



Participant Handbook

Sector
BFSI

Sub-Sector
Lending

Occupation
Marketing and Sales

Reference ID: **BSC/Q8401**



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**Business Correspondent/
Facilitator**

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Shri Narendra Modi
Prime Minister of India

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If we have to move India towards
development then Skill Development
should be our mission. ”



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for

SKILLING CONTENT - PARTICIPANT HANDBOOK

Complying to National Occupational Standards of

Job Role/Qualification Pack **Business Correspondent & Business Facilitator**

QP 8401 NSQF Level 4

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The preparation of this handbook would not have been possible without the BFSI Industry’s support. Industry feedback has been extremely encouraging from inception to conclusion and it is with their input that we have tried to bridge the skill gaps existing today in the industry.

This participant handbook is dedicated to aspiring youth who desire to achieve special skills that will be a lifelong asset for their endeavors.

About this book

The Indian banking and financial industry is in a state of major expansion and transformation as 2023 draws to a conclusion. Significant turning points, legislative changes, and technical developments throughout the year helped pave the way for the development of a financial ecosystem that is more robust, inclusive, and efficient. Given its continued ability to innovate, adapt, and prosper in a world growing more digitally connected, the sector's contribution to determining India's economic future appears more potential than ever. The industry continues to grow and the industry is expected to create 5 million jobs by 2025. To meet the industry's demand the BFSI sector trains youth on the various job roles and makes them ready to be deployed.

This Participant Handbook is based on the Business Correspondent/Facilitator Qualification Pack (BSC/Q8401) and is designed to enable training for the following National Occupational Standards (NOSs):

1. Source customers for Banking services (BSC/N8401)
2. Assist customers with the Bank Application Process (BSC/N8402)
3. Perform regular banking transactions for customers (BSC/N8403)
4. Perform Administrative Tasks (BSC/N8404)

The Key Learning Outcomes and the skills gained by the participant are defined in their respective units. After completing this training, the participant will be able to interact with the customer whose payment is outstanding, help in making debt management plans, and provide solutions to customer queries & complaints, while adhering to the policies and standards laid by the RBI.

We hope that this Participant Handbook will provide a great deal of learning support to our young friends to build attractive careers in the BFSI industry.

Symbols Used



Key Learning
Outcomes



Unit
Objectives



Exercise



Notes



Practical

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1. Source customers for Banking services

Unit 1.1 Overview of BC/F in the Banking Sector

Unit 1.2 Understanding Customer segments and approaching prospective customers

Unit 1.3 Understanding Risks, Compliance, Documentation and Information System Updates and Reporting



(BSC/ N 8401)

Key Learning Outcomes



At the end of this module, the participants will be able to:

- Describe the roles and responsibilities of Business Correspondent/Facilitator (BC/F)
- Discuss the evolution of the BC/F Role
- Analyze the key Responsibilities and Functions of BC/F and the Importance of BC/F in Financial Inclusion
- Evaluate Standard Operating Environment and Compliance Requirements for BC/F
- Assess Pricing and Discount Policies for Banking Services
- Compare and contrast the Reporting Structures and Security Procedures for Customer Information
- Analyze methods for Identification and Assessment of Demand for Products
- Classify Customer Segments in Banking
- Develop Methods to Approach Customers and Mapping Their Needs with Offered Products
- Critique Procedures for Customer Assistance and Application Processing
- Evaluate Risks Associated with Banking Products
- Analyze the Compliance Procedures in Banking Operations
- Examine Documentation Requirements for Applications
- Classify Types of Standard Formats for Reports
- Assess procedures for Updating Customer Details in Information Systems

Unit 1.1: Overview of BC/F in the Banking Sector

Unit Objectives



At the end of this unit, the participants will be able to understand:

- Describe the roles and responsibilities of Business Correspondent/Facilitator (BC/F)
- Discuss the evolution of the BC/F Role
- Analyze the key Responsibilities and Functions of BC/F and the Importance of BC/F in Financial Inclusion
- Analyze the Compliance Procedures in Banking Operations
- Assess Pricing and Discount Policies for Banking Services
- Compare and contrast the Reporting Structures and Security Procedures for Customer Information

1.1.1: Definition of Business Correspondent and Business Facilitator

People who live in underbanked or unbanked regions can interact with the official banking system through the services of Business Correspondents (BCs) and Business Facilitators (BFs). They provide an essential conduit, allowing access to traditional financial services to people who may not have easy access to them.

Business Correspondent:

BCs are a bank's authorised representatives. They offer financial services at sites apart from the physical bank facilities. This covers standard procedures such as creating an account and making cash deposits and withdrawals.

Business Facilitator:

BFs, on the other hand, are people or organisations that support banks in their efforts to advertise and facilitate banking services. Their main objectives are to raise awareness, promote financial literacy, and support the completion of banking transactions.

To put it simply, BF and BCs both contribute significantly to the increased inclusivity and accessibility of financial services.

Eligibility to become a Business BC/F

The following organisations are qualified for appointment of BC/F for banks, under RBI guidelines:

- Establishing NGOs/MFIs under Societies/Trust Acts
- Section 25 companies that are stand-alone entities or in which NBFCs, banks, telecom companies, and other corporate entities or their holding companies did not have equity holdings over 10% are societies registered under the Mutually Aided Cooperative Societies Acts or the Cooperative Societies Acts of States.
- Postal stations
- retired bank workers and veterans
- retired officials.
- Owners of fair pricing, medical, and kirana shops individually Operators of individual public call centres (PCOs)
- Representatives of Insurance Companies and Government of India Small Savings Plans People who own gas stations

- Retired educators
- Officials from reputable Self-Help Groups (SHGs) associated with banks that are not deposit-taking Non-Banking Finance Companies (NBFCs) are loan companies that have at least 80% of their outstanding loans in financially excluded districts (as determined by the Committee on Financial Inclusion) as part of their microfinance portfolio.
- As of right now, the RBI has allowed banks to work with any person, including those running Common Service Centres (CSCs), as a BC. This is contingent upon the banks' comfort level, their ability to do proper due diligence and the implementation of any extra measures that may be deemed necessary to reduce agency risks.

1.1.2: Evolution of the BC/F Role

Development of the BC/F Position

Gaining knowledge of the BC/F role's development and historical background will help one better understand the factors that led to its creation as well as how the financial services industry is evolving.

Historical Context: The difficulties in reaching outlying and economically disadvantaged communities gave rise to the BC/F concept. Financial exclusion resulted from traditional banking models' inability to open physical branches in these kinds of places.

Evolution: As technology advanced, legal frameworks changed, and the significance of financial inclusion became increasingly apparent, the BC/F's function changed as well. The function grew to encompass a variety of financial services in addition to fundamental transactions, greatly influencing the development of the financial inclusion scene.

1.1.3: Key Responsibilities and Functions

This section explores the fundamental duties and obligations that characterize the BC/F role, highlighting their diverse contributions to financial inclusion.

Account Opening: Helping people in underserved regions open bank accounts is one of our main responsibilities. This involves walking clients through the account opening procedure and educating them on the advantages of owning a bank account.

Transaction Facilitation: BC/Fs play a crucial role in facilitating a range of banking operations, including fund transfers, cash deposits, withdrawals, and other financial dealings. They make financial services more accessible to clients who would otherwise find it difficult to use traditional banking channels.

Promotion of Financial Literacy: Beyond transactions, BC/Fs are essential in advancing financial literacy. This entails teaching clients about fundamental financial ideas, promoting saving behaviours, and raising consumer knowledge of the financial services and products that are accessible.

To sum up, the overview offers a fundamental comprehension of the role of BC/Fs, including their definition, history, and essential duties that support their vital role in providing financial services to marginalized communities.

Scope of activities to be undertaken by BC/F

The following is a list of the activities that BC/F has undertaken:

- Promoting savings, other goods, financial management guidance, education, and debt counselling
- Finding possible clients.

- Gathering and initial processing of several deposit forms, including main data and information verification
- Completing the nomination clause section of the application and account opening form, then sending it to the bank
- Complete KYC
- Using technology to open no-frills deposit accounts and other products as allowed from time to time
- Small value deposits and withdrawals are collected and paid for; minimum: zero; maximum: Rs. 2000/-per transaction
- Acceptance and distribution of small-value remittances and other payment instruments following IDBI Bank's FI Plan
- The BC/F or his agent may take or deliver cash for any such transaction at his workplace or any other convenient location, subject to the limits per customer (Rs 2000/-in each case)
- Includes account statements and other account data over three months
- Any additional service provided by the Bank that has been properly approved by the relevant regulator
- The BC/F activities would fall under the regular course of the Bank's banking operations, but they would be carried out by and through the entities at locations other than the Bank's premises
- Regarding all such transactions, the BC/F or his/her agent should have the authority to receive and distribute cash at his workplace or any other convenient location, subject to the established daily/customer limitations. A neighbouring branch (the base branch) will be connected to the BC/F
- Cross-selling of other financial goods, as and when allocated to do so, such as insurance, mutual funds, pensions, and other third-party products
- If sub-agents of BC/Fs are lawfully designated, BC/Fs will handle any associated reputational issues

<Source: IDBI Bank>



Scan to access the video on Roles and Responsibilities of BC/F (Hindi)

1.1.4: Importance of BC/F in Financial Inclusion

The context for comprehending the crucial functions that business correspondents and business facilitators (BC/F) play in financial inclusion is established by this review of BC/Fs in the banking industry.

Regulatory Framework for Financial Inclusion in India

Both supply-side and demand-side variables impact financial inclusion, including:

Demand Factors:	Awareness and literacy in finance
	Sensation of need for the items
	Capacity to absorb credit, etc.
Supply Factors:	Product accessibility and modes of delivery
	Providers of services, etc.

Since it can give the banking industry possibilities to offer suitable financial products at reasonable prices and generate demand by developing local PoS (Point of sale), the Business Correspondent (BC) model can meet both supply and demand goals.

As a result, RBI created rules for expanding banking outreach using the BC model with IT assistance, completely changing the way financial inclusion expanded throughout India. To solve access and service concerns for the unbanked and underbanked masses, the RBI recommended banks to deploy Business Correspondents (BCs) and declared financial inclusion as a stated policy in 2006. All banks must provide a report on the usage of BCs in their Financial Inclusion Plans (FIPs).

“Financial inclusion is the process of ensuring access to appropriate financial products and services needed by vulnerable groups such as weaker section and low income groups at an affordable cost in a fair and transparent manner by mainstream Institutional players” — Committee on Financial Inclusion

As per what is stated in the RBI Guidelines, the BC model is as follows:

- While an organisation can be a BC for more than one Bank, at the point of customer interface, a retail outlet or a sub-agent of a BC or Customer Service Point (CSP) or Business Correspondent Agent (BCA) shall represent and provide banking services of only one Bank
- The terms and conditions governing the contract between the Bank and the BC should be carefully defined in written agreements and subjected to a thorough legal vetting
- While drawing up agreements, Banks should strictly adhere to instructions contained in the guidelines on managing risks and code of conduct in outsourcing of financial services by Banks, issued by Reserve Bank of India on November 3, 2006
- The Bank will be fully responsible for the actions of the BCs and their retail outlets/sub-agents *

<*Source: Governance Knowledge Centre (2011). *Delivering Financial Inclusion Services to Rural Citizens through the Common Service Centers: An Evaluation of State Implementation Models*. [online] Available at: http://indiagovernance.gov.in/files/Financial_Inclusion_through_CSCs_28_02_2011.pdf [Accessed 3 Aug. 2015]>



Scan to access the video on BC/F in Financial Inclusion

Model Structure

The picture below shows how financial inclusion using the BC model arose per RBI rules:

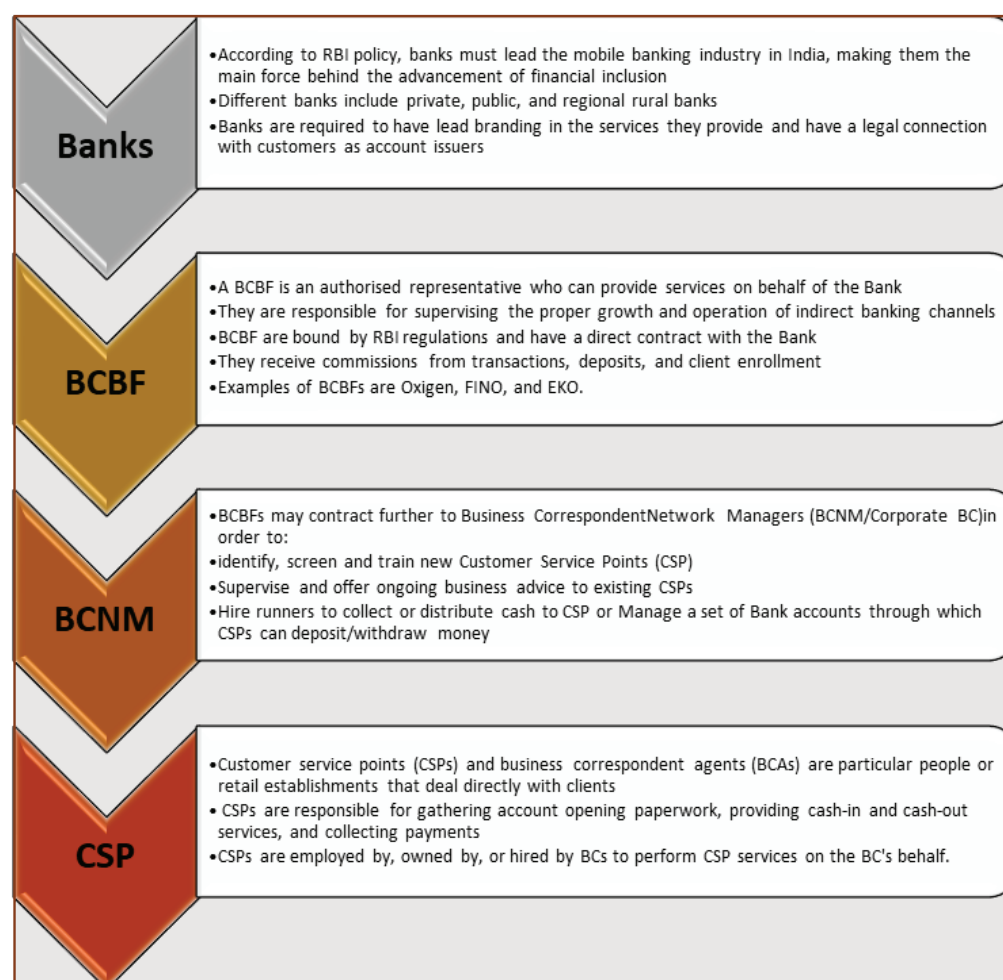


Figure 1.1.1: BC Model Structure and Implementation

* International Finance Corporation (2013). IFC Mobile Money Scoping - Country Report: India.

This section highlights how important it is for Business Correspondents and Business Facilitators (BC/Fs) to bridge gaps, reach underserved regions, and promote economic growth to advance financial inclusion.

Bridging the Banking Gap

Significance: BC/Fs play a crucial role in closing the financial gap that separates underprivileged communities from regular banking services. Traditional brick-and-mortar bank branch establishment is difficult in many places, especially in rural and isolated locations. This is because of many factors, including infrastructural constraints, low population density, and geographic impediments.

Promoting Accessibility: BC/Fs serve as middlemen, bringing financial services to the public. Through the establishment of service locations or direct outreach to communities, they enable those who might have physical obstacles or restricted transportation options to obtain necessary financial services.

Customer-Centric Approach: Taking a customer-centric approach, meeting individuals where they are, and tailoring services to match the unique requirements of various groups are important. This strategy is essential for tackling the particular difficulties that various demographic groups encounter.

Reaching Unbanked and Underbanked Areas

Providing Services in distant regions: BC/Fs play a major role in providing formal financial services to those living in distant villages, rural communities, and marginalised groups. They also help to reach unbanked and underbanked regions.

Customised Solutions: BC/Fs may make their services more pertinent and approachable by adjusting them to the unique demands and difficulties of these communities. This entails offering streamlined account opening procedures, running financial literacy campaigns, and enabling transactions in a way that makes sense for the community.

Getting beyond Obstacles: It's critical to get beyond obstacles like ignorance, restricted infrastructure, and a lack of banking infrastructure to enable those who were previously shut out of formal financial systems to make use of them.

Impact on Economic Development

The significance of economic growth in the context of financial inclusion is closely linked to the critical function that Business Correspondents and Business Facilitators (BC/Fs) perform. These unsung heroes of the banking industry are crucial because they not only help link people and communities to formal financial institutions but also stimulate local economic growth.

As messengers of financial inclusion, BC/Fs cross national borders to deliver a vital banking service to those living in underbanked and unbanked areas. Not only do they ease transactions, but they also have a transformational effect on economic landscapes, especially in isolated and marginalised places, which makes them significant.

The story of the economic growth path sparked by BC/Fs is complex. It includes giving people and small companies the resources they need to succeed in addition to expanding access to basic financial services. In their capacity as financial intermediaries, BC/Fs play a crucial role in integrating financial literacy into communities and promoting a responsible and educated financial management culture.

Since BC/Fs provide small firms and entrepreneurs with access to financing, this effect is seen across the entrepreneurial corridors. The growing local economies demonstrate the cascading impact, as increasing productivity, employment creation, and the realisation of latent potential are all correlated with financial resource accessibility.

Let's uncover the story of resilience, empowerment, and long-term economic progress made possible by the vital work that business correspondents and facilitators do.

Promoting Financial Inclusion: By integrating people and companies into the official financial system, BC/Fs play a vital role in promoting economic growth. Having access to financial services, such as credit facilities and savings accounts, enables people to handle their money more skillfully.

Credit Access for Small Companies: BC/Fs are essential in helping entrepreneurs and small companies in underprivileged regions obtain finance. The ability to obtain finance can spur entrepreneurial activity, which will boost regional economies.

Financial Education: The effects go beyond credit and transactions. BC/Fs frequently engage in financial education, giving people and small businesses the tools, they need to make wise financial decisions. The community's general economic well-being is benefited by this financial literacy.

