



भारतीय रिज़र्व बैंक  
RESERVE BANK OF INDIA

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June 24, 2014

All Domestic Scheduled Commercial Banks  
(excluding RRBs)

Dear Sir /Madam

**Financial Inclusion by Extension of Banking Services –  
Use of Business Correspondents**

Please refer to [paragraph 26](#) of the First Bi-monthly Monetary Policy Statement, 2014-15 announced on April 1, 2014 which stated that “*On financial inclusion, the fourth pillar, the recommendations of the Mor Committee on accelerating the flow of credit to those at the bottom of the pyramid and enlargement of catchment area of the Business Correspondents (BCs), including through possible inclusion of new entities as BCs, are under examination*”.

2. Taking into account the recommendations of the Mor Committee, the existing guidelines on appointment of Business Correspondents (BCs) have been reviewed as under:

**i) Eligible individuals/entities**

As per extant instructions, Non-banking Finance Companies (NBFCs) are not allowed to be appointed as Business Correspondents (BCs) by banks. It has been decided that banks will be permitted to engage non-deposit taking NBFCs (NBFCs-ND) as BCs, subject to the following conditions:

- a) It should be ensured that there is no comingling of bank funds and those of the NBFC-ND appointed as BC.
- b) There should be a specific contractual arrangement between the bank and the NBFC-ND to ensure that all possible conflicts of interest are adequately taken care of.

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c) Banks should ensure that the NBFC-ND does not adopt any restrictive practice such as offering savings or remittance functions only to its own customers and forced bundling of services offered by the NBFC-ND and the bank does not take place.

**ii) Distance criteria**

In terms of our [circular DBOD No BL BC 43/22.01.009/2010-11 dated September 28, 2010](#), with a view to ensuring adequate supervision over the operations and activities of the retail outlet/sub-agent of BCs by banks, every retail outlet/sub-agent of BC is required to be attached to and be under the oversight of a specific bank branch designated as the base branch and the distance between the place of business of a retail outlet/sub-agent of BC and the base branch should ordinarily not exceed 30 kms in rural, semi-urban and urban areas and 5 kms in metropolitan centres. In case there is a need to relax the distance criterion, the District Consultative Committee (DCC)/State level Bankers Committee (SLBC) could consider and approve relaxation on merits in respect of under-banked areas etc. With a view to providing operational flexibility to banks and in view of the technological developments in the banking sector, it has been decided to remove the stipulation regarding distance criteria. The banks should, however, while formulating the Board approved policy for engaging BCs, keep in mind the objectives of adequate oversight of the BCs as well as provision of services to customers while deciding how to modify extant distance criteria.

3. Banks may continue to take measures to address possible reputational risks arising out of appointment and functioning of BCs.

4. All other instructions regarding the BC model will remain unchanged.

Yours faithfully,

(Lily Vadera)  
Chief General Manager