teacher, students should be given respective role plays to act as a bank employee, turn-by-turn, and students should respond to the queries on various questions of the bank, raised by other students acting as customers and business correspondents or business facilitators.
2. Make some groups in the class and ask one student from each group to act as a customer or business correspondent or business facilitator, and brief the remaining students regarding the procedure for opening a savings bank account.
3. Ask the students to list out the persons or entities eligible for opening a bank account and prepare scripts and practice dialogues of their assigned roles.
4. Arrange copies of the account opening slip of any bank and ask the students to fill the form for a farmer/student/ illiterate person by the business correspondent business facilitator.
5. Conduct role play as per the scripts prepared by the groups.
6. The group members will also respond to the questions asked by their classmates.
7. Teachers should give comments on every group's role play.
8. Prepare final role play scripts and dialogues as per the suggestions given by the teacher, and submit to the concerned teacher.

CHECK YOUR PROGRESS

A. Fill in the blanks

1. The banks collect _____ from the public.
2. In case of a combined account, _____ process is completed in respect of all joint account holders.
3. No account will have opened in an unidentified or _____ name.
4. A passport size photograph and proof of_____ are obligatory for opening bank account.

NOTES

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5. Whether the loan agreement will contain a minimum rate of _____clause.

B. Multiple Choice Questions (MCQs)

1. The expanded form of KYC is _____.
   (a) Knowledge of Your Customers
   (b) Know Your Customer
   (c) Know Your Consumer
   (d) None of the above
2. E-KYC is also possible for people who possess an Aadhaar card. In this sentence, 'e' stands for _____.
   (a) Electronic
   (b) Election
   (c) Executive
   (d) None of the above
3. These documents are known as "Officially Valid Documents" (OVD) for proof of identity
   (a) Passport
   (b) Driving license
   (c) Voter ID card
   (d) All of the above
4. A letter supplied by _____ officer with the proven photograph of the person desirous of opening the account.
   (a) Any
   (b) Gazetted
   (c) Bank
   (d) None of the above

C. State whether the following statements are true or false

1. The banker does not need verify the information provided by the customer in terms of KYC norms.
2. The banker must examine the accuracy of the documents succumbed by the customers for opening an account in the bank.
3. The banker must send a passbook and chequebook once the account number is allotted.
4. Municipal tax or property receipt cannot be considered as proof of identity.
5. No person mentioned in RBI's caution list can open the account.

D. Short answer questions

1. What do you mean by KYC?
2. What are the different documents which can be submitted as proof of identity?
3. What steps are involved in evaluating the account opening application?

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E. Long answer questions

1. What is KYC? Explain its provisions concerning opening a new account.
2. Explain various documents which can be used as proof of identity of the customer.
3. Explain how the process of evaluation of customer's application for a new account is completed by the banker.

F. Check your performance

1. Prepare a chart containing the documents required for opening a bank account.
2. Demonstrate the formalities to complete KYC step by step.

SESSION 2: STATUS OF APPLICATION FORM

It is necessary to inform the customer about the basic introductory part of an account, and he/she should be kept informed about the details, and it should be timely available. This session explains the status of the application form and provisions to be adhered by the banker.

I. Notification from Bank to Customer

After opening a bank account, the customer will receive a notification or information from the bank containing:

- Number of transactions, cash withdrawals, etc., that can be done without charge within a given period.
- The charges are levied, in case of exceeding the limits. Details of the charges could be inside the Tariff Schedule.
- The rates of interest paid on savings deposits, projected.
- The minimum balance to be maintained and provisions governing the operation of such accounts.
- The charges are to be levied in case of failure for maintaining the minimum amount in the account.

1. Issues with Notification from the bank

Specific costs for the supply of chequebooks, additional or duplicate statement of money owed, replica skip book, copies of paid cheques, folio fees, debit card, ATM card, verification of a signature, go back of cheque for

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insufficient balance, alternate in mandate or style of account, the closing of savings bank or current bills, etc., can be blanketed in Tariff Schedule.

Concession or relief given (which includes a perpetual waiver of renewal rate on lifetime credit score cards) will no longer be withdrawn all through the authentic validity length of the concession or remedy.

2. Application Status after Receiving the Information

Once a person receives the above information, it implies that the application has been accepted, the account is opened, and the person has become a consumer of the bank. The customer is authorised to avail the facilities as an account holder and continue to go through by way of the information received.