1.1.5: Compliance Requirements for BC/Fs

It is required of BC/Fs to conduct themselves professionally, upholding the highest ethical standards. This involves acting honourably, morally, and openly in all financial dealings. They have to refrain from doing anything that would jeopardise the faith and trust that their clients have in them.

Confidentiality of Client Information: The BC/F's code of conduct stipulates that maintaining the confidentiality of client information cannot be compromised. BC/Fs are required to provide the highest level of secrecy for all client data, financial information, and personal details. It is forbidden to share such information without the necessary authority.

Fair Practices in Financial Transactions: The BC/F's obligations are based on the principle of fairness in financial transactions. BC/Fs must provide equitable treatment to all its clients, irrespective of their financial situation or history. To enable clients to make educated decisions entails giving precise and unambiguous information about financial goods and services.

Fair Treatment of Consumers: Ensuring the fair treatment of consumers is inherently linked to regulatory compliance. Customers' interests must come first for BC/Fs, and they must have fair and impartial access to financial services. Fair treatment includes providing clients with clear terms and conditions, upfront pricing, and assurances that they fully comprehend the financial ramifications of their choices.

Protection of Rights: BC/Fs are essential in ensuring that customers' rights are upheld. This entails guaranteeing that clients are not exposed to any discriminatory actions, that their complaints are swiftly heard and resolved, and that they are free to make decisions about their financial affairs that are well-informed.

Security of Financial Information: The safety of a customer's financial information is a component of customer protection. Strong security measures must be put in place by BC/Fs to prevent unauthorised access to client data, guaranteeing the privacy of sensitive data such as account information and transaction history. Any compromise of client data is a breach of confidence as well as the law.

Regulatory Obligations: BC/Fs are required by law to comply with ethical practices; they are not just recommendations. Regulatory agencies have established these procedures to guarantee the dependability and integrity of financial services. It is required of BC/Fs to familiarise themselves with and adhere to these ethical norms.

Trust and Confidence: Honesty and integrity in business practices foster trust and confidence among clients. The BC/F's reputation is enhanced by ethical procedures, which also help to build enduring customer connections and encourage positive word-of-mouth in the neighbourhood.

Principles of Professionalism, Honesty, and Fairness: BC/Fs have to conduct their business per these values. Key elements of ethical practices include treating customers fairly, communicating openly, and upholding the highest levels of professionalism.

1.1.6: Standard Operating Environment

From the standpoint of a Business Correspondent/Facilitator (BC/F), the standard operating environment (SOE) is the collection of policies, practices, and frameworks that the BC/F works under to guarantee the efficient operation of banking services. This covers a wide range of topics, including operating procedures, technological infrastructure, regulatory compliance, and customer service standards. The normal operational environment is broken down as follows from the standpoint of BC/F:

1. Regulatory Compliance:

Operating within the regulatory framework established by financial authorities, the BC/F relies on strict adherence to regulations to preserve the integrity of financial transactions and safeguard the interests of its clients.



Figure 1.1.2: Break up of SOE

Important components of this compliance include:

- knowing your customer (KYC) and anti-money laundering (AML) regulations
- adhering to fair practices guidelines
- protecting customer interests

2. Technological Infrastructure:

In places where traditional branches might not be available, BC/Fs use technology to make banking services more accessible. One of the most important components of the standard operating environment is the technology infrastructure. Key Elements for this include:

- Using trustworthy and safe financial systems for transactions
- availability of essential technology tools, such as mobile apps or portable gadgets
- putting security measures in place to safeguard client information when doing online transactions

3. Operational Protocols:

Consistent provision of financial services depends on effective and standardised operating procedures. This covers the steps involved in creating an account, processing transactions, and maintaining records. Important components:

- Procedures for creating and closing accounts should be clearly stated
- Standard operating procedures for fund transfers, withdrawals, and deposits among other banking operations
- procedures for correctly reporting and recording financial transactions

4. Standards for Customer Service:

One of the main focuses of the BC/F's work is customer service. The standard operating environment describes what is expected of you in terms of giving clients exceptional service that will win their trust and happiness. Its key elements include:

- Instruction in customer relations and efficient communication
- procedures for responding to questions, grievances, and complaints from customers
- Rules for always keeping the client first in all of your dealings

5. Security Procedures:

It is critical to guarantee the security of consumer data and financial activities. Security precautions against fraud, unauthorised access, and other dangers are part of the normal operating environment. Its main components are:

- Enforcing strong authorization and authentication procedures
- methods to maintain confidentiality when managing consumer data
- procedures for quickly reporting and handling security issues

6. Documentation and Reporting:

Both internal monitoring and regulatory compliance depend on accurate reporting and documentation. Guidelines for keeping records and producing reports are provided by the standard operating environment. The key elements here are:

- Typical reporting formats for transactions, client information, and other pertinent data
- procedures for upgrading information systems and client records
- adherence to the reporting guidelines established by regulatory bodies

Pricing and Discount Policies for Banking Services

The methods and procedures used by financial institutions, such as Business Correspondents and Business Facilitators (BC/Fs), to ascertain the expenses related to their services and any possible discounts extended to clients, are referred to as pricing and discount policies for banking services. The way the institution and its clients interact financially is greatly influenced by these policies. An outline of banking service pricing and discounting is provided below:

Pricing Policies:

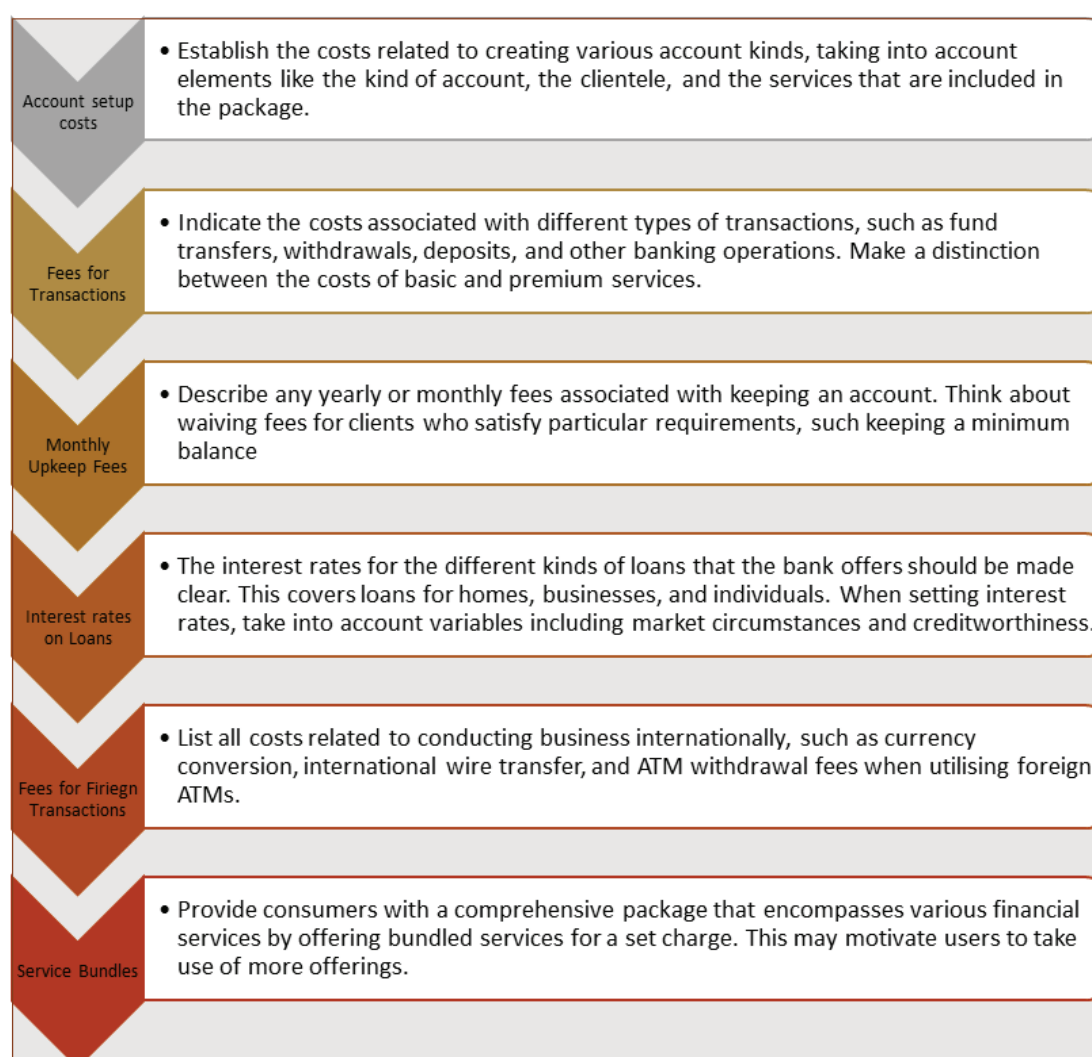


Figure 1.1.3: Pricing policies

Discount Policies:

Volume discounts	• Give clients discounts according on the amount or frequency of their transactions. Customers are encouraged to participate in additional banking activities as a result, boosting the bank's overall revenue
Package Discounts	• Provide discounts for customers who opt for bundled services, combining multiple banking products such as savings accounts, credit cards, and insurance
Preferred Customer Discounts	• Offer favoured clients who satisfy specific requirements—like keeping large account balances or having a long-standing connection with the bank—special discounts or fee exemptions
Promotional Discounts	• Use transient promotional discounts to draw in new clients and persuade current clients to test out new offerings. This might be one-time charge reductions or exclusive deals for particular transactions.
Online Banking Discounts	• Encourage the use of online banking services by offering discounts on transaction fees for customers who conduct their banking activities through digital channels
Community and Social Discounts	• Offer special discounts to particular client categories, including seniors, students, or those from low-income neighbourhoods. This promotes social responsibility programmes and financial inclusion.

Figure 1.1.4: Discount Policies

Customers should be informed in full of the price and discount policies. Openness fosters trust and enables consumers to make wise choices. Make sure that all discount and price policies adhere to legal requirements. Any modifications to these guidelines should be announced in compliance with applicable laws. Give clients informative materials that outline the costs and any potential savings. This may enhance the clientele's experience. Review price and discounting policies regularly to make sure they are still competitive and appropriate for the market. Be willing to change policy in response to input from customers and market developments. Through strategic planning and execution of pricing and discounting strategies, BC/Fs may effectively balance revenue generation, customer attraction, and financial inclusion promotion.

1.1.7: Reporting Structures and Security procedures for customer information

The mechanisms by which a Business Correspondent/Facilitator (BC/F) communicate and report information within the banking system are described in their reporting structure. By creating a clear hierarchy and communication channel, it makes sure that pertinent information gets to the right people.

Reporting structure for BC/F:

1. Supervisor/Regional Manager: The Supervisor or Regional Manager serves as the initial point of contact for Business Correspondents and Business Facilitators (BC/Fs). This seasoned expert is in charge of several BC/Fs' operations in a certain region.

2. Branch Manager: BC/Fs who are connected to a certain bank branch answer to the Branch Manager. The Branch Manager is in charge of the branch's general operations and acts as a vital conduit between the BC/Fs and upper management.

3. Area Manager or District Coordinator: A district coordinator or area manager may be in charge of several branches in bigger regions. Under this higher-level manager's direction, BC/Fs provide greater operational coordination and assistance.

4. Central Operations Team: This team is in charge of overseeing and directing BC/F operations on a regional or national scale. Specific reports or escalations may be sent to them. Alignment with organizational goals is ensured by this team.

5. Regulatory agencies: BC/Fs could be expected to provide certain reports to regulatory agencies that keep an eye on the banking industry. Updates on financial transactions, consumer outreach initiatives, and compliance adherence are a few examples of this. This guarantees adherence to legal requirements and industry norms.

Kind of Reports:

For the banking services industry to remain transparent, and accountable, and to make strategic decisions, reporting must be done well. In this procedure, Business Correspondents and Business Facilitators (BC/Fs) are essential because they provide insightful information through a variety of reporting modalities. The primary reporting procedures that are essential to the BC/F role are shown in the following examples, each of which has a distinct function in improving customer service, operational effectiveness, and regulatory compliance.

1. Daily Transaction Reports: Daily Transaction Reports: Each transaction carried out by a BC/F has a distinct narrative. The number and variety of transactions completed are included in the Daily Transaction Reports, which offer an overview of the day's events. These reports provide a real-time gauge of the financial health of the designated region in addition to quantifying operational success.

2. Customer Interaction Logs: Good client engagement is the cornerstone of every successful financial service. Customer contact logs, which record comments, questions, and difficulties encountered during transactions, capture the subtleties of these exchanges. These records are quite useful for improving customer service tactics and customising offerings to match changing demands.

3. Monthly Performance Reports: In the continuous story of BC/F operations, a month represents a chapter. Monthly performance reports include the goals, obstacles, and accomplishments throughout the given time frame. These reports give management a thorough perspective, which helps with performance assessment, strategic planning, and pinpointing areas in need of development.

The aforementioned examples are essential parts of the wider range of BC/F reporting. Every report makes a distinct contribution to the broader story by giving stakeholders the knowledge they need to improve client experiences, make well-informed choices, and guarantee the success and ongoing development of banking services in underbanked and unbanked regions.

Security Procedures for Customer Information

For Business Correspondents and Business Facilitators (BC/Fs), protecting the privacy and security of client information is of utmost importance. To maintain these values, BC/Fs follow a strict set of security protocols created to protect private information and stop illegal access.

To limit who can access consumer information, BC/Fs have tight access restrictions in place. Only authorised individuals have access to databases and customer records, and each team member has certain rights allocated to them based on their roles and responsibilities. During electronic transactions, client data is secured through the use of encryption technology. This guarantees the confidentiality of sensitive information and prevents information from being intercepted during transmission between the bank's servers and the BC/F's device.

BC/Fs adhere to strict protocols while handling physical papers that include client information. Documents are safely kept in locked cabinets, and only those with the proper authority may access them. This reduces the possibility of sensitive data being lost or accessed without authorization. One essential component of the BC/F's strategy is ongoing training on security procedures. Updates on phishing attempts, social engineering techniques, and new security risks are sent to team members regularly. They will have the information and abilities necessary to recognise and reduce any dangers thanks to this training.

Using secure methods for client information transmission is a top priority for BC/Fs. Secure channels aid in preventing data breaches during transmission, protecting the confidentiality and integrity of customer data whether engaging with clients or with internal stakeholders. To maintain the most recent versions of all systems, including banking apps, regular software upgrades are carried out. By guaranteeing that BC/Fs receive the most recent security updates, enhancements, and patches, this procedure enhances the security infrastructure's overall resilience.

Beyond these precautions, BC/Fs make a point of regularly doing security assessments. To uphold the highest standards of data security, these audits assist in identifying vulnerabilities, evaluating the efficacy of current security measures, and implementing any required changes.

All things considered, these security protocols provide a thorough framework that not only satisfies legal requirements but also gives clients peace of mind knowing that their data is being treated with the highest care and integrity.

Exercise



Multiple Choice Questions:

1. What is the primary role of a Business Correspondent (BC) or Business Facilitator (BF) in the banking sector?
 - A. Internal Auditing
 - B. Marketing Campaigns
 - C. Extending Banking Services
 - D. Legal Consultation

2. Why is the role of BC/F considered crucial for financial inclusion?
 - A. Marketing Strategies
 - B. Rural Development Initiatives
 - C. Extending Credit to Corporations
 - D. Expanding Access to Banking Services in Underserved Areas

3. What is the significance of the "Know your customer" (KYC) process for a BC/F?

- A. Advertising Campaigns
- B. Customer Engagement
- C. Regulatory Compliance
- D. Data Analysis

4. Which of the following reports provides insights into daily operational performance for a BC/F?

- A. Monthly Performance Report
- B. Customer Interaction Log
- C. Compliance Report
- D. Daily Transaction Report

5. What does encryption technology primarily help with in the BC/F role?

- A. Customer Engagement
- B. Preventing Unauthorized Access
- C. Marketing Strategies
- D. Financial Analysis

6. In the reporting structure, who is responsible for the overall functioning of a bank branch?

- A. Central Operations Team
- B. Area Manager
- C. Branch Manager
- D. Supervisor

7. Why is the monthly performance report essential for a BC/F?

- A. Assessing Daily Transactions
- B. Strategic Planning and Performance Evaluation
- C. Customer Interaction Logs
- D. Ensuring Regulatory Compliance

8. What is the primary purpose of the "Customer Interaction Log" for a BC/F?

- A. Documenting Financial Transactions
- B. Recording Feedback and Inquiries
- C. Regulatory Compliance
- D. Marketing Analysis

9. Which security measure involves restricting access to databases based on roles and responsibilities?

- A. Encryption
- B. Access Controls
- C. Security Audits
- D. Secure Communication Channels

10. Why is continuous training on security protocols important for a BC/F?

- A. Financial Analysis
- B. Marketing Strategies
- C. Identifying and Mitigating Risks
- D. Customer Engagement

Notes

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Unit 1.2: Understanding Customer Segments and Approaching Prospective Customers

Unit Objectives



At the end of this unit, the participants will be able to understand:

- Identify and evaluate Demand for Products
- Categorize Types of Customer Segments in Banking
- Develop and implement Methods to Approach Customers and Mapping Their Needs with Offered Products
- Provide Customer Assistance and Application Processing

1.2.1: Customer Segmentation and its Types in Banking

What is Customer Segmentation in Banking?

The process of breaking down a huge and diversified customer base into more manageable groupings of related consumers who are pertinent to the marketing of a bank's goods and services is known as customer segmentation. Spending patterns, income level, and location are a few fundamental segmentation factors. Banks may provide more specialised products and services to their clients and develop a more personal relationship with them by using customer segmentation.

