

SBI to use BCs for farm loan recovery

State Bank of India (SBI) is planning to use the rural banking correspondent (BC) network for farm loan recoveries in addition to the services prescribed under the financial inclusion plan by the Reserve Bank of India.



The SBI's Hyderabad circle with operational jurisdiction extending to the entire state of Andhra Pradesh is one of the first to achieve total financial inclusion. It has covered all the 1,369 villages out of a total 6,661 habitations with a population of 2,000 and above allotted to it in the state.

Of these villages, the bank has appointed BCs to each of 1,157 villages, introduced Bank on Bike model in 162 villages by using another 69 BCs who cover more than one village, and has set up two Bank on Wheels (vans) to be operated by two BCs covering 15 villages. The bank has set up 35 brick and mortar branches in the rest of the villages.

While the bank has already opened 220,000 no-frills accounts through the BC network in these villages introducing simple services like savings and remittances and money transfer from one account to another, it now wants to take it to the next level and equally important area of loan recovery.

"We are planning to route the farm loan recovery through the BCs as the move helps them further add to their remuneration and also helps farmers pay at their doorsteps without having to visit the bank branch from where they got the loan," said Rakesh Sharma, chief general manager of SBI, Hyderabad circle.

The idea of using BCs for loan recoveries would come in handy to banks, particularly in AP where the potential NPAs (non performing assets) in agriculture lending has gone up sharply in recent times.

On the overall experience with these new no-frills accounts, Sharma said the households had started using these accounts for savings.

"Besides most of these households are beneficiaries of various government programmes, including Mahatma Gandhi National Rural Employment Guarantee (MGNREGA). The government's intention behind the financial inclusion plan is to send money of various welfare measures directly into the beneficiaries' bank accounts," he said.

The RBI had instructed the banks to fully achieve the financial inclusion through the BC model in all the villages with a population of 2,000 and above across the country while extending the deadline by December 31, 2011. The banks will have to cover the habitations with less than 2,000 population in the next phase in 2-3 years from now.

Chairman of Economic Advisory Council to Prime Minister, C Rangarajan, in his recent address at the Institute for Development and Research in Banking Technology (IDRBT) here had expressed disappointment over the slow progress in the implementation of the BC model by the banks. He primarily held the remuneration model adopted for the BCs by the banks as responsible for not taking off the initiative as desired.

When cited this aspect, Sharma said the SBI's BC model was a success in itself as they had roped in one of the people within the village who already has some source of income like kirana store as the customer service point (CSP), in other words a BC. These BCs instantly get the acceptance of the villagers as being one among them.

SBI offers remuneration to BCs on every transaction, including savings and withdrawals apart from a fixed amount for each account opened by them. They will also be paid for the loans they recover. An enterprising BC can earn as much as Rs 7,000 to Rs 8,000 per month, according to SBI officials. Each BC is given a computer, a printer, a biometric scanning device and a camera for operating these no-frills accounts directly through the core banking system of SBI.

<http://www.business-standard.com/india/news/sbi-to-use-bcs-for-farm-loan-recovery/460507/>