3. Inform a Customer about Acceptance or Rejection of Application

After submitting the form to open a bank account in a commercial bank, the bank will give the information whether the application has been accepted or not. In case of acceptance of the application, the bank will provide the norms of operation of the bank account, and in case of rejection, the bank will give the reasons of rejection which may be the following:

- Wrong information or insufficient documentation.
- Inadequate information concerning address, identity, employment, etc., as well as the need for any other record that can be specified by statutory specialists (for example, PAN details) to fulfil regulatory requirements.

4. Inform Customers about Successful Account Opening

After convincing the customer's application in all respects according to the norms, the bank will inform the customer to avail the available facilities. The information is sent by post or mail.

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Summary

This session will help the students understand the status of the application form and provisions, notifications sent by the bank to the customers, when the application is accepted or rejected for which the customer has applied and if they can avail all the available facilities after the successful opening of account.

Practical Exercise

Activity 1

Visit a bank involved in the demonstration on informing the customer about acceptance or rejection of the application in the bank account opening process.

Materials required: Notebook, pen or pencil.

Procedure:

1. Students should visit a nearby bank's branch under the supervision of a teacher.
2. Greet the branch manager politely and take permission to understand the acceptance or rejection of the application.
3. Prepare a checklist of documents to be submitted to the bank at the time of opening the account.
4. Ask the officer to demonstrate some rejected and accepted applications form of the customers.
5. Note down the reasons for rejection of the application.
6. Match the documents not submitted with the application form with a checklist.
7. Examine the accepted application carefully with all columns filled are correct and all documents attached are suitable.
8. Prepare a suitable short report and submit it to the class teacher.

CHECK YOUR PROGRESS

A. Fill in the blanks

1. Bank is bound to inform the interest rate is paid on _____ deposits, how it is calculated and its periodicity.
2. During the notice period, banks will not additionally charge the customer for maintenance of higher minimum _____ prescribed.
3. _____ given will not withdraw during the original rationality period of the concession.

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4. Customer's right to recognise the valid reason of _____ of application.

B. Multiple Choice Questions (MCQs)

1. After opening a bank account customer will receive notification or information from the bank containing:
   (a) Number of transactions
   (b) Cash withdrawal
   (c) Both (a) and (b)
   (d) None of the above
2. _____ are authorised to avail the facilities as account holders and continue to go through by the information received.
   (a) Customers
   (b) Bankers
   (c) Business facilitators
   (d) None of the above
3. Concessions or relief assumed will no longer be _____ all through the authentic validity length of the concession or remedy.
   (a) Withdrawn
   (b) Deposited
   (c) Both (a) and (b)
   (d) None of the above
4. Bank inform the customer to avail the services of _____.
   (a) Numerous available facilities
   (b) Sending material by post
   (c) Information by mail.
   (d) All of the above

C. State whether the following statements are true or false

1. Wrong information or documentation need not apply for opening a bank account.
2. Banks do not need documents of address, identity, employment information, etc.
3. The bank never informs the customer about the availing of the numerous facilities of the bank.
4. Informing the smallest balance to be continued in 30 days in early payment.

D. Short answer questions

1. What are the reasons for the rejection of the application?
2. What information does the customer receive from the bank after acceptance of the application?

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E. Long answer questions

1. Explain how the status of the application form for new account information is communicated to customers.

F. Check your performance

1. Demonstrate what kind of information is received from banks after opening a bank account.
2. List the reasons for rejecting the application for bank account opening.

SESSION 3: DELIVERY OF DOCUMENTS ON ACCOUNT OPENING

The bank provides many facilities to a customer after an account is opened. The customer is expected to have regular dealings with his/her banker. It should relate to the business of banking. A banker performs a huge number of functions and renders various types of public utility services. The services are as follows:

- Single
- Joint
- Joint (Former or Survivor)
- Joint (Either or Survivor)
- Joint (Latter or Survivor)
- In different style

A customer of a bank does not essentially need to be a person (i.e., an individual). A firm, company, Hindu Undivided Family (Joint Hindu Family), society, or any distinct legal entity can be a customer. Section 45 of the Banking Regulation Act, 1949, clarifies that the term "customer" consists of a government branch and a business enterprise incorporated through or underwent any law.

I. Bank Account Holder's Documents

The following documents are issued by the bank to its customer when they open a bank account with that bank. These documents are given as a welcome kit.

1. Passbook

The passbook is a manuscript of all the transactions that have been made on the account.

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Format of Passbook				
Name of the account holder:				
Account Number:				
Date	**Particulars**	**Withdrawal (Dr)**	**Deposits (Cr)**	**Balance (`)**

Did You Know?