Type of Customer Segmentation

The banking sector uses a variety of strategies and tactics for client segmentation, but some popular ones are as follows:

- **Demographic segmentation:** This is the process of putting clients into groups according to attributes like occupation, income, gender, and age. Example - Compared to pensioners, young professionals could have distinct banking demands. Demographic information is useful in adjusting financial products to fit particular life stages and income levels.
- **Behavioural segmentation:** is the process of putting consumers into groups according to their banking behaviours and habits, including past credit, transactional history, and account balances. Example - Consumers who prefer in-person transactions may have distinct demands than those who use mobile banking often. Comprehending behaviour facilitates the creation of services that correspond with consumption trends.
- **Geographic segmentation:** This is putting clients into groups according to where they are, say by city or area. Example - Rural and urban customers may have distinct banking preferences. Geographic segmentation helps customize services to the unique characteristics and needs of different locations.
- **Psychographic segmentation:** is the process of putting clients into groups according to their values, lifestyle, and personality. Example - People who care about the environment could choose sustainable financial solutions. The development of services that complement customers' more expansive lifestyle choices is guided by psychographic characteristics.
- **RFM segmentation:** Recency, Frequency, and Monetary is what RFM stands for. This method of behavioural segmentation divides clients into groups according to the frequency, size, and recentness of their purchases. Example - Loyalty programmes may be advantageous for frequent users, and tailored promos may be sent to inactive users to encourage them to re-engage. Marketing and service strategies are optimised by RFM segmentation.

Products and Services tailored for specific customer segments

Business Correspondents and Business Facilitators (BC/Fs) play a critical role in making sure that banking offers are customised to match the individual needs, tastes, and circumstances of a wide range of customers. The following summarises the main duties and contributions that BC/Fs make in this respect:

Customer Segmentation	- Based on variables like psychographics, location, behaviour, and demographics, BC/Fs are essential in recognising and classifying different consumer groups. - To assist in the segmentation process, actively gather data on consumer preferences, transaction patterns, and financial requirements.
Recognizing customer requirements	- To comprehend the financial requirements and difficulties unique to every identified consumer category, conduct comprehensive studies. - Provide a way for clients to provide direct insights, which can help you understand their needs more deeply.
Promotion and Awareness	- Create and carry out educational programmes to increase consumer knowledge of customised goods and make sure they are aware of the features and advantages that are pertinent to their market. - Work with local communities to clear up any misunderstandings and foster a sense of trust while sharing information about specialised services.
Financial Inclusion Strategies	- Create plans to encourage financial inclusion by creating products that are suited for underserved or unbanked markets, including marginalised groups or rural areas. - Show consideration for the various segments' distinct financial practices and preferences, taking into account their cultural and environmental quirks.
Market Campaigns	- Collaborate with marketing teams to develop campaigns that speak to the unique traits and goals of every consumer group. - To make material more approachable and relatable, adjust language and communication approaches to the audience's cultural background.
Observation and Input	- Keep an eye on how well customised items are doing, get input on how successful they are, and make necessary modifications. - Modify plans in response to immediate input and shifting market conditions to maintain their applicability.
Technology Integration	Investigate and promote the integration of digital solutions that make financial services easier to obtain by meeting particular segments' preferences for particular technologies.

Figure 1.2.1: Key Responsibilities and Contributions of BC/Fs

Based on the unique requirements and traits of the defined client groups, Business Correspondents and Business Facilitators (BC/Fs) can offer a variety of products and services. The following are some of the tailored goods and services that BC/Fs might provide to improve financial inclusion and satisfy the various needs of various market segments:

- 1. Basic Savings and Deposit Accounts:** Account structures are made simpler, with low or no minimum balance requirements, to meet the financial needs of various groups, such as those with low incomes and those residing in rural regions.
- 2. Microcredit and Microinsurance:** Creating products for small business owners, farmers, and entrepreneurs in rural or underdeveloped regions; microcredit and microinsurance.
- 3. Services for mobile wallets and banking:** Providing user-friendly digital wallet and mobile banking services to close the gap for those whose access to traditional bank branches is restricted.
- 4. Tailored Solutions for Agricultural Loans and Services:** Partnering with financial institutions to provide services and loans for agriculture that are suited to farmers' needs, taking into account input requirements and seasonal variations.
- 5. Student loans and education:** Developing loan solutions for education with advantageous conditions to assist families and students in covering the costs of their education.

6 Remittance Services: Cost-Effective Solutions: Offering migratory workers and those with family members spread out across multiple locales efficient and cost-effective remittance services.

7. Financial Literacy Initiatives: Projects creating seminars and programmes for financial literacy aimed at groups with differing degrees of financial literacy, such as first-time savers or people switching to formal banking.

8. Modifiable Terms and Flexible Credit Options: Collaborating with banks to offer variable payback terms for lending choices that are tailored to certain consumer groups' cash flow and income patterns.

9. Community-Based Savings Initiatives: Forming lending and savings organisations within local communities to promote mutual assistance and collective financial empowerment.

10. Senior-Friendly Banking Services: Considering the special requirements and preferences of senior citizens, banking services should be designed to be both user-friendly and accessible to them.

11. Medical Financing and Health Insurance: Offering medical financing options and health insurance products in collaboration with insurers, especially to populations with restricted access to healthcare resources.

12. Entrepreneurial Support Programmes: Encouraging aspiring company owners to get resources and capital while promoting the expansion of small enterprises in the neighbourhood.

13. Tailored Pension Schemes: Working together to create pension schemes that meet the requirements and goals of various age groups and occupations in retirement.

14. Public Benefit provision: Optimising the provision of public subsidies and benefits via digital channels, guaranteeing prompt and safe payment.

15. Green Banking Initiatives: Presenting green loans for eco-friendly projects in urban and rural regions, as well as other ecologically conscious banking alternatives.

1.2.2: Identification and Assessment of Demand for Products

A variety of techniques are used by Business Correspondents and Business Facilitators (BC/Fs) to determine and evaluate the demand for banking products within the designated client categories. First, they talk to people in the community directly to learn about their wants, preferences, and difficulties related to money. To have a thorough grasp of the local context, this entails completing surveys, having conversations, and attending community events. In addition, BC/Fs work closely with institutions, community organisations, and local leaders to understand the cultural quirks and economic dynamics that affect people's financial decisions. In addition, they employ data analytics and market research methodologies to measure and examine demand patterns, recognising trends in transaction conduct and service consumption.

By using a data-driven strategy, BC/Fs are better able to customise their goods to meet the unique needs of their target markets. Frequent feedback systems, such as interaction logs and customer surveys, allow for continuous improvement of product offerings according to the changing demands of the community. In the end, the BC/F plays more than just a transactional role; it also serves as a reliable link between the official banking system and the community, guaranteeing that financial products are both easily available and suit the various needs of the segments it serves.

It is essential to comprehend the economic environment; they should identify important industries, income distribution patterns, and economic trends that affect the demand for financial goods in the communities they work with. Furthermore, understanding social dynamics is crucial since strong community links help one better understand how cultural norms and dynamics affect financial demands. Emphasising the regulatory landscape is also crucial; they must comprehend how regulations impact the market for certain financial products and be aware of compliance obligations. Finally, it is critical to encourage adaptation since BC/Fs need to be able to adjust to evolving community requirements, changes in the economy, and modifications to regulations.

1.2.3: Methods to Approach Customers

Business Correspondents and Business Facilitators (BC/Fs) utilise many techniques to engage with potential clients on goods and services to successfully close agreements and advance financial inclusion. The following are various strategies that BC/Fs ought to think about implementing:

- Door-to-door campaigns are another way BC/Fs may interact with prospective clients in-person. This approach makes it possible to have individualised conversations, respond to specific issues, and provide details about the financial services and products that are offered.
- Putting up community events, workshops, or get-togethers gives you a chance to reach more people. In a communal setting, BC/Fs can address concerns, provide banking solutions, and build trust while encouraging community involvement.
- By putting in place educational programmes like financial literacy seminars, businesses may educate consumers about the value and advantages of financial services in addition to product information. This method aids in making well-informed decisions.
- Promoting and launching tailored campaigns and promotions aids in raising awareness of particular goods and services. BC/Fs can draw attention and persuade clients to think about the advantages of banking services by using promotional materials, rewards, or exclusive deals.
- BC/Fs can provide banking services to the community directly by holding mobile banking clinics at various places. These clinics improve accessibility by offering on-the-spot help, account opening services, and query resolution.
- Reaching out to nearby companies can make outreach easier. BC/Fs can form alliances to market banking services to these companies' clients by utilising their current connections and networks.
- By employing digital communication channels like email, SMS, and social media, BC/Fs may reach a larger audience. Digitally disseminating information about goods, services, and forthcoming events can support conventional outreach strategies.
- Providing financial health assessments can be a successful tactic. A BC/F may evaluate a person's financial status, point out areas that need development, and suggest appropriate banking options that support their financial objectives.
- By putting referral programmes into place, current clients are encouraged to recommend friends and family. Referral bonuses and word-of-mouth recommendations have the potential to encourage clients to aggressively market banking services.
- It is crucial to adapt communication to the linguistic and cultural environment of the recipient. BC/Fs should make sure that the community connects with their messaging, which will increase the accessibility and relatability of the material.
- One way to demystify the banking experience is to provide interactive demos of banking services and operations. By demonstrating how transactions operate, BC/Fs may allay any worries or doubts clients might have.
- It's critical to follow up with clients following the initial exchanges. Follow-up visits can be made by BC/Fs to answer any more queries, offer more help, and direct clients through the application or transaction process.
- Providing client endorsements or success stories can increase trustworthiness. Examples from everyday life illustrate the benefits of banking services and could encourage others to think about implementing comparable fixes.

Mapping customer needs with offered products

The Business Correspondent/Facilitator (BC/F) job includes the critical function of matching client demands with provided items through analysis. Here is a thorough how-to instruction for BC/Fs to carry out this process successfully. By using these techniques, BC/Fs can match the demands of their customers with the supplied goods and services through methodical analysis. This improves client happiness while also helping financial inclusion programmes succeed overall.



Pic Credit: www.technobrizz.com

- **Talk to clients:** Have honest, in-depth discussions with clients to learn about their financial objectives, difficulties, and desires. As you actively listen to their worries, find out more about their present financial circumstances.
- **Assess Financial Status:** Perform financial health examinations to determine the income, spending, savings, and debt of your clients. This research highlights areas where banking services might be valuable and offers insights into their overall financial well-being.
- **Think About Life Stages:** Recognise the many stages of life that your clients are going through, such as beginning a new job, getting married, having kids, or making retirement plans. Make product suggestions that are tailored to the unique requirements connected to each period of life.
- **Think About Demographics:** Segment clients based on their characteristics to better understand their particular demands. Individuals such as young professionals, families, retirees, and businesses may have specific needs that might be met by customised goods.
- **Provide Tailored Guidance:** Based on the customer's financial objectives, provide tailored financial advice. This might include suggestions for investment strategies, savings programmes, and other financial products that fit their goals.
- **Encourage the development of financial literacy:** Increase client financial literacy by the use of instructional programmes. Give them information about different banking services, products, and advantages so they can make wise decisions.
- **Collect Feedback:** Make use of consumer surveys and feedback systems to inquire directly about the demands and satisfaction levels of your clients. Utilise this data to enhance the range of items that are being supplied.
- **Consider Comprehensive Solutions:** Encourage clients to consider all of their options when it comes to their financial objectives. Offer solutions that support a comprehensive approach to financial planning by addressing both short- and long-term goals.

- **Assessing Tolerance for Risk:** Determine the preferences and risk tolerance of your clients. Make product suggestions that are specific to their risk profiles so that their financial preferences are met in a way that is both comfortable and appropriate.
- **Utilise Frontline Insights:** BC/Fs frequently deal with clients directly. Use these exchanges to your advantage to learn important details about the wants, requirements, and pain areas of your customers.
- **Market intelligence:** is the ability to keep track of shifts in the financial environment and market trends. Keeping abreast of industry advancements, new product releases, and regulatory changes enables BC/Fs to match their product offerings to changing client demands.
- **Uphold Continued Relationships:** Create and preserve a continuing rapport with clients. Frequent follow-ups offer chances to review requirements, deal with evolving situations, and roll out new goods or services as needed.
- **Collaborative Approach:** Gain a thorough understanding of the whole array of products and services offered by collaborating closely with financial institutions. Work together with these organisations to make sure that the items being supplied suit the wide range of demands that your clientele has.
- **Apply Data Analysis:** Use data analytics technologies to find trends and patterns in the behaviour of your customers. Marketing plans and product suggestions can be informed by data-driven insights.

Effective analysis of Customer Financial details

To accomplish their roles as providers of customised financial solutions and advocates for financial inclusion, Business Correspondents and Business Facilitators (BC/Fs) must evaluate consumer financial facts effectively. Personalised talks regarding income, spending, savings, and financial objectives are conducted by BC/Fs with their clients to build trust and promote candid communication. A thorough evaluation of a customer's financial well-being that takes into account their assets, liabilities, income sources, and responsibilities is made possible by conducting financial health checks. BC/Fs obtain insights into their client's financial interests and behaviours by analysing debt and credit histories, studying income and expenditure trends, and analysing savings and investing habits. Proposing pertinent options, such as investment possibilities, savings programmes, or loan products that complement both short- and long-term objectives, requires this knowledge.

Furthermore, evaluating risk tolerance and identifying life-cycle requirements help to further improve product suggestions. In addition to providing individualised guidance, assessing a customer's financial information is critical for risk reduction, regulatory compliance, and removing obstacles to financial inclusion. Through comprehensive financial planning and educated decision-making, BC/Fs empower customers and cultivate enduring relationships based on trust and loyalty. All things considered, this thorough assessment is invaluable for personalising financial advice, encouraging financial inclusion, guaranteeing compliance, and enabling clients to take charge of their financial well-being.



Figure 1.2.3: Importance of evaluating customer financial details

Unit 1.2.4: Role of BC/F in assisting customers in application processing

Business Correspondents and Business Facilitators (BC/Fs) are essential during the first phase of client engagement because they converse with people who indicate interest in using banking services or products. This kind of engagement can take place in a variety of settings, including in-person meetings, public events, and online communication platforms. By using these many channels, BC/Fs build relationships with clients and provide the groundwork for an inclusive and customised banking experience.

After that, at the information gathering stage, BC/Fs go about obtaining the necessary information from clients to fully comprehend their distinct demands and specifications. This entails gathering data such as the customer's financial objectives, personal information, and the particular banking product or service they are interested in. BC/F performs the following activities to assist customers effectively:

- **Help with Application Forms:** BC/Fs help clients correctly complete application forms. This entails elucidating every segment of the form, validating the data provided by the client, and guaranteeing that all mandatory areas are accurately completed.
- **Document Verification:** BC/Fs are involved in the process of confirming the supporting documentation that clients send with their applications. To make sure the application is comprehensive and meets all documentation standards, this stage is essential.

- **Application Submission:** BC/Fs help the appropriate financial institution receive completed applications and accompanying documentation. This might entail using digital channels for the submission procedure or working with the closest bank branch.
- **Query Resolution:** BC/Fs respond to any questions or issues that clients may have during the application process. They serve as a liaison between the client and the financial institution, guaranteeing that inquiries are addressed efficiently and quickly.
- **Follow-up and Status Updates:** BC/Fs get in touch with clients regularly to inform them of the progress of their applications. This includes updating clients on the status of their requests, any new specifications, and the anticipated processing times.
- **Coordinate with Banking Institutions:** To expedite the application processing, BC/Fs work closely with banking institutions. They make sure that the necessary paperwork is correctly provided and that the applications adhere to the requirements set out by the bank.

Exercise



Multiple Choice Questions (MCQs)

1. What is the primary goal of customer segmentation in banking?

- A. Simplifying internal processes
- B. Tailoring services to specific customer needs
- C. Reducing customer interactions
- D. Standardizing product offerings

2. Which of the following is a demographic factor used in customer segmentation?

- A. Technological preferences
- B. Geographic location
- C. Attitude towards risk
- D. Spending patterns

3. In approaching young professionals, which communication channel is likely to be most effective?

- A. Traditional print media
- B. Social media and digital platforms
- C. Radio advertisements
- D. Direct mail

Fill in the blanks:

- Customer segmentation involves dividing a diverse customer base into _____ groups based on shared characteristics.
- To effectively map customer needs with offered products, Business Correspondents and Business Facilitators (BC/Fs) need to possess strong _____ skills.

True/ False Statements:

- Customer segmentation is a one-time process and does not require regular updates.
- BC/Fs should approach all customer segments in the same way to maintain consistency.

Matching Questions:

1. Match the customer segment with the appropriate characteristic:

Customer Segment: Retirees

Characteristic: _____

2. Match the communication channel with the suitable customer

Communication Channel: Community events and local gatherings

Customer Segment: _____

Scenario-based Questions:

Scenario: A BC/F is approaching a customer who is a small business owner. What factors should the BC/F consider when mapping the customer's needs with offered products? Provide two considerations.

Notes



Notes

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Unit 1.3: Understanding Risks, Compliance, Documentation and Information System Updates and Reporting

Unit Objectives



At the end of this unit, the participants will be able to understand:

- Evaluate Risks Associated with Banking Products
- Adhere to Compliance Procedures in Banking Operations
- Identify and fulfil Documentation Requirements for Applications
- Utilize and maintain Standard Formats for Reports
- Accurately Update Customer Details in Information Systems

1.3.1: Risks associated with Banking products

There are various strong arguments for students who want to work in the banking industry, especially in positions like Business Correspondents and Business Facilitators (BC/Fs), to have a thorough awareness of the risks involved with banking products. First of all, being aware of these hazards gives them the information they need to interact with clients efficiently. As a middleman between the bank and its consumers, BC/Fs are knowledgeable about potential hazards and can communicate this information to clients openly and honestly. Second, a key component of client education is comprehending hazards. Customers with more education are better able to select appropriate banking products, handle any risks, and make well-informed financial decisions. Thirdly, market dynamics, laws, and economic conditions are always changing in the dynamic context in which the banking sector operates.

One might almost say that bank management is the business of taking risks. Operating on the tenet of avoiding all risks may cause financial institutions to stagnate and fail to sufficiently provide the community's legitimate credit demands. However, a bank that takes on too much risk is sure to have problems. There are several ways to describe and categorise banking hazards, and one could compile a lengthy list of the different kinds of risks to which banks are vulnerable. This chapter will look at six primary categories of risk:

1. Credit Risk: One of the largest financial hazards in banking is credit risk, which arises when counterparties or borrowers don't fulfil their commitments. To determine the credit risk involved, lenders must anticipate and project the likelihood that the borrower will repay the whole loan amount, including principal and interest. Credit risk encompasses more than just the possibility that borrowers won't be able to make their payments; it also includes the possibility that payments will be late, which might also put the bank in danger. When a company's credit status deteriorates, the capital markets respond by raising the interest rates on its debt issuance, decreasing the value of its shares, and/or lowering the evaluation of its debt quality.

