

Business Correspondent (BC) Model for Inclusive Growth : Performance Analysis of SKDRDP®

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Introduction

India is an economy with glaring disparities in the possession of income, wealth and assets. Since the inception of economic reforms in 1991, capitalistic forces had an upper hand in this market led economy. This distinct feature has further intensified the division of the society between '*haves and havenots*'.¹ Despite economic reforms took Indian economy to the path of progress, sadly, the fruits of development is appropriated by a few who are strong enough to survive in the market by knocking weaker ones down making them still poorer. Darwin's theory- '*survival of the fittest*' appears to be very much relevant to this context. This polarisation of the society is the prime threat to the sustainable development of the country. Inclusive growth strategies are the need of the hour.

To realize balanced progress, financial inclusion of the community should be attained. Nearly half of our country men/women do not have even bank accounts. But, ironically GDP is shown increasing over the years! To tame this paradoxical situation, the RBI, in the year 2006, notified the establishment of Business Correspondent (BC) model for growth. This model envisages financial inclusion at the door step of the poor by opening village offices known as customer service point. Under this model, Non-Government Organizations (NGOs) and other intermediary agencies were permitted to link banking services/products to the poor, disadvantaged and remote households. Shree



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Kshetra Dharmasthala Rural Development Programme (SKDRDP), a Non-Profit Organization working in Karnataka adopted BC model for growth in 2009.

Models for Growth

In the year 2006, the Reserve Bank of India (RBI) initiated Business Correspondent (BC) and Business Facilitator (BF) models for ensuring greater financial inclusion and stretching its outreach of banking sector. These models enable banks to use the services of certain intermediary agencies in providing financial and banking services. The RBI notification dated 25th January 2006 details us with the eligible entities and scope of activities of such models as given below.

Business Facilitator (BF)

Under the “Business Facilitator” model, banks may use intermediaries, such as, NGOs/Farmers’ Clubs, cooperatives, community based organizations, IT enabled rural outlets of corporate entities, Post Offices, insurance agents, well-functioning Panchayats, Village Knowledge Centres, Agri Clinics/ Agri Business Centres, Krishi Vigyan Kendras and KVIC/ KVIB units, depending on the comfort level of the bank, for providing facilitation services. Such services may include

- identification of borrowers and fitment of activities
- collection and preliminary processing of loan applications
- creating awareness about savings and other products and education and advice on managing money and debt counselling
- processing and submission of applications to banks
- promotion and nurturing Self Help Groups/ Joint Liability Groups
- post-sanction monitoring
- monitoring and handholding of Self Help Groups/ Joint Liability Groups/ Credit Groups/ others; and
- follow-up for recovery

Business Correspondent (BC)

Under the “Business Correspondent” model, NGOs/ MFIs were set up under Societies/ Trust Acts, societies registered under Mutually Aided Cooperative Societies Acts or the Cooperative Societies Acts of States, section 25 companies, registered NBFCs not accepting public deposits and Post Offices may act as Business Correspondents.

In addition to activities listed under the Business Facilitator model, the scope of activities to be undertaken by the Business Correspondents will include

- (i) Disbursal of small value credit
- (ii) Recovery of principal / collection of interest
- (iii) Collection of small value deposits
- (iv) Sale of micro insurance/ mutual fund products/ pension products/ other third party products; and
- (v) Receipt and delivery of small value remittances/ other payment instruments.

Shree Kshetra Dharmasthala Rural Development Programme (SKDRDP)

SKDRDP was founded in 1982 as a registered NGO. It started as a small experiment covering 18,000 families in the then backward Belthangady taluk of Dakshina Kannada district in Karnataka state. The initial intent was to provide support to the small and marginal farmers. As the year went by the organization started promoting Self Help Groups (SHGs) to make people more self-reliant. It is currently engaged in development activities in 22 districts of Karnataka and Kasaragod district in Kerala operating in 25,000 villages covering more than 28,19,500 families. Now, SKDRDP is working as Business Facilitator and Business Correspondent in several districts of Karnataka for implementing the financial inclusion plan of the Government of India.