The first magnetic stripe card ATM was installed at New York's Chemical Bank in the year 1969.

2. Chequebook

A chequebook contains a bundle of instruments used for banking transactions.

3. *ATM Card or Debit Card*

An ATM card is a card supplied by the bank that can be used at an ATM for deposits, withdrawals, account records, and other types of transactions.

Figure 4.2: *Cheque*

Figure 4.3: *ATM Card*

II. Functions or Usage of Documents Issued by Bank

On opening an account in the name of the customer, the banker issues three important documents which are highly useful to the customer. These documents are passbook, chequebook, and ATM cards. The details of the usefulness of these documents are given further:

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1. Passbook

Passbook is also called a *bank book*. It is utilised to record bank transactions or a deposit account. Traditionally, passbooks are used for saving accounts. The banker records the date and amount of the transaction and updates the balance and entres his/her initial. Therefore with the advancement of technology, bankers have started using small dot-matrix or inkjet printers. Now automatic teller machines or passbook printers are used to record entries in the passbook. The passbook usage is as follows:

- It imparts the amount of money deposited and cheques presented for collection and realised. Thus, all the credit entries or transactions are known with a passbook.
- It shows the amount of money withdrawn and cheques issued, and payments made by the bank are known with passbooks. Thus, all the debit transaction details are known with a passbook.
- It indicates the balance of cash available in the account for any given period of time.
- It also indicates the interest amount earned and charges levied by the bank on the services offered to the customer.

In case of current accounts, the banker provides monthly statements instead of passbooks issued.

2. Chequebook

Chequebook is a folder or minor book that holds pre-printed paper instruments supplied to checking account holders, and used to pay for buying goods and services for personal use. It contains numbered cheques in sequential order that can be used by account holders as references. The cheques are pre-printed with the customer's name, address, account number, IFSC number, branch code, etc. The uses of chequebook are:

- They are safe, and secured payments and money transfers are possible.
- No limits are imposed on the cheque amount.
- Payments are less expensive than electronic payments.

Did You Know?

The validity of a cheque is only 90 days. After that such cheques are considered as stale cheques which does not have any value.

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- Execution of payments for services for which cards are not accepted.

For example, SBI will provide only ten cheque leaves allowed in a fiscal year for saving bank account holders. Thereafter, for additional 10 leaf cheques charges ₹40 plus GST, for 25 leaves chequebook, the bank charges ₹75 added as GST are charged from October 1, 2020.

3. ATM card

The ATM debit cards issued by a banker are very much useful to the customers in the following ways:

- They can withdraw cash from the ATM.
- They can make payments for utilities, such as electricity, insurance premiums, telephone bills, etc.
- The cardholders can request a new chequebook through the ATM of the bank.
- The cardholders have an option for paying credit card bills.
- The customer holding ATM cards can also make payment of direct taxes.
- Recharging mobile phones can also be undertaken with the help of ATM cards.
- The ATM cards can be used for online or offline shopping, thus facilitating the point of sales.
- ATM cardholders may use ATM debit cards for transferring money to another bank account instantly.
- The cardholders can also avail bonus points, cashback offers, free insurance coverage, etc.

Thus, the passbook, chequebook, and ATM cards which are provided by bankers to the customer on opening the bank account are highly useful.

Did You Know?

ATM/Debit card must be safeguarded.

Summary

This session will let the students know about the documents issued by the bank to the customer after the successful opening of the account, like ATM card, passbook and chequebook. They will also understand about the usage or functions of the respective issued documents.

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Practical Exercise

Activity 1

Demonstrate the importance of bank documents provided to customers on opening an account.

Materials required: Notebook, pen/pencil.

Procedure:

1. Arrange a guest lecture of BC or BF in the class under the supervision of the teacher, wherein students ask the questions, one by one regarding the relevant documents provided by the bank.
2. Students have to note down very carefully the replies to the queries on various questions asked to the guest lecture, i.e., BC or BF.
3. Make some groups in the class, then ask and discuss the replies given by BC or BF regarding the procedure for receiving documents from the bank.
4. Ask the students to list out the information received from BC or BF.
5. Show notes to the BC or BF for correction and incorporations.
6. Prepare individual reports and submit them to the teacher.

CHECK YOUR PROGRESS

A. Fill in the blanks

1. The _____ is a document of all the transactions that have been made on the account.
2. _____ card is issued by the bank can be used for all banking transactions.
3. Passbook is also called a _____ book.
4. For passbook printing automated _____ machines are used.
5. Bank provides with a monthly declaration of account except customer have opted for _____.