2. Liquidity Risk: The capacity of a bank to satisfy its cash and collateral commitments without suffering significant losses is referred to as liquidity. The possibility of suffering losses when an investment or commodity cannot be exchanged without changing its market value is known as liquidity risk. The possibility that banks won't be able to meet one or more of these requirements is known as liquidity risk. To meet their liquidity demands, banks must make sure that their mix of different assets and liabilities is adequate. The decision on which of the many liquidity sources to use should be based on several considerations, such as the following:

- the reason why cash is required;
- access to liquidity markets;

- management approach;
- costs and features of the different liquidity sources;
- interest rate projections

A common unavoidable consequence of banking activities is liquidity risk. A bank normally takes short-term deposits and extends long-term loans; thus, there is a risk of liquidity and a cost associated with the difference in maturities. The temporal profiles of the anticipated sources and uses of cash may be used to determine the bank's liquidity status, and institutions should manage liquidity gaps within reasonable bounds.



3. Interest Rate Risk: Interest rate risk is the degree to which banks' earnings are impacted by fluctuations in interest rates, which have varying effects on obligations and assets. Because their balance sheets aren't linked, banks are vulnerable to interest rate risk. Bankers have a strong incentive to position the bank per their strong beliefs about future interest rate movements. They will increase the interest sensitivity of assets relative to liabilities when a rise in rates is anticipated, and they will take the opposite action when a fall is anticipated. Mixing assets and liabilities can raise or decrease exposures. Current exposures are assessed, and future exposures are projected, using methods like interest-margin variance analysis (IMVA).

4. Market Risk: This is related to the risk of loss brought on by unfavourable variations in the trading portfolio's value, which can occur as a result of changes in the price of commodities, equities, interest rates, or foreign exchange. It occurs when banks keep stock as collateral or when they hold financial instruments in the trading book. Market risk has grown as a result of the significant growth in the size and activity of several big banks' trading portfolios.

5. Operational Risk: Technical issues (such as those with a bank's information systems or risk controls) or organisational issues (such as those with an internal reporting, monitoring, and control system) give rise to operational risk. Technical operational risks can take many different forms (e.g., inaccurate transaction recording, information system flaws, or lack of appropriate risk measurement tools).

6. Solvency Risk: This pertains to the risk of not having enough capital to cover losses caused by all kinds of hazards, which is essentially the risk of the bank failing. The problem of sufficient capital is crucial for the stability of the banking system from a regulatory perspective. Determining the proper capital level for a given level of overall risk is essential to managing solvency risk. The following is a summary of the main ideas at play:

- Capital is the best defence against possible losses caused by risks.
- It should be increased to the extent necessary to guarantee that all risks have the potential to produce losses.
- To put the latter into practice, every risk needs to be measured in terms of possible losses, and a way to calculate total potential losses should be found by adding up the possible losses of each risk.

1.3.2: Compliance Procedures in Banking Applications

For banking transactions to maintain the integrity, security, and moral standards of the financial system, compliance measures are necessary. These processes function as a collection of standards and regulations that banks and other financial institutions must follow to guarantee regulatory compliance, stop financial crimes, safeguard clients, and keep the banking industry stable as a whole.

First and foremost, compliance protocols are essential for preventing financial crimes including money laundering and financing of terrorism. Banks may monitor transactions, identify odd or suspicious activity, and verify the identity of their clients by putting strong customer due diligence (CDD) and know-your-customer (KYC) systems in place. These precautions are essential for the financial institution's safety as well as for keeping illegal money out of the banking system, which helps with the larger fight against international financial crimes.

Second, the purpose of compliance processes is to guarantee that consumers are treated fairly and morally. Following data security and privacy regulations is crucial since banking transactions handle sensitive financial and personal information. Consumers rely on banks to protect their personal information, and compliance measures uphold that confidence by defining standards for safe data processing, privacy, and moral behaviour in financial transactions.

Furthermore, by encouraging ethical corporate conduct and risk management, compliance processes support the general stability of the banking industry. The goals of the rules and policies established by regulatory authorities are to guard against systemic risks, guarantee the stability of institutions' finances, and preserve public trust in the banking sector. Banks can reduce operational, credit, and market risks by following these protocols, which will improve the stability and dependability of the financial system.

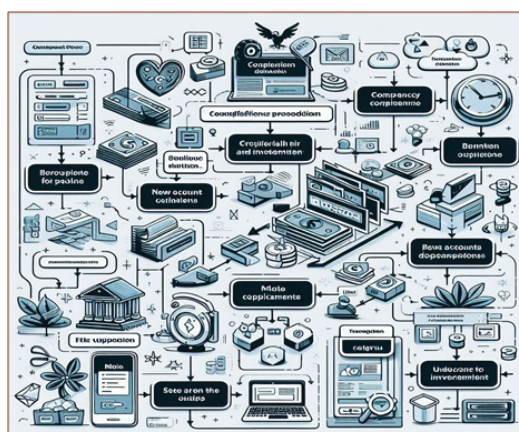


Fig.1.3.2

Furthermore, compliance protocols support process standardisation within the banking sector. Standards for compliance should be uniform to guarantee fair competition, lessen the possibility of unethical behaviour, and enable regulatory agencies to effectively oversee businesses. In addition to improving the efficiency and openness of banking operations, this standardisation helps the financial services industry become more credible and competitive overall.

Business Correspondents and Business Facilitators (BC/Fs) are responsible for ensuring ethical behaviour, regulatory compliance, and client protection in banking applications. They should be knowledgeable about the different compliance procedures. Key compliance protocols that BC/Fs need to be aware of are as follows:

- **Customer Due Diligence (CDD):** When onboarding new clients, BC/Fs are required to adhere to CDD protocols. This entails gathering and confirming client data to stop fraud, identity theft, and money laundering.

- **Know Your Customer (KYC) requirements:** BC/Fs must follow KYC requirements, which entail confirming clients' identities, addresses, and other pertinent information. Maintaining the integrity of the financial system and guaranteeing the validity of consumer transactions depend on this.
- **Anti-Money Laundering (AML) Compliance:** BC/Fs need to be knowledgeable about AML policies and guidelines. This entails keeping an eye on transactions, flagging questionable activity, and putting policies in place to stop money laundering inside the financial system.
- **Counter Financing of Terrorism (CFT):** BC/Fs must have CFT procedures in place to identify and stop money from going towards terrorist endeavours. Reporting any suspected transactions linked to the funding of terrorism is part of this.
- **Data Protection and Privacy Policies:** To secure consumer information, BC/Fs are required to abide by data protection and privacy policies. This includes protecting client information, getting approval to process data, and maintaining privacy.
- **Transaction Monitoring:** To spot odd or suspicious activity, transactions must be regularly monitored. Any transactions that don't follow standard consumer behaviour should be reported by BC/Fs to the appropriate authorities.
- **Reporting of High-Value Transactions:** Per legal regulations, BC/Fs are required to record high-value transactions. To stop possible financial crimes, this entails reporting transactions to the appropriate authorities that are above certain criteria.
- **Compliance with Regulatory Agencies:** BC/Fs are required to keep themselves updated on and abide by the regulations imposed by the pertinent regulatory agencies that keep an eye on the banking industry. This entails comprehending and putting into practice directives from financial regulatory bodies or central banks.
- **Fair Practices and Ethical Behaviour:** BC/Fs must abide by fair practices and ethical behaviour. This entails behaving honourably towards consumers, giving correct information, and refraining from dishonest or false tactics.
- **Training and Skill Development:** Two essential compliance practices are ongoing education and skill development. To be informed about new hazards, regulatory changes, and industry best practices, BC/Fs should regularly participate in training.
- **Handling Potential Conflicts of Interest:** BC/Fs are required to handle and reveal any conflicts of interest that would make it difficult for them to work in the best interests of their clients. Fair transactions and openness are ensured by this.
- **Record Keeping and documenting:** Accurate record keeping and thorough documenting of business dealings and client communications are crucial components of compliance protocols. This facilitates consumer dispute resolution, regulatory evaluations, and audits.

1.3.3: Document requirements for banking applications

Depending on the kind of service or product being asked for, different documentation is needed for banking applications. Nonetheless, some standard papers are usually needed for different banking procedures. The broad categories of paperwork needed for various banking applications are listed below:

S.No.	Activity	Requirement
1.	Account Opening	Individual Accounts: • Identification Documents (passport, government-issued ID, etc.) • Evidence of Address (Utility Bill, lease, etc.) • Passport-size photos • PAN (Permanent Account Number) Card Business / Corporate Accounts: • Business Registration documents • Articles of Association and Memorandum • Board Resolution for the creation of an account • KYC documents of authorized signatories
2.	Loan Applications	• Loan application form • Verification of Name and address • Income documentation (Salary slips, income tax returns for individuals, financial statements) • Details of employment and business • Property documents (for mortgage loans) • Bank records
1.	Credit card Applications	• Credit card application form • Evidence of address and identity • Income verification • Employment details • Bank statements
2.	Fixed Deposit or Savings Account	• Application Form • Proof of Identity and Address • Passport-sized photos • PAN Card
3.	Loan against property	• Loan application form • Proof of identity and address • Property Documents • Evidence of Income • Bank Statements
4.	Online Banking Services	• Application Form • Verification of identity and account information • Email address and mobile number
5.	Demat Account Opening	• Demat account opening form • Proof of identity and address • Passport-size photos • PAN Card • Bank account details
6.	Safe Deposit Box rental	• Application form for safe deposit box • Validation of Name and Address • Passport-sized photos
7.	Mobile Banking or ATM Card application	• Application form • Validation of Name and Address • Passport-sized photos • Account details

1.3.4: Types of standard format for reports

There are several kinds of standard report formats that are used in the context of banking operations and the functions of Business Correspondent/Facilitator (BC/F). To record and present data on several facets of banking services, these reports are essential. Following are a few examples of typical standard report formats:



- **Transaction Reports:** Customers' deposits, withdrawals, fund transfers, and other financial activities are all included in detail in these reports. They give a brief overview of the customer's account activities over a predetermined time frame.
- **Reports on Customer Status:** A summary of a client's current situation, including account balances, transaction histories, and any outstanding debts, is given in customer status reports. These reports are useful in evaluating each customer's financial situation.
- **Compliance Reports:** Compliance reports record conformity to organisational guidelines and legal obligations. They could contain details on anti-money laundering (AML) protocols, KYC compliance, and other regulatory requirements.
- **Performance Reports:** Performance reports evaluate how well BC/Fs perform in achieving goals and targets. Key performance indicators (KPIs), accomplishments, and development opportunities might all be included in these reports.
- **Financial Statements:** An all-encompassing picture of the bank's or financial institution's financial health is provided by financial statements such as the balance sheet, income statement, and cash flow statement. Stakeholders and regulatory agencies need these reports.
- **Target Achievement Reports:** Target accomplishment reports provide an overview of the steps taken to date to meet the bank's specified objectives. These might be goals for generating income, acquiring new clients, or achieving other performance indicators.
- **Risk assessment Reports:** Reports on risk assessment analyse the possible hazards connected to different banking operations. An examination of credit risk, market risk, operational risk, and compliance risk may be part of this.

- **Product Performance Reports:** These studies evaluate the effectiveness of particular banking services and products. They could contain data on client opinions, product adoption rates, and profitability analyses.
- **Security and Incident Reports:** Reports on security and incidents record any occurrences, fraud attempts, or security breaches. They are essential for quickly looking into and resolving security-related issues.
- **Market research and customer segmentation Reports:** The demographics and interests of target consumer categories are revealed in reports about market research and customer segmentation. Marketing plans and product development are guided by this information.

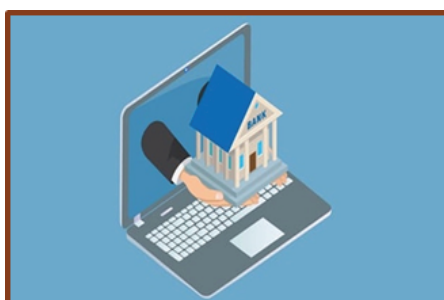
Unit1.3.5: Updating customer details in Information Systems

One of the most important and basic responsibilities of the Business Correspondent/Facilitator (BC/F) position is updating client data in the systems. This procedure is extremely important as it immediately affects the precision, safety, and effectiveness of banking activities, guaranteeing a smooth and reliable client experience.



First and foremost, the foundation of a trustworthy and compliant financial system is accurate client data. BC/Fs help to keep the information system's integrity intact by routinely updating client details such as addresses, phone numbers, and other personal information. Meeting regulatory standards is contingent upon its correctness, especially regarding Know Your Customer (KYC) compliance and anti-money laundering procedures.

Moreover, the provision of effective and customised services depends on having up-to-date consumer information. Banks may customise their services to better match the distinct requirements and preferences of each consumer when their customer profiles are up-to-date and thorough. Ensuring that banking services are in line with the varied needs of the client base, especially those in rural and underserved regions, this in turn improves the overall customer experience and fosters financial inclusion.





Customer data security is yet another important factor to take into account. Frequent updates contribute to protecting sensitive customer data's security and confidentiality. Customers are safeguarded from potential security breaches and unauthorised access by BC/Fs, which immediately reflect changes in the information system.

Moreover, reliable and current client data is critical to the smooth functioning of banking operations. Transactions may be completed quickly and client demands can be promptly handled when information is up to date. For BC/Fs operating in distant or rural locations, where timely access to banking services can have a substantial influence on the financial well-being of individuals and communities, this efficiency is especially important.

Essentially, BC/Fs' updating of customer data is not just a formality; rather, it is a fundamental component of a dependable, client-focused, and safe banking system. It strengthens data security, improves service quality, complies with regulations, and advances the larger objective of promoting stability and financial inclusion. The profitability and integrity of the whole banking ecosystem are dependent on BC/Fs' dedication to upholding correct client information since they serve as a crucial link in closing the gap between regular banking services and underserved communities.

Exercise

Multiple Choice Question (MCQ)

1. What type of risk is associated with the possibility of borrowers failing to repay their loans?

- A. Operational risk
- B. Credit risk
- C. Market risk
- D. Liquidity risk

2. Which regulatory body oversees banking operations in many countries and sets standards for anti-money laundering (AML) and combatting the financing of terrorism (CFT)?

- A. SEC (Securities and Exchange Commission)
- B. RBI (Reserve Bank of India)
- C. FATF (Financial Action Task Force)
- D. FDIC (Federal Deposit Insurance Corporation)

3. Which type of report provides a snapshot of a company's financial position at a specific point in time?

- A. Income Statement
- B. Balance Sheet
- C. Cash Flow Statement
- D. Audit Report

True / False

4. Interest rate risk is the risk of losses in a bank's financial portfolio due to adverse movements in interest rates.
5. Submitting falsified documents during the loan application process is considered a breach of compliance.
6. BC/Fs should update customer details in information systems even if the changes seem minor to ensure accurate and up-to-date records.

Fill in Blank:

7. The process of verifying the identity of customers to prevent fraud and comply with regulations is known as _____.
8. A Transaction Report typically includes details of _____.

Notes

[illegible]



2. Assist customers with the bank application process

Unit 2.1: Account opening procedures and document verification

Unit 2.2: Customer Engagement Modes

Unit 2.3: Document and material delivery and reporting in Banking applications



(BSC/ N 8402)

Key Learning Outcomes



At the end of this module, the participants will be able to:

- Identify various types of application forms and supporting documents required for account opening
- Execute Account opening procedures and document verification
- Comprehend Legal procedures involved in account opening applications
- Acquire and authenticate required documents
- Maintain and update documents and information in customer systems
- Ensure proper transmission of Application Files to the Branch
- Employ Effective strategies for Engaging with Customers
- Educate Customers About Account Categories
- Solicit Referrals Regarding Customer Records or Business
- Gather and deliver additional Customer Information
- Follow Standard Procedures for Delivering Documents and Materials
- Utilize Standard Format for Reports in Banking
- Recognize the Significance of Following Proper Procedures

Unit 2.1: Application forms and supporting documents required for opening

Unit Objectives



At the end of this unit, the participants will be able to understand:

- Identify various types of application forms and supporting documents required for account opening
- Execute Account opening procedures and document verification
- Comprehend Legal procedures involved in account opening applications
- Acquire and authenticate required documents
- Maintain and update documents and information in customer systems
- Ensure proper transmission of Application Files to the Branch

Application forms are crucial to the account opening procedure since they act as official records of a customer's request to open a bank account. These forms are essential for gathering vital information about the account holder, including personal information, proof of identity, and preferences on the kind of account and services to be used with it. Banks may make sure that applicants follow regulatory requirements, including Know Your Customer (KYC) standards, which are essential for stopping fraudulent activity and meeting legal obligations, by making them fill out these forms. Furthermore, banks can efficiently customise their services by using the information supplied in the application forms to better understand the financial requirements and objectives of their customers. Filling out application forms is a critical first step in establishing openness, keeping correct records, and enabling a seamless account opening process for the bank and the client.

2.1.1: Type of application forms for various accounts

The kinds of application forms needed to create different accounts at a bank might change depending on the account type and services offered. The following are typical forms of applications for various accounts:

Savings Account:

Those who wish to start a simple savings account should complete this form. Personal data, identification documentation, proof of address, and other pertinent information are usually needed.

Current Account:

Current accounts are frequently chosen by companies and people that need to make regular transactions. Information about the company or individual, identification documentation, business registration documents (for companies), and other required data are all included in the application form for a current account.

Fixed Deposit Account:

Fixed deposit accounts are used by those who want to invest a large sum of money for a certain time. Personal information, deposit amount, duration, and nominee details are required on the application form for a fixed deposit account.

Recurring Deposit Account:

People who wish to deposit money every month and receive interest on the total amount over time use this form. The application form requests tenure, deposit amount, and personal information.