SKDRDP as a BC

To reach out to the needy community, in January 2009, SKDRDP adopted the BC model initiated by the RBI. SKDRDP has been working as the BC of several banks and has been promoting SHGs in different districts ever since its inception. SKDRDP is BC and BF to State Bank of India in Dharwad, Gadag and Haveri districts, Union Bank of India in Gokak, Davangere, Koppala, Chamarajnagara, Mysore and Kasaragod districts, Canara Bank in Chitradurga district, Corporation Bank in Tumkur, Belgaum, Mandya and Hassan districts, Rathnakar Bank in Bagalkote district, IDBI Bank in Raichur and Bangalore Rural districts and Pragathi Grameena Bank in Bellary district.

Working as BC, SKDRDP has covered about 17,500 villages so far. SKDRDP enables poor people of these remote villages to access banking facilities at their door steps. SKDRDP opened village offices known as customer service points from where banking products are made available to the target group. In order to conduct the transactions of the poor people with the bank, SKDRDP uses Point of Sale (POS) machines in villages. According to a SKDRDP report, at present almost 80 crore is being transacted on a weekly basis through this system.

Role of SKDRDP in Inclusive Growth

In order to reach out *the last, the least and the lost person* even in the remotest areas with organized banking products/services and thereby enable equitable and sustainable development of such community, SKDRDP as a BC is functioning through a federation of SHGs. As on 31st March 2013, a total of 2,35,350 SHGs were promoted by SKDRDP. The total number of members associated with these SHGs was 24.83 lakhs. During 2012-13 a total of Rs 218 crore was saved by the SHGs taking the total savings since inception to Rs 531 crores. During the period, the groups have availed a loan of Rs.2,258 crores from various banks (SKDRDP annual report 2012-13). This source of credit works as an alternative channel of funds to the poor against loans granted by the money lenders. SKDRDP by supplying institutional credit to SHGs through the banks has helped community to come out from the clutches of the money lenders.

Armed with a wide and strong network of SHGs, SKDRDP launched many programmes/activities aimed at financial inclusion. A brief note on such activities is given below.

SKDRDP financially assists for new construction, repair, extension and renovation, electrification of the houses. As many as 92,000 members were financially assisted in this regard during 2012-13. Since its inception SKDRDP has assisted as many as 5,54,195 families to have their own dwelling units.

Special efforts were made by SKDRDP to create awareness among the people on sanitation and hygiene. A total of 70,000 sanitation units (toilets) were constructed during 2012-13 by SHG members. SKDRDP has assisted through the banks in the construction of 2,94,565 toilets since its inception. Further, it has taken up 68 community sanitation works so far. By organizing mass awareness programmes, SKDRDP enabled the members to use the sanitation units all over the project area.

SKDRDP is the corporate agent of Life Insurance Corporation for popularising the Jeevan Madhura life insurance policy. In its quest for providing financial security to the poor, SKDRDP has enrolled as many as 2,74,000 new members to this insurance policy during 2012-13.

SKDRDP has been appointed as the aggregator for the National Pension Scheme (NPS). During the year 2012-13 SKDRDP sold the pension scheme to 1,30,000 members.

The community development works received due support from the SKDRDP. The Organization's support to community assets creation saw an expenditure of Rs. 9.17 crore during 2011-12. During the same period 936 schools in the state were supplied with 9,074 pairs of desks and benches.

Members of SHGs promoted by SKDRDP are being constantly encouraged to take up self-employment in various fields like transport, business, service etc. and around 1,10,000 members have found their

livelihood on their own. Necessary training will be provided in the areas where they wish to take up employment. And later, they are linked with banks by SKDRDP to avail financial support.