B. Multiple Choice Questions (MCQs)

1. The bank provides banking facilities to _____.
   (a) Customer
   (b) Employee
   (c) Both (a) and (b)
   (d) None of the above

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2. A consumer might also open different sorts of accounts with the bank, such as
   (a) Saving and term deposits
   (b) Cutting-edge debts including "No Frills" account
   (c) Both (a) and (b)
   (d) None of the above
3. The bank customer needs to be a _____ essentially.
   (a) Person (i.e., an individual)
   (b) A firm, a joint-stock company, a society,
   (c) A Joint Hindu Family (Hindu Undivided Family)
   (d) All of the above
4. Account holder might be talented to see his/her previous _____ on the counter.
   (a) All transactions
   (b) Only deposits
   (c) Only withdrawals
   (d) All of the above
5. For issuing 25 leaf chequebooks, the SBI charges Rs. _____ plus, GST latter October 1, 2020.
   (a) Free
   (b) ₹25
   (c) ₹75
   (d) None of the above

C. State whether the following statements are true or false

1. A customer can open different types of accounts with a bank.
2. No limits are imposed on the cheque amount.
3. ATM cards are not useful for paying utilities.
4. SBI does not charge anything for 100 leaf chequebooks.
5. ATM cards can be utilised for recharging mobiles.

D. Short answer questions

1. How is the term customer clarified by RBI?
2. What is a passbook?
3. What is meant by chequebook?
4. What is an ATM card?

E. Long answer questions

1. Explain the documents provided by the banker to customers on opening the account.
2. Explain how a passbook is useful to customers.
3. Discuss how a chequebook is useful to bank customers.
4. Explain the usefulness of ATM cards to the customers.

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F. Check your performance

1. List the uses of various documents issued by a bank to customers on the chart.
2. Demonstrate the importance of ATM cards issued by the bank to the customers.

SESSION 4: GENERAL ADMINISTRATION WORK

The banking business correspondents and facilitators have to play the role of general administrators on behalf of their bank. The job involves assisting the bank manager to manage banking activities in remote areas where he/she cannot reach the prospective or present customers. The business correspondents and facilitators have to make available banking amenities to the customers who cannot reach the bank premises.

The business correspondent, his or her mediator shall be approved to accept or distribute cash either at their domicile of work or any suitable place subject to the maximum per day or per customer as stated.

A business correspondent could assist more than one bank. At the point of consumer interface, the BC should deliver banking facilities of only one individual bank. The terms and circumstances overriding the contract between the bank and the BC must be sensibly defined in written contracts and subjected to exhaustive legal provisions. The business correspondent should observe the instructions specified in the agreement. The administrative work of BCs and BFs depends on contractual guidelines provided by the banks.

I. Update Details of Accounts Opened

Business correspondents are accountable for executing a scale of functions in this respect which has been clarified below:

1. Preliminary Processing

Business correspondents execute the duty of collecting and conducting preliminary processing of several forms for deposits that comprises verification of principal information or data.

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2. Registration of Customers

They are accountable for registering customers for various financial products. This also involves substantial several applications or account introductory forms, as well as nomination clauses and proposals to the bank.

3. KYC Formalities

When a bank account is opened for their consumers, business correspondents also imply the entire 'Know Your Customer' (KYC) procedure as a portion of the initial formalities involving the assemblage of vital customer evidence showing time to time.

4. Leveraging Knowledge

The process of opening deposit accounts in lesser time and covered extra products as allowed by leveraging knowledge is managed by the business correspondents.

5. Account Declarations

They are authorised to afford mini account declarations and other account allied information, for the slightest period of three months to their consumers.

6. Business Services

In addition, they similarly bring any other facility on behalf of the bank, suitably authorised by the proper authority.

7. Cross-Selling

Besides cross-selling micro indemnity, business correspondents also endorse products and Kiosk banking services including pension products, mutual fund products, insurance products and various third-party products.