Joint Account:

A joint account application form is used when two or more people wish to create an account jointly. It contains the relationship between each account holder, their personal information, and the method of operation (such as a single or shared signature).

AXIS BANK Account Opening Form-Non-individual
Current/Savings (TASC/Govt.) / Cash Credit/Overdraft

Please fill the form in BLOCK LETTERS only. Fields marked * (asterisk) are MANDATORY.

☐ Current ☐ Savings ☐ Cash Credit ☐ Overdraft ☐ BBFC

Currency: ☐ INR ☐ USD ☐ GBP ☐ JPY ☐ EUR ☐ Other _____

*Existing CIF ID: ☐ If Yes, CIF ID: _____ Existing CYIC: _____

*Entity Name: _____

Account Name: *Same as Entity Name ☐ Yes ☐ No (If No, please fill the details)

COMMUNICATION/LOCAL ADDRESS

*Line1: _____ *Line2: _____

Landmark: _____ *City: _____ *Country: _____

*Pincode: _____ *State: _____

REGISTERED / RESIDENCE ADDRESS

Same as Communication / Local Address ☐ Yes ☐ No (If No, please fill the details below)

*Line1: _____ *Line2: _____

Landmark: _____ *City: _____ *Country: _____

*Pincode: _____ *State: _____

BUSINESS DETAILS (All details are mandatory)

Date of Incorporation: _____ Date of Commencement of Business: _____ Country of Incorporation: _____

Registration No. / CIN: _____ Place/City of Incorporation: _____

RAN: _____ OR Form 10 & Form 49A: _____ *Occupation Code: _____ UIN: _____

CONSTITUTION OF THE ENTITY

☐ Proprietorship ☐ Partnership ☐ Limited Liability Partnership ☐ Public Limited Company ☐ Private Limited Company ☐ One Person Company ☐ Government

☐ State Government ☐ Central Government ☐ Local Government ☐ Trust ☐ Societies ☐ Charitable trust ☐ Section 25 Companies

☐ Association ☐ University ☐ Others (Specify): _____

CONTACT DETAILS

*Mobile No.: _____ *Tel No.: _____ *Fax No.: _____ (If No, mandatory if Mobile No. not provided)

*Email id: _____

CHANNEL FACILITIES

Site Proprietorship Accounts: ☒ Mobile Banking ☒ Phone Banking ☒ Retail Internet Banking (For Corporate Internet Banking (CIB), please fill separate form)

*Account Statement Option (Monthly): ☐ Statement (standard option if email is provided) OR ☐ Printed Statement *Cheque-book facility: ☐

*SMS Alert Facility: ☒ Daily Balance Alert and Transaction Alert (Both alerts will be activated on the mobile number provided below)

Mode of Operation: ☐ Single ☐ Joint ☐ Jointly by all ☐ Proprietor ☐ Joint One Partner ☐ No. Per board resolution ☐ Others: _____

Account Details

Account (in figure): _____ *Date of payment: _____ *Cash (Please deposit only at Axis Bank counter)

*Cheque No.: _____ *Date: _____ *Account Type: ☐ Current ☐ Savings ☐ Cash Credit/Overdraft

*Debit my/our A/C No.: _____ *Tran ID: _____ *Date: _____

Bank Use

*Non-Insta ☐ *Scheme Code: _____ Account to be opened at: _____ *Set ID: _____ ADR Sent by Branch Set ID: _____

Insta Sticker: _____ Account No.: _____

ample form for opening an account

Demat Account:

A Demat account is used by investors who wish to keep and trade stocks electronically. Financial data, personal data, and nominee details are all included in the Demat account application form.

NRI Account:

To open an account in India, Non-Resident Indians (NRIs) or Persons of Indian Origin (PIOs) must fill out a special application. Details like NRI status, evidence of a foreign residence, and other pertinent data are needed.

Loan Application Form:

A loan application form must be completed by anybody applying for a loan, including companies. This form gathers data on the borrower's financial situation, the loan's objective, the specifics of the collateral, and the terms of repayment.

Supporting documents required for account opening

Depending on the kind of account and the financial institution's regulations, different supporting papers may be needed to create an account. Nonetheless, the following kinds of supporting documentation are frequently needed when creating an account:

Proof of identity (Any of the following):	• The Aadhar card • The passport • Voter identification card • Licence to drive • PAN Card
Identity Verification (Any of the Following):	• Utility bills (gas, water, electricity, etc.) • Tenancy agreement • Address-based bank statements • passport (if it's not being used to prove identification)
Photos the size of a passport:	Usually, to open an account, two current passport-sized photos are needed. Each bank may have a different precise figure.
Card with PAN (Permanent Account Number):	PAN cards are frequently required for specific transactions and in order to abide with tax laws. It is often necessary in order to open an account.
Income Verification (for specific services and accounts):	• Pay slip • Form 16 • Acknowledgement of income tax return (ITR)
Business registration documents (for current accounts and businesses):	• A company's certificate of incorporation • For partnership companies, the partnership deed • Store and Place of Business Accreditation
Nomination Paperwork:	In order to designate the nominee who would inherit the account in the case of the account holder's passing, customers could be asked to complete a nomination form.
Documents for Know Your Customer (KYC):	It can be necessary to get more KYC papers in order to meet regulatory requirements. This might contain a statement of the funding source, information about one's employment, and other pertinent data.
Proof of Foreign Address for NRI Accounts:	Non-resident Indians, or NRIs, could also need to present additional KYC documentation and verification of their overseas residence.

2.1.2: Account opening procedures and document verification

For those looking to connect with a bank and have access to various financial services, creating an account is a crucial first step. Potential clients are greeted and given an introduction to the banking environment, including a rundown of the many banking products and services, before actually opening an account. When it comes to assisting clients in understanding the characteristics and advantages of various account kinds, bank representatives or business correspondents are essential. In this first stage, clients get education on the significance of adhering to Know Your Customer (KYC) guidelines as well as the necessary paperwork for the account opening procedure.

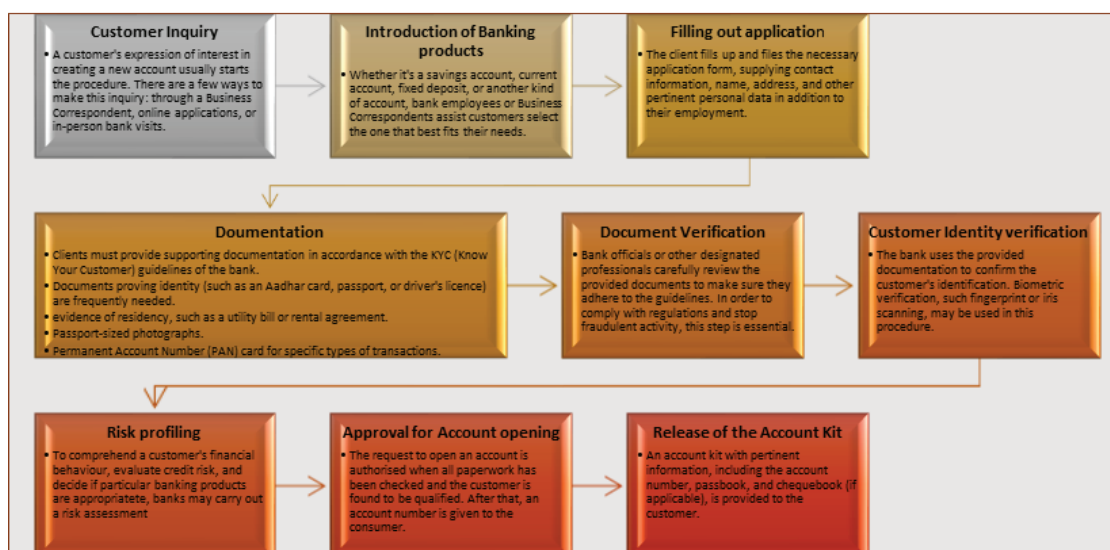


Fig. 2.1.1: Account opening process

Legal procedures involved in account opening applications

It is imperative to acknowledge that the legal procedures mentioned below are only suggestive, and that particular needs may differ contingent upon the rules of various financial institutions and banks. Furthermore, laws and policies might change, which would affect the legal processes associated with creating an account.

Type of Account	Legal Procedures Involved
Savings Account	Submission of KYC documents, like, identity and address proof.
	Compliance with regulatory requirements set by the Reserve Bank of India (RBI).
Current Account	Submission of KYC documents for individuals and additional documents for businesses (business registration documents, partnership deed, etc.).
	Adherence to RBI guidelines and compliance with anti-money laundering (AML) and KYC regulations.
Fixed deposit Account	Submission of KYC documents, along with the deposit amount and tenure selection.
	Compliance with tax regulations, especially regarding TDS (Tax deducted at source) on interest income
Recurring Deposit Account	Submission of KYC documents, deposit amount, and details of the recurring deposit plan
	Adherence to tax regulations, with TDS applicable on the interest end.
Joint Account	KYC documentation for all account holders, specifying the mode of operation (single or joint signature)
	Compliance with regulatory guidelines, ensuring all joint account holders meet eligibility criteria
Demat Account	Submission of KYC documents, including proof of identity and address
	Registration with a depository participant (DP) and compliance with Securities and Exchange Board of India (SEBI) regulations.
NRI Account	Submission of KYC documents along with proof of NRI status and foreign address proof
	Adherence to regulations specified by RBI for Non-Resident External (NRE) and Non-Resident Ordinary (NRO) accounts
Loan Application	Completion of the loan application form, detailing the objectives, amount, and collateral (if applicable)
	Verification of creditworthiness, income proof, and compliance with lending norms set by the bank and regulatory authorities.

2.1.3: Obtaining, verifying and updating documents

Obtaining and verifying required documents

Accuracy, compliance, and security are ensured by a methodical approach to the process of acquiring and confirming the necessary documentation for creating an account. A list of necessary papers is sent to a customer by the bank or Business Correspondent when they indicate interest in opening an account. Subsequently, the client provides these papers, together with identification, address, and other pertinent data. The provided papers are meticulously verified by the bank or Business Correspondent to ensure their authenticity and completeness. To make sure the customer's identification isn't

connected to any illegal activity, this may involve anti-money laundering (AML) investigations, biometric verification for increased security, and cross-verification against external databases. All procedures are carried out strictly per legal requirements, including the Reserve Bank of India's (RBI) Know Your Customer (KYC) criteria.

The account opening request is either accepted or denied after the verification procedure, depending on the verification outcomes. If accepted, the customer receives information about the status of their account and an account kit that includes important information including the account number, passbook, and chequebook (if applicable) is provided. This expedited procedure seeks to give clients a simple account opening experience while establishing a safe and legal banking connection.

Here is the process of obtaining and verifying the required documents:



Fig. 2.1.2

Updating customer information systems

The next important step is to update the data in the bank's information systems after confirming the customer's documentation. This procedure guarantees that the client's information is appropriately documented and kept on file for future use. The following are the actions needed to update consumer data in information systems:



Fig. 2.1.3. Pic credit: www.medium.com

1. Data entry: The bank's information systems get validated client information entered by trained bank employees. This includes updating account information, personal data, and any other data gathered throughout the account opening procedure.

2. Validation Checks: To make sure that the data submitted is accurate and consistent, the system may carry out validation checks. This could involve making sure that everything is accurate in terms of format, completeness, and compliance with set guidelines.

3. Connectivity with the central banking system: The bank's core banking system, which acts as a centralised repository for handling a variety of banking operations, including client accounts, transactions, and financial products, is connected with customer information.

4. Updates to the documentation: Physical records belonging to the client, including the account opening form and KYC papers, may be connected to their digital information in the information system, labelled correctly, and maintained safely.

Some examples of Information Systems used by banks are as follows:

- **Core Banking System (CBS):** frequently employed by banks to oversee transactions, customer accounts, and other banking functions.
- **Customer Relationship Management System (CRM):** aids in monitoring communication history, handling customer encounters, and offering behavioural insights.
- **KYC Database:** Some banks communicate client information securely and expedite the KYC process by utilising centralised KYC registries.

For Business Correspondents and Business Facilitators (BC/Fs), updating client records in the system is essential. To guarantee accuracy, security, and compliance, this process calls for much thought. Data security and privacy are two of the most important things that BC/Fs should be aware of. To guarantee that client information is treated with the highest secrecy and kept safely in compliance with legal requirements, BC/Fs are required to closely follow data protection policies. Additionally, to reduce the possibility of mistakes that might result in inconsistencies in the data, BC/Fs should take care while precisely transcribing and updating client details. For BC/Fs to keep current on the newest

data handling practices and to emphasise the need to preserve the integrity of client information, regular training and awareness programmes are essential.

In addition, BC/Fs need to exercise caution when it comes to adhering to legal requirements and policies regarding the handling of consumer data. Updates to client records must comply with applicable rules and the Know Your Client (KYC) guidelines. To find and quickly fix any inconsistencies, the information system should undergo routine audits and reviews. By being cautious in these areas, BC/Fs help to preserve the integrity of the financial services they provide, foster consumer confidence, and guarantee the protection of their clients' data.

Responsibility of BC/F in sending application files to the Bank

In the process of enabling financial transactions and services, Business Correspondents and Business Facilitators (BC/Fs) play a vital role in submitting application files to the bank. Following their interactions with customers, gathering required paperwork, and helping with the application process, BC/Fs are essential in making sure the application files are correctly and safely sent to the bank. Multiple duties are involved in this process:

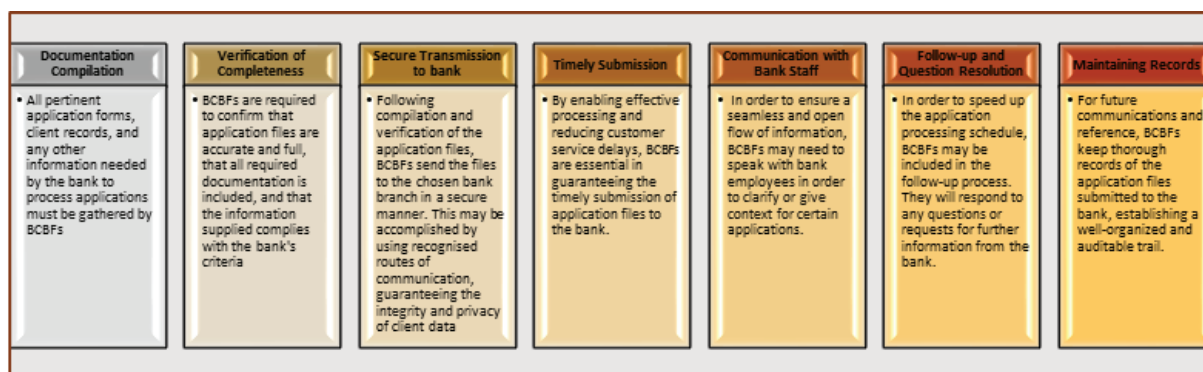


Fig. 2.1.4

Exercise



Multiple Choice Question (MCQ)

1. What is the purpose of having different types of application forms for various accounts?

- A. To confuse customers
- B. To simplify the account opening process
- C. To limit the choice process
- D. To increase paperwork

2. Why is it important to follow legal procedures in account opening applications?

- A. To increase paperwork
- B. To ensure compliance with regulations
- C. To confuse customers
- D. To delay the process

3. What is the purpose of updating documents and information in computer systems?

- A. To create more paperwork
- B. To ensure data remains outdated
- C. To maintain accurate and current records
- D. To confuse customers

Fill in the blank

4. Proof of identity and _____ is commonly required for account opening.
5. Business Correspondents and Facilitators play a key role in _____ application files to the bank.

True/ False

6. The procedure for opening an account involves obtaining and verifying customer documents.
7. Cross-verification may involve checking customer information against external databases.
8. The timely submission of application files to the bank is crucial for efficient processing.

Subjective Questions

9. Explain the significance of having different types of application forms for various accounts. How does this contribute to a smoother account for an opening process?
10. Elaborate on the role of supporting documents, such as proof of identity and address, in the opening process. How do these documents contribute to the overall security and compliance of the banking operations?

Notes

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

Unit 2.2: Customer Engagement Modes

Unit Objectives



At the end of this unit, the participants will be able to understand:

- Employ Effective strategies for Engaging with Customers
- Educate Customers About Account Categories
- Solicit Referrals Regarding Customer Records or Business
- Gather and deliver additional Customer Information

2.2.1: Effective modes of Engaging with customers

Customer Engagement

In banking, the term "customer engagement" describes the continuing communication and relationship-building that take place between a financial organisation and its clients. It entails establishing satisfying and uplifting experiences that promote client loyalty, contentment, and a feeling of kinship with the bank. It transcends simple transactions. Maintaining a long-lasting, mutually beneficial connection with consumers and bringing in new ones all depend on effective customer interaction.

Personalised service and communication are crucial components of client engagement. Banks make an effort to comprehend each customer's particular needs, preferences, and financial objectives. For example, a bank might interact with a client by providing tailored financial guidance based on the client's past transactions, spending habits, and stage of life. This might entail recommending credit products, investment possibilities, or customised savings strategies that complement the client's financial goals.

Providing easy and convenient banking experiences is another aspect of client involvement. Positive engagement may be achieved, for instance, by a bank providing user-friendly mobile banking apps, effective online services, and attentive customer care. Clients value a bank that makes it simple for them to get pertinent information, manage their accounts, and make transactions.

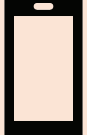
In addition, proactive communication from the bank is part of customer engagement. This covers information about new services, modifications to policies, and security measures. A bank might show its concern for its clients' financial well-being by, for example, promptly alerting them to any fraudulent activity on their accounts.

Customer engagement is also influenced by social responsibility and community involvement programmes. Positive brand perceptions are produced by banks that actively take part in neighbourhood events, sponsor community initiatives, and donate to charitable organisations. Consumers who see that a bank is dedicated to the welfare of the communities it serves tend to feel closer to it. In one particular instance, a bank's adept customer service was on display during a security breach. The bank contacted the impacted clients as soon as possible, giving them detailed information about the issue, the actions taken to address it, and self-protection precautions they may take. The bank's dedication to finding a solution and its open line of contact helped to keep customers' trust.