SKDRDP successfully launched a rural development scheme called Siri Gramodaya Yojane. Products like readymade garments, agarbathi, confectionaries, travel bags, cleaning agents and areca leaf cup (plates) etc. are produced and sold under SIRI brand. It is working in 295 villages having production centres run by SHG members. A total of 10,000 members are employed under SIRI.

SKDRDP has taken upon umbrella of programmes called Grama Kalyana Yojane for rural upliftment. Under this programme, a total of 1,648 milk societies are set up since its inception. Apart from this, 121 roads and bridges, 959 anganawadi buildings, 170 rural vet dispensaries and 46 rural health centres are constructed. SKDRDP has supported to the rescue and rehabilitation of 1209 natural calamity cases so far.

SKDRDP motivates its members to take up agriculture and allied activities. Poor farmers are assisted to borrow credit from the bank to take up agricultural practices. During 2012-13 7,500 wells were dug, 7,600 pump sets and 9,600 irrigation systems were implemented by the members. Similarly, 580 tillers, 340 harvesters were purchased by the farmers with assistance of the SKDRDP. It has also ventured into 252 minor irrigation projects.

SKDRDP is putting all its efforts in promotion of renewable energy. As on 31st March 2012, 20882 gohar gas plants and 23,418 solar house lighting systems were installed by the members of SKDRDP. Even poor people could install solar panel or construct gohar gas plants thanks to SKDRDP's efforts in getting them at subsidised rate and connecting members to the banks.

SKDRDP offers a micro health insurance programme namely Sampoorna Suraksha Health Insurance Programme. Under this programme, as on 31st March 2013, a total number of 95,10,730 members have been enrolled since inception. So far 3,84,591 claims have been settled to the extent of Rs.36.58 crores.

SKDRDP conducts de-addiction camps and mass awareness programmes like rallies, street plays etc. to prevent alcoholic and drug abuse among the public. Since inception it has conducted 574 de-addiction camps and treatment is given for 35,763 members so far.

To provide a platform for women to develop their skills, expose their talents and empower themselves, SKDRDP brought out a scheme called Jnana Vikasa. This forum promotes SHGs. These groups meet once a week for financial affairs and once a month to undertake capacity building programmes.

Efforts of SKDRDP in enhancing the capabilities of talented but poor students and disabled children are commendable. According to SKDRDP report 2013, during 2012-13 a total of 6,750 students were provided with a monthly scholarship ranging from Rs. 400 to Rs.1000 for taking up higher technical education. SKDRDP helps financially for 3 special schools to establish facilities for differently abled children.

Apart from the above programmes it organizes kisan melas annually which provide perfect forum for farmers. SKDRDP takes initiatives in capacity building of the farmers through exercises such as training, visits etc. This encourages farmers to introduce technologies, new crops, high yielding varieties, adopt organic farming etc. It has also successfully established water purification plants in 40 villages.

Conclusion

True to its principle, all the programmes or activities of SKDRDP provide more space for enhancing income generating capability of the people rather than provide them more income in cash. By this way SKDRDP enhances the '*beings and doings*'² of the masses. This success story of SKDRDP growth model may be set as a bench mark. High degree of ethics, efficiency and transparency followed by this organization has won the faith of all its stake holders. That faith has led to the collective effort towards growth and the benefits of growth are reaped by all concerned equally. This model serves as the perfect growth mechanism to the heterogeneous Indian economy. Adoption of BC

model, by learning from the lessons of success of SKDRDP, by any competent agency with high level of transparency and efficiency in other Indian villages may make every village a *Gram Swaraj*.³

Notes

1. Karl Marx coined the terms haves and havenots in his *Das Kapital* published in 1867. The terms are referring to rich and poor respectively.
2. Amartya Sen used 'beings and doings' in his book *Commodities and capabilities* (1985) with reference to capabilities of people.
3. Village self-rule, a pivotal concept in Gandhiji's thinking.

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