II. Periodic Reports on Status of Customers

The BCs have to surrender to the periodic reports on the status of customers timely to their bankers. They must have a close relationship with the customers and get in touch with their requirements. They also prepare a report and send it to the local head office for further action within

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a certain time interval. Some of the observations which the BCs include in their periodic report are as follow:

- For the customers who desire to shut their financial institution accounts, the business correspondents adopt the accountability to tell the local department or the centralised hub of bank or NBFC (Non Banking Financial Company) about such closure of accounts.
- Upon the loss of life of the financial institution account holder, business correspondents make it certain to inform the bank of approximate deactivation of the account.
- They also bear in mind any chance related to coping with cash at floor level and take appropriate measures to make certain security.
- As mediators of the banks, correspondents make certain of the confidentiality of important client information.
- For transport banking amenities, BCs are authorised to use the gadget and era as assigned via the banks and they are accountable for successfully using them.

III. Set Revenue and Account Targets

The BCs should assist their bankers in setting revenue and account targets. They play a key role in disbursing and collecting loans and advances to the customers. The following administrative work should be undertaken by BC regarding disbursement and collection of loans:

- The business correspondent switches the task of compilation and payment of lesser value credits (cash) and pulling out the highest value of which is ₹ 20,000/- per transaction while there is no lowest amount limit. It can be greater than before by the local head office according to the need and requirement.
- Business correspondents are answerable for handling acknowledgment and delivery of minor value payment or other disbursement instruments.
- They are accountable for disbursing small loans, like capital loans, agricultural loans, group loans, etc., depending on the associate banks guiding principle.

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- Their responsibility is also to take in the collection of payments and fees from the customer as per partner bank's rule.
- For loan products, they assist with the collection of principal and interest conforms strictly by the code of conduct.
- After the loans are authorised, the task of supervising is also accepted by the business correspondents.

IV. Report on Targets Achieved and Review Future Targets

Business Correspondents (BCs) are allowed as third-party representatives by banks and bring banking and monetary services arranged in place of the banks. They have an essential role to play as they convey vital banking facilities to the financially excluded component of the society in remote areas where banks do not have occurrence. Business correspondents are occupied by banks as trade agents to offer banking facilities to their clientele. Hence, they are influential in growing the outreach of banks through Kiosk banking services where services and products are obtainable at affordable costs.

The Kiosk outlets are internet-enabled and serve as a suitable platform for availing basic services that would consist of opening a basic account with no least balance, transactions within ₹20,000 per day, and small value deposits along with products, like pension products, other third-party products, etc. While the customers have the advantage of a secure, stress-free banking and familiar stance through these Kiosks operated by business correspondents, there is also some compensation for these retail negotiators as well in terms of good incentive.

Business correspondents services are caused by them like each new account opened for patrons, money transfer transactions or new loans distribute. Whereas the BCs are firmly prohibited from acquiring any fee from the consumers for their service, the banks are allowed to levy realistic service charges from their clients in a transparent manner.

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As per RBI, the commission constitution or incentive system is designed in a move that a mere increase in the number of consumers served or the business volume does not force the commission. The compensation shall combine set and variable parts reliant, among other things, on convinced indication or customer fulfilment index.

V. Follow Up Visit

The follow-up BCs involve the following:

- Detection of borrowers and fitment of actions;
- Collection and preliminary giving out of loan request including verification of prime information or data;
- Creating awareness about investments and various products, and learning and advice on supervision of money and debt counsel;
- Processing and compliance of claims to banks;
- Promotion and development of joint liability groups or self-help groups;
- Post-sanction monitoring;
- Monitoring and handholding of joint liability groups/self help groups/credit groups, and others;
- Follow-up for improvement.

Thus, we find that the banking business correspondents play a significant role in the administration of banking services to unreached customers in remote areas by the banks.

Summary

In this session, students will come to know about the role of business correspondents and facilitators working as general administrators. Their work is based on the contractual details provided by the bank, like updating the customer details after the opening of the account, periodic reports on the status of customers, set revenue and account targets, reports on targets achieved and reviewing future targets, follow up visits, etc.

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Practical Exercise

Activity 1

Prepare a periodic report format on the status of customers.

Materials required: Notebook, pen/pencil.

Procedure:

1. Collect the information which has to be sent in a report form by a BC to the bank.
2. Set the serial of collected information.
3. Prepare a report and check with the given information.
4. Submit to the teacher for final correction.

Activity 2

Demonstrate the procedure of handling sensitivity and confidentiality of customer information with role play actions.

Materials required: Notebook, pen/pencil.