Essentially, banking client engagement is establishing a mutually beneficial partnership founded on openness, honesty, and a customer-focused mindset. It goes beyond transactional exchanges and aims to provide clients with a satisfying, lasting experience at each point of contact with the bank.

Modes of Engagement with Customers

Business Correspondents and Business Facilitators (BC/Fs) integrate a range of efficient customer engagement strategies to promote financial inclusion and optimise the customer journey. The following are several forms of interaction:

	In-person meetings	In-person contacts with consumers can take place in bank branches or other specified service locations for BC/Fs. This method facilitates direct client interaction and personalised communication.
	Community Gathering	By holding neighbourhood get-togethers or events, BC/Fs may expand their audience. This mode offers a platform for answering questions, encourages community involvement, and increases knowledge of financial services.
	Digital Communication	BC/Fs may communicate with clients remotely by using digital channels including emails, SMS, and mobile applications. This mode works especially well for providing digital financial services, giving updates, and sharing information.
	Door – to – door campaigns	BC/Fs can carry out door-to-door campaigns by personally visiting clients at their residences or places of work. One-on-one conversations, addressing particular requirements, and marketing financial services are made possible by this tailored approach.
	Educational Activities	Organising informative seminars or workshops about banking services and financial literacy is a good way to interact with clients. This aids in raising knowledge and comprehension of different financial products.
	Promotions and Campaigns	Initiating marketing campaigns or promotional campaigns aids in drawing in clients. In order to promote client interaction, BC/Fs might spread the word about new services, special discounts, or other incentives.
	Partnership with local institutions	By working together with neighbourhood organisations, companies, or educational institutions, BC/Fs may interact with clients in a secure setting. Accredibility can be increased by collaborating with local authorities.
	Mobile Banking	Putting up mobile banking kiosks in key places, such as community centres or marketplaces, enables BC/Fs to provide potential clients with on-the-spot support and services.

Informing Customers about Account Categories

Business Correspondents and Business Facilitators (BC/Fs) are essential in maintaining clarity and openness when educating consumers about account types. The following are important factors to think about and the data to supply:

Categories of Account Types: Clearly state the various account categories that the bank offers. Savings accounts, current accounts, fixed deposits, recurring deposits, and other specialised accounts could fall under this category. A succinct explanation of every kind of account along with its main attributes, advantages, and restrictions. In addition, do mention about the suitability for a range of client requirements.

Minimum Requirements for Balance: To prevent any misunderstandings or shocks, make sure everyone is aware of the minimum balance requirements for each kind of account. Additionally, share the repercussions for dropping below the required balance.

Transaction Limits and Fees: To control expectations and avoid unforeseen expenses, advise clients about transaction limits and related costs. Explain the transaction restrictions (either daily or monthly) and fees incurred when transaction limitations are exceeded along with any exclusions from fees or waivers of requirements.

Benefits and Interest Rates: Explain in detail the interest rates that apply to the various account types as well as any perks that may be involved. Inform the customer about the rates of interest on fixed deposits or savings accounts along with unique advantages including rewards programmes, overdraft facilities, or insurance.

Documentation Requirements: Inform customers of the paperwork required to create and manage every kind of account and compile the necessary paperwork adhering to the procedure for validation and verification. In case of any further modifications in the procedure, the customer should be updated about it.

Technology and Access Channels Combination: Make sure clients are aware of the several ways they may access and control their accounts, which means they should be aware of the options for Online Banking, features of mobile banking and accessibility to branch services and ATMs.

Account activation and deactivating accounts: Make clear the procedures for both opening a new account and deactivating or terminating an existing one. Explain the conditions for activation along with the procedures for closure and the ramifications thereof. Customers must be aware of schedules for the activation and deactivation of accounts.

Customer Service and Help: Emphasise that customer support is available to help with any questions or problems about accounts. Explain the significance of Contact information for customer service, Contact information and operating hours. Customers must also know protocols for raising the status of unsolved concerns.

2.2.2: Inquiring customer referrals

As a Business Correspondent/Facilitator (BC/F), gaining new clients requires a methodical and client-focused approach. It starts with locating unexplored markets, comprehending the particular financial requirements of various clientele groups, and carrying out focused outreach programmes. A BC/F can spread knowledge about the advantages of banking services through a variety of venues, including workshops, digital platforms, and community engagement activities. The procedure includes removing any possible obstacles to admission, offering individualised solutions, and fostering trust through open communication. A BC/F may make a good first impression by carefully listening to potential clients' financial worries and customising services to match their needs.

Customer acquisition initiatives are made even more effective by adding referral programmes, reward systems, and instructional materials. In the end, acquiring new customers successfully entails not just introducing them to banking services but also building enduring bonds with them by continuously providing value and promoting financial inclusion.

Significance of getting referrals

For a Business Correspondent/Facilitator (BC/F), obtaining recommendations is essential for several reasons that support the expansion and success of their position in the banking industry:

1. **Client Base Expansion:** One of the most effective ways to grow your client base is through referrals. A BC/F can contact potential consumers who might not have known about the banking services or chances for financial inclusion by reaching out to their networks of current customers.
2. **Credibility and Trust:** Referrals frequently carry a certain amount of credibility and trust. When a current client suggests a BC/F's services to a person in their network, it suggests a satisfying and happy experience. In the financial services industry, trust is essential, and recommendations may help build it more rapidly.
3. **Cost-Effective Marketing:** Compared to traditional marketing strategies, gaining new clients via recommendations is typically more affordable. Referral programmes reduce the requirement for significant advertising or promotional expenditures by using the goodwill of current clients.
4. **Community Engagement:** A BC/F must have a significant presence in the community. Referrals support community involvement by cultivating a good rapport with current clients and motivating them to actively participate in the expansion of banking services in their area.
5. **Greater Conversion Rates:** Compared to clients obtained through other channels, referred customers frequently have greater conversion rates. They are more inclined to investigate and interact with the provided financial services since they are recommended, which increases the chance that they may convert.
6. **Word-of-mouth marketing:** One of the most effective kind of advertising is word-of-mouth marketing, which is facilitated by referrals. Good experiences that current clients spread can have a domino effect, affecting a larger audience and encouraging more people to use BC/F services.
7. **Relationship Building:** Relationship building is facilitated by referrals. The relationship between the BC/F and its clientele is strengthened when current consumers actively recommend friends, family, or acquaintances. This sensation of belonging has the potential to foster enduring bonds and loyalty.
8. **Improved Customer Retention:** Referrals frequently result in increased satisfaction and loyalty levels among new customers. Better retention rates may result from the personal connection made through recommendations, as the consumers may feel more a part of the BC/F and its offerings.

Ways to get referrals

An efficient and client-focused strategy is essential if you're a Business Correspondent/Facilitator (BC/F) looking to gather more consumer data through referrals. Here's the strategy to get recommendations and more client data:

Customer Engagement Session	Organise an event or session for current customers to learn about new offerings, services, and unique deals. This fosters a good environment and offers a chance for one-on-one interaction with clients.
Referral Incentives	To entice current clients to recommend friends, family, or acquaintances, launch a referral reward programme. Provide incentives to successful referrals, such as discounts, rebates, or exclusive access to advantages.
Interactive Feedback Questionnaires	Ask current clients about their satisfaction and desire to recommend you to others in interactive feedback questionnaires. Ask about possible recommendations and enumerate details about their network.
Personalised Communication	Make contact with current clients using channels of personalised communication, such as phone conversations, emails, or in-person meetings. Ask them to help you recommend people who might be interested in banking services.
Customer Testimonials	Highlight the advantages of banking with your services by showcasing gratifying client testimonials and success stories. This may encourage current clients to tell others about their great experiences and recommend others.
Educational Workshops	Arrange seminars or workshops that cover various aspects of financial literacy. Customers are urged to forward this information to friends and family who might find it useful. Make connections with prospective new clients at these events.
Social Media Interaction	Make use of social media channels to establish a connection with current clients. Urge them to recommend people in their social networks and to share postings about their experiences. Make material that can be shared widely that emphasises the benefits and simplicity of using your services for banking.
Special Referral events	Organise promotions or special events just for clients who have been referred. This can foster a feeling of appreciation and exclusivity that encourages current clients to recommend people in their network.

Fig. 2.2.1

Exercise



Answer the following questions:

1. What are the various effective modes of engaging with customers in the banking sector?
2. How does community engagement contribute to effective customer interaction for a BC/F?
3. Why is it important for a BC/F to inform customers about different account categories?
4. Provide examples of account categories that a BC/F may inform customers about.
5. What is the significance of inquiring about referrals regarding customer records or business when engaging with existing customers?
6. How can a BC/F tactfully inquire about referrals without compromising customer privacy?
7. Why is collecting additional customer information important for a BC/F?
8. What ethical considerations should a BC/F keep in mind when collecting customer information?
9. How does effective customer engagement contribute to financial inclusion?
10. In what ways can a BC/F maintain professionalism while engaging with customers?

Notes

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Unit 2.3: Delivery of documents and material and reporting in Banking operations

Unit Objectives



At the end of this unit, the participants will be able to understand:

- Follow Standard Procedures for Delivering Documents and Materials
- Utilize Standard Format for Reports in Banking
- Recognize the Significance of Following Proper Procedures

2.3.1: Standard procedures for delivering documents and materials

Significance of standard procedures

For the distribution of papers and materials in banking operations, standard procedures are necessary for several important reasons, including accuracy, security, regulatory compliance, and customer satisfaction.

1. Accuracy and Reliability: Standard processes create a methodical and uniform approach to document distribution, guaranteeing that the correct papers are sent to the correct clients in a very accurate manner. Encouraging client trust and preserving the dependability of banking operations depend heavily on this precision. The distribution process is made less error-prone and inconsistent by adhering to standard procedures, which enhances the overall stability of the financial system.



Fig. 2.3.1. Pic src: www.linkedin.com

2. Security and Confidentiality: The financial sector works in a delicate environment where protecting the security and privacy of client data is crucial. Protocols for safe packing, client validation, and compliance with legal requirements are outlined in standard procedures. These protocols are intended to protect against improper handling of private documents, data breaches, and unauthorised access, respecting customers' expectations on security and privacy.

3. Regulatory Compliance: Tight regulatory regulations control the activities of banks and other financial organisations. Standard operating procedures, which may contain directives on client verification, data security, and safe document handling, guarantee adherence to these standards. Respecting regulatory guidelines shows the banking industry's dedication to upholding moral and legal standards while also reducing legal risks.

4. Customer Satisfaction and Trust: The dependability and effectiveness of financial services are highly valued by customers. Standard operating procedures help ensure that papers are accessible on time, giving clients a satisfying and reliable experience. Customers are more satisfied and have greater faith in the financial system when they can count on a consistent and efficient document distribution procedure. A great client experience is further enhanced by follow-up support, confirmation of receipt, and clear communication routes.



Fig. 2.3.1. Pic src: www.linkedin.com

5. Operational Efficiency: By simplifying the document delivery process, standardised procedures improve operational efficiency. The possibility of mistakes, hold-ups, and miscommunications is decreased when BC/Fs and other stakeholders adhere to a set of predetermined procedures. Maintaining a competitive advantage in the market, matching consumer expectations, and optimizing resource utilization all depend on this efficiency.

Pic src: www.linkedin.com

6. Risk Mitigation: Putting standard operating procedures in place aids in reducing a number of hazards related to document delivery. Standardised processes act as a risk management tool, mitigating the risk of document delivery to the incorrect person or non-compliance with regulatory requirements. Banks can reduce the likelihood that unfavourable events may influence their operations by anticipating and mitigating potential risks.

Standard procedures for delivering documents and materials

Standard operating procedures are followed in the distribution of papers and materials in banking operations to guarantee accuracy, security, and prompt access for clients. To facilitate this process, business correspondents and business facilitators, or BC/Fs, play a crucial role. Typical standard operating procedures consist of the following and are categorized as under:

Accuracy-

1. Documentation Preparation: BC/Fs assist in putting together the resources and paperwork that clients want. Account statements, passbooks, chequebooks, smart cards, and any other pertinent materials depending on the financial services the client has used may be included in this.

2 Verification and Quality Check: To make sure the materials and documentation are correct, comprehensive, and following banking standards, BC/Fs carry out a verification and quality check before delivery. Ensuring the integrity of the banking process requires the completion of this key stage.

Security-

3. Safe Packaging: BC/Fs maintain confidentiality and security requirements by ensuring that goods and documents are packaged securely to avoid loss or damage during transit.

4. Client Confirmation: Before sending sensitive materials, BC/Fs authenticate their clients, strengthening security and thwarting illegal access.

5. Respect for Regulatory Standards: When it comes to the distribution process, BC/Fs follow regulations to make sure that they comply with legal requirements and industry best practices for increased security.

Timely Access-

Document delivery logistics are coordinated by BC/Fs, who take into account the customer's location, chosen distribution mode, and any unique needs for prompt and effective access.

7. Verification of the Receipt: Customers provide proof of receipt to BC/Fs, which documents successful delivery and ensures process transparency.

8. Channels of Communication: To streamline the delivery process and guarantee that consumers receive their papers on time, BC/Fs make use of a variety of contact methods.

9. Succession and Assistance: To address any customer questions or complaints, BC/Fs offer follow-up assistance. This helps to ensure that customers have a great experience and that issues are resolved promptly.

2.3.2: Standard format for reports in banking

Depending on the particular banking operations and regulatory requirements, Business Correspondents and Business Facilitators (BC/Fs) may need to retain reports in a format different from the typical one. Nonetheless, the following list of typical report kinds, together with their designations and functions, may be necessary for BC/Fs to produce and maintain:

1. Status Report for Customers: Gives a summary of a customer's present situation, including account information, transaction history, and any other pertinent data.

Suggestive format:

Customer Name	Account Number	Account Type	Transaction Detail

2. Bank Transaction Report: Summarises the numerous transactions enabled by the BC/F on behalf of the bank, including deposits, withdrawals, and transfers.

Suggestive format:

Complaint Particulars	Date received	Actions Taken	Resolution Status

3. Targets Achieved Report: Showcases the accomplishment of certain objectives that the bank has established, including several transactions or client acquisition goals. It is a comparative report illustrating set targets versus actual achievements.

4. Financial Literacy Promotion Report: This serves the purpose of recording financial literacy promotion activities such as seminars, workshops, and educational initiatives.

5. Application Processing Report: Monitors the status of client applications, such as loan applications, account opening requests, and any other pertinent paperwork.

Suggestive format:

Application Type	Date received	Processing Status

6. Follow-up Visits Schedule: Specifies when follow-up visits to current clients will take place to guarantee ongoing assistance and involvement.

7. Defaulters and Loan Recovery Report: This report's goals are to identify clients who have fallen behind on their payments and monitor the success of loan recovery initiatives. A log file containing information on defaulters, sums owed, and the state of recovery.

Exercise**Multiple Choice Question:**

1. What is the main goal of standard operating procedures for document delivery in banking operations?

- A. Enhancement of creativity
- B. Mitigation of risk
- C. Entertainment for customers
- D. Promotion of marketing

2. Why is adherence to proper procedures important for customer trust?

- A. It makes the process complicated
- B. It ensures consistency and reliability
- C. It delays services
- D. It increases costs

3. What impact can following proper procedures have on the efficiency of banking operations?

- A. Decreased efficiency
- B. No impact
- C. Increased efficiency
- D. Increased complexity

True/ False Questions:

4. Standard operating procedures for document distribution contribute to uniformity and lower mistake rates.

5. Proper procedures are only important for regulatory compliance and do not impact customer satisfaction.

Fill in the blanks:

6. A summary of the customer's current situation, including account information and transaction history, is given in the _____ report.