Procedure:

1. Form the groups in the class.
2. Each group should list out the information that a BC/BF has to keep in the record of a customer.
3. Prepare the scripts for the role play and put them in a dialogue form.
4. Practice the dialogues by allotting a role in the group.
5. Arrange a role play by a group of students numbering eight to ten each.
6. One of the students will act as a BC/BF, who will present sensible information regarding customers, and the rest of the group members will act as a customer, banking professional, manager, etc.
7. The other group members will raise queries on role play.
8. After the presentation, a thinking session may be arranged wherein all the group members may give suggestions for making the presentations in role play more effective.
9. A local business correspondent may be invited to correct the role play conducted by each group demonstration.
10. As per the directions and suggestions would be given by the local BC and teachers to improve the dialogues and actions, and partners of the group members.

CHECK YOUR PROGRESS

A. Fill in the blanks

1. Business Correspondents execute the duty of conduct and _____ preliminary processing of several forms.

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2. BCs are accountable for registering the customers for a number of _____ products.
3. When a bank account is opened by the consumers, business correspondents also ample the entire _____ information.
4. BCs are authorised to provide mini account declarations and other account related information, for a lowest period of _____ to their consumers.
5. The process of opening of not an _____ deposit accounts an extra product and as allowed timely by leveraging knowledge is managed by the business correspondents.

B. Multiple Choice Questions (MCQs)

1. _____ make sure the distribution facilities to millions of patrons on behalf of the banks.
   (a) Banks
   (b) Customers
   (c) Business Correspondents
   (d) None of the above
2. Business Correspondents are accountable for _____ a scale of functions.
   (a) Executing
   (b) Planning
   (c) Controlling
   (d) None of the above
3. Business Correspondents must have a close relationship with the _____ and get in touch with their requirements.
   (a) Other banks
   (b) Another business correspondent
   (c) Customers
   (d) None of the above
4. Business Correspondents are answerable for _____ _____ other disbursement instruments.
   (a) Handling acknowledgment
   (b) Delivery of minor value payment
   (c) Both (a) and (b)
   (d) None of the above
5. Business Correspondents (BCs) are allowed as _____ party representative by banks and bring banking and monetary services in place of the banks.
   (a) Third
   (b) Second
   (c) Fourth
   (d) None of the above

NOTES

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NOTES

C. State whether the following statements are true or false

1. Upon the death of the bank account holder, business correspondents ensure to inform the bank about the deactivation of the account.
2. BCs do not consider any risk related to handling of money at ground level then take suitable actions to ensure security.
3. The mediators of the banks, correspondents confirm the confidentiality of vigorous customer information.
4. For delivery banking facilities, BCs are not authorised to use the tools and technological equipment as assigned through the banks and they are responsible for efficiently using them.

D. Short answer questions

1. What information is included in the follow-up report?
2. Who appoints the business correspondent?
3. What are the basic responsibilities of BCs?
4. What is the main reason for a follow-up?

E. Long answer questions

1. List out the facilities or services which are provided by the business correspondents to the customer.
2. Explain which details of accounts opened are updated by the business correspondents?
3. Which type of activities are undertaken by the BCs in the follow-up visit of administration? Explain.

F. Check your performance

1. Prepare a chart containing the information report on follow-up actions.
2. Demonstrate the updated details of the accounts opened under the BC.
3. Spell out the administrative work handled by the BCs on behalf of the banker.

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Answer Key

UNIT 1: INTRODUCTION TO BANKING

SESSION 1: INTRODUCTION TO BANKING IN INDIA

A. Fill in the blanks

1. Bench
2. intermediaries
3. RBI
4. money
5. RTGS
6. international bank

B. Multiple Choice Questions (MCQs)

1. (b)
2. (a)
3. (c)
4. (a)
5. (a)

C. State whether the following statements are true or false

1. True
2. False
3. True
4. False
5. False
6. True

D. Match the columns

1. (B)
2. (C)
3. (D)
4. (A)

SESSION 2: BANKING STRUCTURE IN INDIA

A. Fill in the blanks

1. 1934
2. excluding
3. commercial
4. controlling
5. differs

B. Multiple Choice Questions (MCQs)

1. (b)
2. (d)
3. (b)
4. (a)
5. (c)

C. State whether the following statements are true or false

1. True
2. False
3. False
4. True
5. True

D. Match the columns

1. (D)
2. C
3. (B)
4. A

SESSION 3: BANKING BUSINESS CORRESPONDENTS

A. Fill in the blanks

1. Financial inclusion
2. RBI
3. bank
4. computer
5. linking

B. Multiple Choice Questions (MCQs)

1. (d)
2. (c)
3. (c)
4. (d)

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C. State whether the following statements are true or false

1. False
2. True
3. False
4. True
5. True

SESSION 4: BANKING BUSINESS FACILITATORS

A. Fill in the blanks

1. RBI
2. agents
3. Promotion
4. filling
5. Marketing

B. Multiple Choice Questions (MCQs)

1. (c)
2. (a)
3. (b)
4. (c)
5. (d)

C. State whether the following statements are true or false

1. False
2. True
3. True
4. True
5. False

UNIT 2: SOURCES OF NEW CUSTOMERS

SESSION 1: DEMOGRAPHIC PROFILE OF CUSTOMERS

A. Fill in the blanks

1. deposit
2. relationship
3. eighteen
4. many steps
5. Valid contract
6. different

B. Multiple Choice Questions (MCQs)

1. (d)
2. (a)
3. (b)

C. State whether the following statements are true or false

1. True
2. False
3. True

SESSION 2: CUSTOMER SEGMENTATION IN BANKS

A. Fill in the blanks

1. segmentation
2. micro finance
3. very far from
4. facilitate
5. finance
6. campaigns

B. Multiple Choice Questions (MCQs)

1. (d)
2. (c)
3. (d)

C. State whether the following statements are true or false

1. True
2. False
3. False
4. True
5. True

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SESSION 3: FINANCIAL NEEDS AND PROCESSING APPLICATION

A. Fill in the blanks

1. understand
2. submit
3. customer
4. application
5. terms

B. Multiple Choice Questions (MCQs)

1. (b)
2. (d)
3. (a)

C. State whether the following statements are true or false

1. True
2. False
3. True
4. False

SESSION 4: CUSTOMER INFORMATION SYSTEM

A. Fill in the blanks

1. Customer
2. gather
3. information
4. report
5. target

B. Multiple Choice Questions (MCQs)

1. (d)
2. (d)
3. (a)

C. State whether the following statements are true or false

1. True
2. False
3. True
4. False
5. False

UNIT 3: VERIFICATION OF CUSTOMER INFORMATION

SESSION 1: PRELIMINARIES FOR OPENING AN ACCOUNT

A. Fill in the blanks

1. Preliminary
2. assist
3. documents
4. query
5. customised

B. Multiple Choice Questions (MCQs)

1. (c),
2. (d)
3. (d)
4. (c)

C. State whether the following statements are true or false

1. False
2. True
3. False
4. True
5. True

D. Match the columns

1. (B)
2. (A)
3. (D)
4. (C)

SESSION 2: REFERRAL ENQUIRY OF POTENTIAL CUSTOMERS

A. Fill in the blanks

1. pursue
2. customer
3. discrepancies
4. Business Correspondent
5. upload

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B. Multiple Choice Questions (MCQs)

1. (d) 2. (c)
3. (a) 4. (d)

C. State whether the following statements are true or false

1. False 2. True
3. False 4. True
5. True

SESSION 3: RECEIVING, VERIFYING AND OPENING ACCOUNT

A. Fill in the blanks

1. receive 2. check
3. original 4. fill
5. enrolling

B. Multiple Choice Questions (MCQs)

1. (d) 2. (a)
3. (b) 4. (a)

C. State whether the following statements are true or false

1. True 2. False
3. True 4. False
5. True

SESSION 4: EDUCATE CUSTOMER ABOUT PAYMENT MECHANISM

A. Fill in the blanks

1. transactions 2. loan
3. remote 4. payment
5. EMI

B. Multiple Choice Questions (MCQs)

1. (d) 2. (a)
3. (d)

C. State whether the following statements are true or false

1. True 2. False
3. True 4. True
5. False

UNIT 4: PROCESSING OF BANKING APPLICATION

SESSION 1: EVALUATION OF ACCOUNTING OPENING FORMS

A. Fill in the blanks

1. deposits 2. KYC
3. fictitious 4. identity
5. interest

B. Multiple Choice Questions (MCQs)

1. (b) 2. (a)
3. (d) 4. (b)

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C. State whether the following statements are true or false

1. False
2. True
3. True
4. False
5. True

SESSION 2: STATUS OF APPLICATION FORM

A. Fill in the blanks

1. savings
2. balance
3. Concessions
4. rejection

B. Multiple Choice Questions (MCQs)

1. (c)
2. (a)
3. (a)
4. (d)

C. State whether the following statements are true or false

1. True
2. False
3. False
4. True

SESSION 3: DELIVERY OF DOCUMENTS ON ACCOUNT OPENING

A. Fill in the blanks

1. passbook
2. ATM
3. bank
4. teller
5. passbook

B. Multiple Choice Questions (MCQs)

1. (a)
2. (c)
3. (d)
4. (a)
5. (c)