7. Match the following:**(a)**

A. Bank Transaction Report	I. Workshop outcomes
B. Financial Literacy Promotion Report	II. Transaction details
C. Follow-up Visits Schedule	III. Account targets status

(b)

A. Accuracy	I. Building trust
B. Compliance	II. Error reduction
C. Customer satisfaction	III. Regulatory adherence

8. Briefly explain why following proper procedures is essential in banking operations.**9. Discuss the role of standard procedures in reducing risks associated with document delivery in the banking sector.**

Notes

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3. Perform regular banking transactions for customers

Unit 3.1 Understanding Transaction Procedures

Unit 3.2 Understanding equipment operation and maintenance

Unit 3.3 Understanding escalation procedures for customer queries

Unit 3.4: Escalation Procedures for Customer Queries

Unit 3.5: Managing Follow-up visits and Account Management and administering post-sale customer service



(BSC/ N 8403)

Key Learning Outcomes



At the end of this module, the participants will be able to:

- Implement Standard Procedures for Cash Deposits and Withdrawals
- Apply Basic Accounting Techniques for Recording Transactions
- Understand and Manage Various Limits on the Transaction Amount
- Perform and manage the Operation and Maintenance of Banking Equipment
- Understand the Function of Point of Sale (POS) Machines and Computers
- Explain the concept of Account Termination and Inactive Accounts
- Outline the Standard Procedures for Account Termination and Inactive Accounts
- Identify the Documents Required for Termination
- Understand the Policy for Maintaining Inactive Accounts

Unit 3.1: Perform regular banking transactions for customers

Unit Objectives



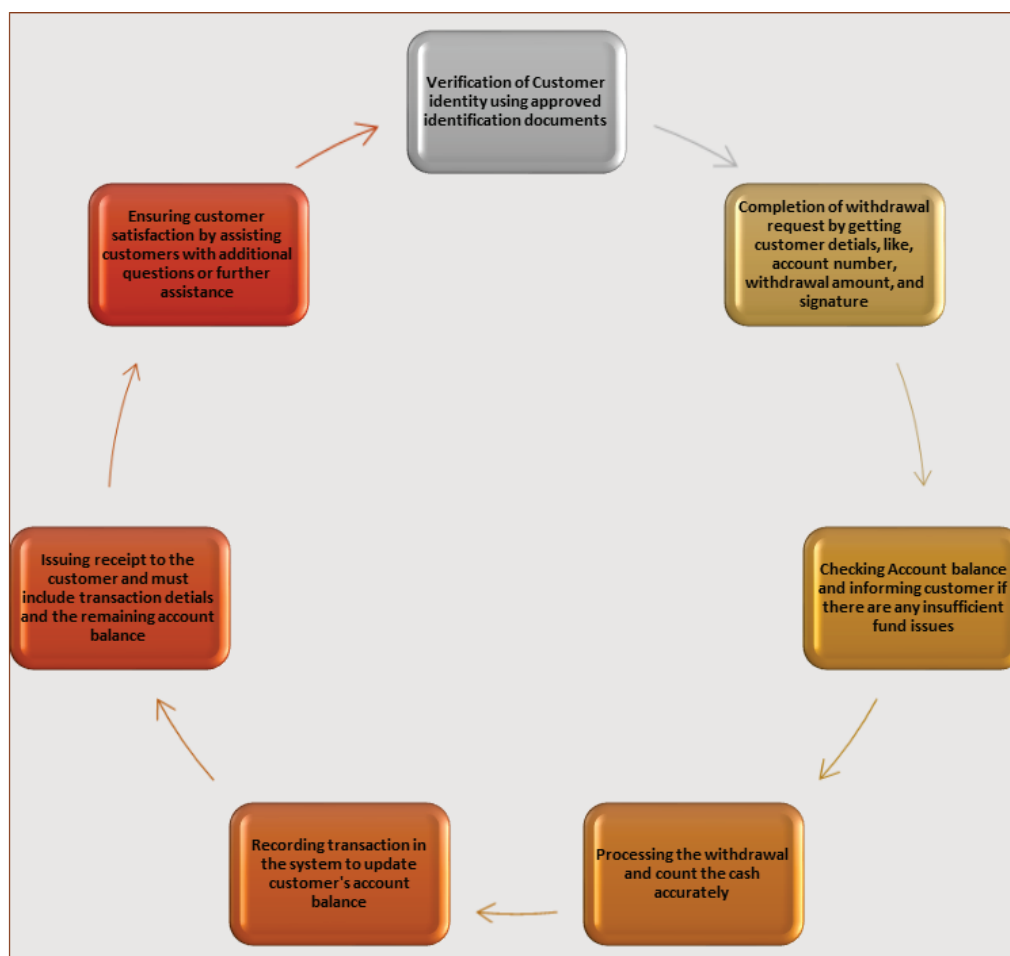
At the end of this unit, the participants will be able to understand:

- Implement Standard Procedures for Cash Deposits and Withdrawals
- Apply Basic Accounting Techniques for Recording Transactions
- Understand and Manage Various Limits on the Transaction Amount

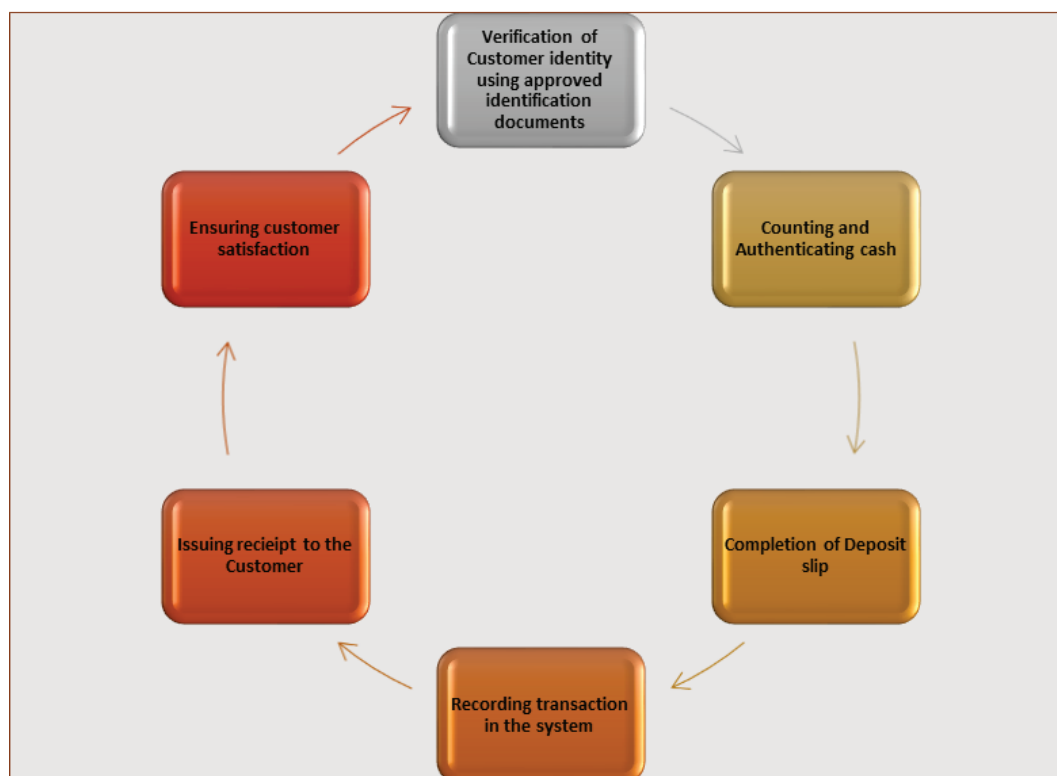
3.1.1: Standard procedures for cash deposits and withdrawals

It's essential to comprehend cash deposits and withdrawals when working in the financial industry. Customers contribute money to their bank accounts by cash deposits, which increases the total amount in their accounts. This can happen in several ways, including direct payments or giving actual cash to a Business Correspondent (BC/F). Contrarily, cash withdrawals are related to users taking money out of their accounts, usually in the form of actual cash. Business correspondents are essential to the smooth operation of these transactions because they guarantee that they follow stringent verification procedures, retain accuracy, and conform to legal requirements. Being proficient in cash deposit and withdrawal processes is crucial to offering clients safe, effective banking services.

Cash Withdrawal procedure



Cash Deposit Procedure



Prioritising security measures is vital for Business Correspondents to protect cash and client data during deposit and withdrawal activities. Ensuring the integrity of financial transactions requires strict adherence to security measures. To make sure that the people making the transactions are the actual owners of the accounts, this involves putting strong identity verification processes in place. A secure banking environment is also enhanced by the safe handling of actual currency, the use of trustworthy counting techniques, and the use of secure communication channels for electronic transactions. By maintaining these security protocols, Business Correspondents provide clients confidence and sustain the reliability of the financial system.

In the dynamic world of banking, following regulations to the letter is crucial. Business correspondents are required to make sure that each transaction complies with the guidelines and requirements provided by the relevant financial authorities. This entails adhering to reporting obligations, transaction restrictions, and client identification methods. The dangers of fraud, money laundering, and unauthorised transactions are reduced with the aid of compliance. To demonstrate a commitment to moral behaviour and legal compliance in all banking operations, Business Correspondents must be informed about regulatory developments and smoothly incorporate them into their operational procedures.

A key component of a business correspondent's job description is teaching customers how important it is to keep track of transaction receipts and develop secure banking practices. Customers learn the value of keeping a record of their financial transactions by being informed about the relevance of protecting receipts. Furthermore, promoting secure banking practices like password and personal identification number (PIN) protection helps to increase overall client security.

Business Correspondents encourage a sense of responsibility and awareness in the community by empowering clients to take an active part in their financial well-being through proactive education efforts.

Credit and Debit Card Transactions

Understanding card types

To successfully help consumers, Business Correspondents (BC/Fs) should possess a thorough understanding of the various types of credit and debit cards. There are several types of credit and debit cards, including normal, gold, and platinum cards, each with unique features and advantages. While gold and platinum cards sometimes offer extra advantages like increased credit limits, rewards programmes, or travel bonuses, standard cards typically just have basic features. Customers should be informed about the distinct characteristics of every card type by BC/Fs so that they are aware of the advantages and use regulations related to the card they have selected. This includes informing them of the benefits—like travel insurance or concierge services—that they might be eligible for based on the type of card they have.



Pic src: Paisabazaar.com

Transaction Limits and Conditions

Customers' education on transaction limits, terms, and fees associated with using credit and debit cards is greatly aided by BC/Fs. The maximum amount a client can spend or withdraw during a certain period is defined by transaction limits. To prevent misunderstandings or unforeseen interruptions during transactions, BC/Fs must express these limitations clearly and concisely. Furthermore, BC/Fs must clarify any unique terms or conditions related to the use of the card, such as fees for overseas transactions or unique guidelines for cash withdrawals. When transaction information is communicated effectively, clients are guaranteed to understand the financial ramifications and make appropriate plans for their transactions. By sharing this information, BC/Fs help to provide a transparent and satisfying client experience, fostering a sense of trust and lowering the probability of transaction-related problems.

Chargeback Procedures

Credit and debit card chargebacks are an essential component of transactions, and BC/Fs need to be familiar with the processes involved. Chargebacks are the result of customers disputing transactions because there were unauthorised charges, mistakes, or problems with the goods or services they had purchased. Customers should be instructed by BC/Fs on how to file a chargeback, including how to document the problem, get in touch with the merchant, and submit the relevant paperwork. BC/FS need to comprehend the associated paperwork and procedures to help clients properly handle chargeback disputes. Customers must be informed about the deadlines for filing chargebacks as well as the possible results of the dispute resolution procedure. Through the provision of thorough instructions on chargeback processes, BC/Fs guarantee that clients experience assistance and confidence regarding the security of their transactions.

Transaction security measures for Debit and Credit card transactions

Ensuring the security of debit and credit card transactions is crucial in the ever-changing financial world. Business Correspondents (BC/Fs) are essential for enforcing strict security policies and educating clients. Here's a thorough rundown:

Verification of the cardholder: Customers should be made aware of the value of personal identification numbers (PINs) and other authentication techniques by BC/Fs. Stress the importance of keeping PINs private and not disclosing them to anybody.



Two-Step Verification: Encourage the adoption of two-factor authentication techniques, when applicable. Transaction security is improved by this extra layer of protection, which includes one-time passwords (OTPs) texted to registered cellphone phones.

Secure Card Handling: Educate clients on safe techniques for managing their actual cards. This entails storing cards in a safe place, reporting lost or stolen cards right away, and refraining from disclosing card information in public.

Safe Online Purchases: Advice on safe Internet transaction procedures. This includes avoiding sensitive transactions on public computers, using secure websites (<https://>), and routinely checking account statements for unauthorised activity.

Alerts for transactions: Customers should be urged to set up email or smartphone notifications for transactions. Transaction notifications that are sent out instantly assist in promptly spotting and reporting any unauthorised or suspicious activity.

Frequent Card Check-ups: Suggest to clients that they should routinely inspect their cards for any indications of fraud or unauthorised changes. This entails confirming the accuracy of holograms, card chips, and other security measures.

Phishing Awareness: Inform clients about the dangers of falling for phoney emails, texts, or phone calls asking for credit card details. Stress how crucial it is to confirm the veracity of messages before disclosing any card information.

PIN Protection: Stress how crucial it is to cover your PIN while using an ATM or point-of-sale (POS) device. Avoid utilising combinations that are simple to figure out or writing down PINs.

Using Safe Cards: Teach patrons to only use their cards at trustworthy, safe locations. Use caution while transacting in strange places and refrain from disclosing card information over unprotected Wi-Fi networks.

Procedures for Emergency Response: Give clients information on emergency response protocols, such as how to report cards that have been lost or stolen as soon as possible. Give them the phone number or contact information for the bank's customer service department so they may get help right away.

Contactless Transactions

Using radio-frequency identification (RFID) technology, contactless cards allow for transactions to be completed without the need for direct physical touch with a card reader. A tiny chip and antenna that connect to a suitable card reader or terminal are embedded in the card. The scanner transmits a signal to the contactless card when it is brought close to it—typically within a few centimetres. In response, the card sends the data needed for the transaction to be approved and fulfilled. Both customers and businesses will find the payment procedure streamlined by this rapid and effective approach.



Pic src: LinkedIn.com

Contactless transactions are facilitated using Near-Field Communication, or NFC. NFC enables two electronic devices, such as a contactless card and a card reader, to interact wirelessly when they are brought into proximity. NFC makes it easier for the card and the terminal to securely communicate information while making contactless payments. Beyond contactless cards, NFC technology is widely used in a variety of devices, such as smartphones that support mobile payments. NFC's quickness and ease of use make it the perfect choice for facilitating simple, rapid transactions.

Numerous security features are built into contactless transactions to guard against fraud and illegal access. Important security attributes include:

Tokenization: This procedure entails substituting a distinct token for sensitive card data, like the card number. Potential attackers cannot utilise the token, even if it is intercepted.

Transaction Limits: To reduce the effects of unauthorised usage, contactless transactions frequently have predetermined limits. It could be necessary to use extra authentication procedures for transactions with a greater value.

Encryption: To guarantee the confidentiality and security of the transferred data, communication between the card and the terminal is encrypted.

Secure Elements: To provide an additional degree of safety, contactless cards may have secure elements, which are specialised hardware parts that handle and store sensitive data.

Fraud Prevention Techniques

It is crucial to understand and use fraud prevention strategies to safeguard clients, uphold public confidence in the banking industry, adhere to legal requirements, reduce financial risk, and support the general stability and security of the financial ecosystem.

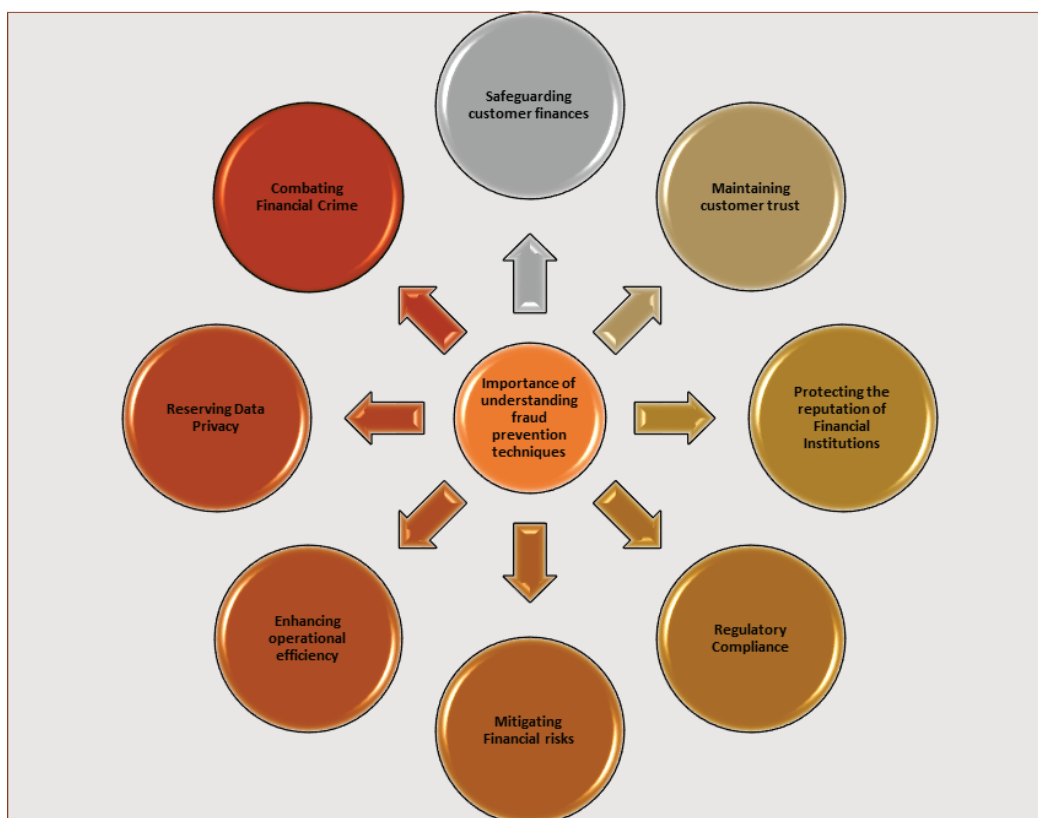


Figure 3.1.1: Importance of Understanding Fraud Prevention Techniques

A key component in avoiding fraud during credit and debit card transactions is the work of BC/Fs, or business correspondents and facilitators. The following are a few fraud prevention strategies on which you should be knowledgeable:

- 1. Customer Education:** BC/Fs must instruct clients on how to use their cards safely. This includes giving them advice on how to protect the privacy of their PIN, how often to check their transaction statements, and how to report any suspicious activity right away.
- 2. Transaction Verification:** Encourage BC/Fs to verify client identities during transactions, especially for high-value or atypical transactions. This might entail asking for more proof of identity or, if biometric authentication is possible, utilising it.
- 3. Safe Point-of-Sale (POS) Terminals:** BC/Fs need to make sure the POS terminals they utilise are impenetrable and safe from tampering. It is important to regularly inspect for any indications of tampering or possible skimming devices.
- 4. Technology of EMV Chips:** Educate BC/Fs on the security benefits of EMV (Europay, Mastercard, and Visa) chip-enabled cards. Compared to conventional magnetic stripe cards, these cards provide increased security, which lowers the possibility of card cloning.
- 5. Authentication with Two Factors:** Wherever possible, encourage the usage of two-factor authentication. Asking users to submit additional verification, such as a one-time password (OTP) emailed to their registered cellphone number, in addition to the card itself, offers an extra layer of protection.
- 6. Frequent Updates for Software:** Make sure that the POS terminal and card processing system firmware and software are updated regularly. Security patches that guard against vulnerabilities in the software are frequently included in software upgrades.

3.1.2: Basic Accounting Techniques for Recording Transactions

In the banking industry, transaction recording relies heavily on basic accounting methods. Understanding these strategies is crucial for Business Correspondents and Business Facilitators (BC/Fs) to protect the integrity of banking operations and provide accurate financial reporting. The following basic accounting methods and their applicability to BC/Fs are listed:

Accounting Using Double Entry:

According to the fundamental concept of double-entry accounting, each transaction comprises a debit and a credit in at least two accounts. To preserve the balance in the books and guarantee that financial entries are entered appropriately, BC/Fs should be familiar with this method.

Recording Debits and Credits:

BC/Fs must understand what debits and credits entail. Debits reduce debt and equity accounts while increasing asset and cost accounts. Credits work oppositely. To have correct financial records, these transactions must be properly recorded.