C. State whether the following statements are true or false

1. True
2. True
3. False
4. False
5. True

SESSION 4: GENERAL ADMINISTRATION WORK

A. Fill in the blanks

1. collecting
2. financial
3. customer
4. 3 months
5. extra

B. Multiple Choice Questions (MCQs)

1. (c)
2. (a)
3. (c)
4. (c)
5. (a)

C. State whether the following statements are true or false

1. True
2. False
3. True
4. False

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GLOSSARY

Accrue: *Accumulate*

Albeit: *Although, though*

Alteration: *Change*

Appraisal: *Evaluation*

Aspect: *Feature*

Bartering: *Exchange goods or services for other goods or services, without using money.*

Caricature: *Sketch*

Compliance: *The act of obeying an order, rule, or request.*

Composite: *Combined*

Comprise: *Consist of*

Concerted: *Intensive, concentrated, determined*

Conducive: *Favourable, beneficial, or advantageous*

Confer: *To grant a title, benefit, or right.*

Conformity: *Agreement*

Consolidate: *To merge, combine or unite*

Construe: *Interpret*

Contingent Liabilities: *A potential liability that may occur, depending upon the outcome of an uncertain future event.*

Convention: *Rule*

Corporation: *A company or a group of companies*

Counterparty: *The other party or participant in an agreement*

Demur: *Object, protest*

Deterioration: *Drop*

Deviation: *Variation*

Digital: *Electronic*

Efficacy: *Effectiveness, efficiency, usefulness*

Entity: *A body, unit, thing, or article*

Executor: *A person or an institution who/which executes, carries out, or performs some duty, job, assignment, etc.*

Floating: *Not fixed*

Follow-up: *Pursue*

Govern: *Administer, oversee, direct or manage*

Incipient: *Just beginning, initial*

Induction: *Introduction, initiation*

Ingredients: *Items required for something*

Inherent: *Inbuilt or intrinsic*

Initiative: *Plan, proposal, scheme*

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Insolvency: *Bankruptcy, liquidation, ruin or collapse*

Intact: *Unbroken*

Inter-se: *Between themselves*

Lender of last resort: *An institutional lender, generally the central bank of a country, that has the authority and financial resources to act as the ultimate source of credit in emergencies.*

Mandate: *Order, command, direction, authorisation, etc.*

Mitigation: *Improvement, alleviation, lessening*

Monetary: *Financial, fiscal, related to money, etc.*

Paramount: *Vital*

Prohibited: *Banned*

Prudent: *Cautious*

Rationality: *Reasonableness, prudence, fairness*

Redressal: *Resolution*

Remedial: *Corrective*

Resolution: *An official decision that is made after a group or organisation has voted.*

Robust: *Healthy, vigorous, strong*

Seamless: *Flawless, faultless*

Statute: *Law, decree, or ruling*

Statutory: *Regulated by law*

Subsidiary: *A company having the majority of its stock owned by an another company (called the parent company)*

Substantiate: *To prove*

Successive: *Consecutive*

Synchronise: *Coordinate*

To take a nosedive: *To collapse suddenly or decline rapidly*

Transaction: *Deal*

Trustee: *A person, often one of a group, who controls property and/or money for another person or an organisation.*

Unscrupulous: *Dishonest, unprincipled*

Validate: *Confirm*

Vetted: *Checked up*

Vis-a-vis: *In relation to, with regard to*

Notes

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FURTHER READINGS

1. *Essentials of Financial Management by I.M. Pandey.*
2. *Financial Management for Accounts Personnel by R.K. Sharma.*
3. *Indian Financial System by MY Khan.*
4. *Microfinance: A Reader by David Hulme and Thankom; Arun Routledge, 2009.*
5. *Official website of RBI and other related sites on the internet.*
6. *RBI website, Basel Committee Website other relevant websites and books.*
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9. *The Microfinance Revolution: An Overview by Rajdeep Sen Gupta; Craig P. Aubuchon, Federal Reserve Bank of St. Louis Review, Vol. 90, No. 1, January–February 2008.*
10. *Banking Theory and Practice by Rudra Saibaba.*
11. *Banking – Theory, Law, and Practice by P.N. Varshney.*
12. *Banking Law and Practice by K.P. Kandasami.*
13. *Indian Banking by R. Parameswaran.*
14. *Banking: Theory, Law and Practice by E. Gardon.*
15. *Indian Financial System by Bharathi V. Pathak.*

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