Cash Basis vs. Accrual Basis Accounting:

BC/Fs need to understand the differences between the two main approaches to accounting: accrual basis and cash basis. While accrual basis recognises transactions as they are incurred, cash basis records transactions when money exchanges hands. It is essential to comprehend the selected approach to properly report financial facts.

Chart of Accounts:

The chart of accounts, a categorised list of all the accounts utilised in accounting, is something that BC/Fs must comprehend. Since each account is given a unique identifier, correctly recording and tracking transactions is made easier.

Bank Reconciliation:

BC/Fs need to be knowledgeable about this procedure, which involves comparing their data with the bank statement. This ensures the correctness of financial accounts by assisting in the identification of any disparities, such as missing transactions or mistakes.

Journal Entries:

Transactions are chronologically documented in journals. To facilitate financial transparency and offer a transparent audit trail, BC/Fs must be proficient in making accurate journal entries, including debits and credits.

Financial Statements:

Cash flow, balance sheet, and income statement are among the financial statements that BC/Fs should be able to create and comprehend. A thorough picture of the banking activities' financial health is given by these statements.

Use of Accounting Software:

To successfully record and handle transactions, BC/Fs must be proficient with accounting software. Specialised accounting software is used by many banking operations to improve accuracy and optimise workflows.

Internal Supervisory Mechanisms:

Internal controls are safeguards put in place to identify and stop fraud or mistakes. For the integrity of financial data to be guaranteed, BC/Fs must comprehend and abide by internal controls.

Adherence to Regulatory Guidelines:

Regulatory accounting standards established by governing authorities must be adhered to by BC/Fs. Maintaining awareness of these standards guarantees that financial transactions are documented in compliance with industry and regulatory standards.

3.1.3: Transaction Limits on Transaction Amount

Transaction limitations for debit and credit cards can vary substantially depending on the issuing bank, card type, and the precise terms and conditions connected with each card. Remember that these restrictions might change at any time, so people should check their cardholder agreements or get in touch with their banks for the most recent details. Debit and credit card transaction limitations fall into the following main categories:

Daily Transaction Cap:

The total amount a cardholder can spend or withdraw in a single day is sometimes limited by the bank. This covers all kinds of transactions, including cash transfers, ATM withdrawals, and purchases.

Limit on Each Transaction:

A maximum amount could be permitted for every transaction. This cap, which may be applied to both in-person and online card transactions, is intended to stop significant unauthorised purchases.

Maximum ATM Withdrawal:

ATM withdrawals are often made using debit cards. The daily restrictions that banks impose on the amount that may be taken out of ATMs with a debit card are frequently specified.

Limit on Point-of-Sale (POS) Transactions:

At point-of-sale terminals, there could be a maximum amount that can be spent on a single transaction using debit and credit cards. This applies to in-person transactions at eateries, retail stores, and other businesses.

Limit on Online Transactions:

When it comes to online transactions made via e-commerce websites or other online platforms, several banks have placed limitations. The goal of this is to increase the level of security for online transactions.

Limit on Contactless Transactions:

There may be a different restriction for contactless purchases due to the growing use of contactless payment options. Usually, contactless purchases require touching the card on a suitable terminal.

Maximum International Transaction:

The amount that can be spent or withdrawn using the card abroad may be restricted by banks. This is to lessen the risk associated with foreign transactions.

Exercise



Answer the following questions:

1. What are the standard security measures that should be followed during cash deposit and withdrawal transactions?
2. Explain the importance of educating customers during cash deposit and withdrawal transactions. What key information should customers be aware of?
3. In double-entry accounting, what is the significance of a debit and a credit in a transaction?
4. Why is the bank reconciliation process important in basic accounting, and what does it help identify?
5. Provide examples of transaction limits that may be imposed on debit and credit cards. How can these limits impact customers?
6. What factors can influence the transaction limits on a customer's card, and how can these limits be adjusted?

Notes

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Unit 3.2: Equipment Operation and Maintenance

Unit Objectives



At the end of this unit, the participants will be able to understand:

- Perform and manage the Operation and Maintenance of Banking Equipment
- Understand the Function of Point of Sale (POS) Machines and Computers

3.2.1: Operation and maintenance of Banking equipment

Banking equipment is essential to the smooth functioning, accessibility, and security of banking activities since it facilitates a wide range of financial services and transactions. The following lists the roles and importance of important banking tools, along with a description of each:

Automated Teller machines (ATMs)

An automated teller machine (ATM) is a self-service electronic banking tool that allows users to do a range of financial activities without having to speak with bank employees directly. Typical characteristics of an ATM include a cash dispenser, numeric keypad, and card reader. By inserting a debit or credit card, inputting a Personal Identification Number (PIN), and choosing from a list of services, users may access their bank accounts. Cash withdrawals, balance inquiries, money transfers, bill payments, and account statements are among the frequently carried out operations at ATMs. ATMs give users easy access to financial services around the clock, enabling them to complete transactions outside of regular banking hours and locations. These devices greatly improve the efficiency and accessibility of financial services by providing people with a quick and simple method to handle their money.

Function:	With the help of ATMs, users may handle self-service tasks including cash withdrawals, balance inquiries, money transfers, and bill payments without requiring assistance from bank employees.
Significance:	Automated teller machines (ATMs) offer clients easy access to financial services around-the-clock, enabling them to complete regular transactions outside of regular business hours and locations.

Point of Sale (POS) Machine

An electronic device called a Point of Sale (POS) machine is used in retail and other commercial settings to enable safe and effective consumer transactions. Customers may use their debit or credit cards to make payments with these gadgets since they have card readers installed. The consumer must insert their card into the point-of-sale (POS) terminal, confirm the payment amount, and enter a Personal Identification Number (PIN) as part of the transaction process. POS systems are flexible and accept a range of payment options, including mobile wallets and contactless transactions. By decreasing the need for cash transactions, speeding up transaction times, and offering a smoother and comfortable payment experience to both consumers and companies, they play a critical role in modern commerce. Furthermore, POS systems provide electronic receipts, which helps make financial transactions less paper-based and more ecologically friendly.

Function:	POS systems enable users to use credit or debit cards to make transactions, facilitating electronic payments. They are frequently utilised in stores that sell goods.
Significance:	By streamlining payment procedures and decreasing the need for cash transactions, point -of-sale (POS) computers improve consumer satisfaction in general.

Customer and Information Systems

In the banking industry, customer and information systems refer to the combined databases and integrated technologies that improve overall operational efficiency and expedite client-related procedures. These systems, which include transaction processing, account management, customer relationship management, and record-keeping, form the foundation of banking operations. To enable personalised service delivery, customer systems store and manage client information, such as personal characteristics, account history, and preferences. Contrarily, information systems handle more comprehensive facets of data administration, guaranteeing the reliability, confidentiality, and accessibility of financial data. Banks can create reports for analysis, automate repetitive processes, and keep a central database of consumer data thanks to these networked technologies. To provide smooth, safe, and customer-focused financial services in the digital age, the integration of customer and information systems is essential.

Function:	A variety of banking tasks, such as record -keeping, transaction processing, and account administration, are carried out by computers and information systems. They house databases and financial software.
Significance:	By centralising and automating banking procedures, these systems guarantee precision, effectiveness, and the capacity to provide reports for examination and judgement.

Security devices (CCTV, Biometric Scanners)

Security equipment, including biometric scanners and closed-circuit television (CCTV) cameras, is a crucial part of the banking infrastructure that is intended to improve the security of sensitive client data as well as the physical locations. CCTV cameras serve as a deterrent to any security risks by acting as watchful eyes, continually watching and recording actions within and around the bank. Biometric scanners—like fingerprint or retinal scanners—offer an extra degree of identification confirmation for transactions or access to regions that are prohibited. These gadgets are essential for stopping illegal access, defending against fraud, and guaranteeing the general safety of clients, employees, and the banking environment. Banks may provide a safe atmosphere and give consumers confidence about the security of their assets and financial information by fusing sophisticated biometric technology with visual monitoring.

Function:	The security of banking facilities and transactions is improved by security technologies like biometric scanners and closed -circuit television (CCTV) cameras. Biometric scanners can be employed to confirm an individual's identification .
Significance:	These gadgets promote data and client security, aid in event monitoring and recording, and discourage unwanted activity.

Passbook printer

In the banking industry, a passbook printer is a specialised tool used to create and maintain passbooks, giving clients a physical, chronological record of their account activity. The passbook printer generates real-time records while clients carry out different financial operations, such deposits, withdrawals, or cash transfers, enabling users to monitor their account balance and transaction history. Customers may keep a physical record of their financial transactions with the passbook, which is a conventional but useful way to do so. It offers transparency and a concrete link to their banking history. Customers who prefer a physical record of their financial activities can still use passbook printers as a dependable and comfortable option, even with the rise of digital alternatives.

Function:	The security of banking facilities and transactions is improved by security technologies like biometric scanners and closed -circuit television (CCTV) cameras. Biometric scanners can be employed to confirm an individual's identification .
Significance:	These gadgets promote data and client security, aid in event monitoring and recording, and discourage unwanted activity.

Cash Counting Machines

Cash counting machines are specialised equipment used in banks to count and check banknotes automatically. By effectively handling the laborious work of physically counting currency, these devices reduce the possibility of mistakes and guarantee accuracy in financial transactions. Cash counting machines help to streamline cash management in the financial environment by processing huge amounts of banknotes quickly. Furthermore, these devices frequently include sophisticated features including systems for detecting counterfeit money, guaranteeing that only real money is accepted. Cash counting devices are essential for accelerating regular cash-related transactions, improving overall financial operations efficiency, and lowering the possibility of mistakes that arise from human counting procedures.

Function:	By automating the counting and verification of money notes, cash counting machines lower the possibility of mistakes and guarantee accuracy while handling cash.
Significance:	These devices speed up transactions involving cash, improve cash management effectiveness, and raise the general correctness of financial operations.

Card Readers and Writers

In the field of financial technology, card readers and writers are crucial parts that enable safe and effective electronic transactions. An apparatus called a card reader is made to decipher the data stored on different kinds of cards, such as debit or credit cards. It enables smooth transactions by reading the information contained on the integrated chip or magnetic stripe of the card. However, a card writer is an additional tool that makes it possible to encode data onto a card. This is usually done to create new cards or update old ones.

Function:	Information on magnetic stripe cards, such as debit and credit cards, is encoded, decoded, and updated using card readers and writers.
Significance:	By enabling precise and safe card data reading and writing, these devices facilitate electronic transactions and guarantee the privacy of client data.

Banking Software and Applications

The technical foundation of contemporary banking operations is made up of banking software and apps, which have completely changed how financial institutions handle transactions, engage with customers, and provide overall services. Numerous features are included in these software programmes, including as risk assessment, customer relationship management, transaction processing, and account administration. The essential tool for managing customer accounts, completing transactions, and keeping track of finances is core banking software. Customers may access banking services on their cellphones with the flexibility of mobile banking applications, which allow for transactions, account monitoring, and even financial planning while on the go. In order to maintain regulatory compliance and improve security, financial institutions also use specialised software for tasks including fraud detection, data analytics, and Anti-Money Laundering (AML) compliance.

Function:	On computers and other electronic devices, banking software and apps provide interfaces via which clients and bank employees may see account information, carry out transactions, and oversee financial services .
Significance:	Software that is easy to use improves customer satisfaction, expedites banking procedures, and enables the incorporation of new technology to adapt to changing client demands .

Exercise



Multiple Choice Questions (MCQs)

1. What is the primary role of a Point of Sale (POS) machine in banking operations?

- A. Account opening
- B. Transaction facilitation
- C. Customer education
- D. Marketing

2. Which banking equipment is primarily used for cash withdrawals by customers?

- A. ATM
- B. Passbook printer
- C. Card reader
- D. Cash counting machine

3. What technology is commonly used in contactless card transactions?

- A. Magnetic stripe
- B. Near-field communication (NFC)
- C. Barcode
- D. Smart Chip

True/False Questions

4. BC/Fs are responsible for educating customers on the importance of securing transaction receipts during cash deposits.
5. Chargeback procedures are only relevant for ATM transactions.

Fill in the Blanks

6. BC/Fs play a crucial role in communicating with customers about _____ accounts.
7. _____ are used to capture customer fingerprints for security purposes in banking operations.

Matching Questions

8. Match the following equipment with its primary function:

A. ATM	1. Cash Withdrawals
B. Passbook Printer	1. Printing account statements
C. Card Reader	2. Reading information from credit / debit cards

Short Answer Questions

9. Explain the role of a passbook printer in a banking transaction.
10. What security measures should BC/Fs emphasize to customers during debit / credit card transactions?

Notes



This image shows a full page of white paper with horizontal blue or grey ruling lines. The lines are evenly spaced and run across the width of the page. In the top left corner, there is a small orange icon of a notepad with two sheets, followed by the word "Notes" in an orange sans-serif font. The rest of the page is blank, with no handwriting or other markings.

Unit 3.3: Account Termination and Inactive Accounts

Unit Objectives



At the end of this unit, the participants will be able to understand:

- Explain the concept of Account Termination and Inactive Accounts
- Outline the Standard Procedures for Account Termination and Inactive Accounts
- Identify the Documents Required for Termination
- Understand the Policy for Maintaining Inactive Accounts

3.3.1: Account Termination and Inactive Accounts

Account Termination: The act of permanently cancelling a bank account is referred to as account termination. This can be started by the client or, depending on the circumstances, by the bank for a variety of reasons. Usually, a consumer must submit a written request or complete an account closure form in order to end their account. The bank confirms the customer's identification, pays any outstanding balances, and makes sure all required processes are performed with the help of Business Correspondents and Business Facilitators (BC/Fs). After everything is finished, the customer receives confirmation that the account has been closed.

Consider the following scenario: A client has moved to a new city and would like to transfer to a bank that is nearer to their new address. In this instance, they get in touch with the BC/F, let them know that they want to shut the current account, and then take the required actions to get the account closed.

Standard Procedures for Account Termination:

To ensure the safe closure of accounts, BC/Fs must adhere to specified protocols for account termination, which is a regulated process. The general procedures consist of:

- **Customer Request:** BC/Fs should first confirm the legitimacy of the termination request if the customer is the one who requests that the account be closed. Clients have two options: they may send in a written request or use a specific process the bank has offered.
- **Identification Verification:** To avoid an unapproved termination, BC/Fs must confirm the customer's identification. This might entail verifying that the customer's signature corresponds with the records and examining identity papers.
- **Paying Off Outstanding Debts:** Before completing the account closure, make sure the client pays off all outstanding debts, loans, or fees.
- **Submission of Closure Forms:** BC/Fs could ask clients to complete an account closure form that the bank sends out. This form acts as an official record of the closure request and gathers pertinent information.
- **Verification with the Bank:** BC/Fs must inform the relevant bank branch of the account closure request to get confirmation and make sure it complies with internal bank policies.
- **Closure Acknowledgment:** Confirm that the account has been successfully terminated by sending the customer an acknowledgement of the account closure.

Inactive Accounts: Accounts that have few or no customer-initiated transactions over a prolonged period are considered inactive. BC/Fs are essential in managing the dormant accounts that banks identify based on certain criteria. For instance, an account may be marked as inactive for a consumer who hasn't made any transactions for a long time. Working along with the bank, BC/Fs inform clients of their inactive status and, if necessary, offer reactivation alternatives or assistance with the closure process.

Let's take the case of a consumer who created a savings account but did not utilise it for a long time for a variety of reasons. The consumer receives a communication from the bank via the BC/F explaining that the account has been inactive and offering them the choice to either revive or close it.

Standard Procedures for Inactive Account Management:

Certain measures must be made while managing dormant accounts to guarantee compliance and client awareness:

- **Recognising Inactivity:** To detect dormant or inactive accounts based on established criteria, such as a lack of transactions over a certain period, BC/Fs should routinely examine account activity.
- **Client correspondence:** Inform clients on the status of their accounts and the bank's guidelines for dormant accounts. This correspondence can contain information regarding the final closure procedure or reactivation alternatives.
- **Close or Reactivate:** If clients show interest, BC/Fs may help reactivate dormant accounts, contingent on the bank's rules. As an alternative, they could assist clients in closing their accounts.

Documents involved in account termination

Let's examine the specifics of the paperwork needed to close an account, including a synopsis and several formats:

Account Closure Request Form:

This form serves as the customer's official request to have their account closed. It records important information, like the account number, clientele, and the cause of closure.

HDFC BANK

Date: _____

The Manager
HDFC Bank Ltd

_____(Signature of all Holders here)

Premature Liquidation of Fixed Deposit no. _____

Dear Sir,

A. We request you to kindly break the captioned deposit account held in my/ our name with your bank and

1. Credit the entire proceeds to my /our Account No. _____ Standing
in the name(s) of _____ and _____ or;

2. Rebook the entire proceeds for a further period of _____ years under the below mentioned customer
Ids _____ Branch or;

B. We request you to kindly part break the captioned deposit

1. For _____ (amount) and credit my / our Savings account no. _____ or;

2. For _____ (amount) and credit my / our Savings account no. _____
and rebook the balance for a period of _____ years and _____ days under the customer IDs as
mentioned below at _____ Branch

(KINDLY TICK WHICH EVER IS APPLICABLE)

We understand that as per the bank's process the customers need to surrender the original renewed FD advice. However, we are in immediate need of the funds and hence request you to process the request for closure of the captioned account pending receipt of the renewed FD advice. I/we hereby agree and undertake that on receipt of the renewed advice already dispatched to me/us, I/we shall destroy the same at our end. This letter of request for liquidation of the above referred FD would discharge the bank of the liability on the said fixed deposits towards me/us and I / We will have no right of any claims on the bank on the said fixed deposit.

Yours faithfully,

(First Holder) (Joint Holder1) (Joint Holder2)

Customer ID Customer ID Customer ID

P: Liquidation / premature break of deposit account requires signature of all account holders.

Sample form of Account Closure Request

Documents proving the identity of the customer (ID, address):

These records are essential for confirming the customer's identification. Types of government-issued identification that are often used are driver's licences, utility bills, and rental agreements; examples of these include Aadhar cards.

Unpaid Debt Settlement Records:

Documentation attesting to the payment of any outstanding debts, fees, or dues about the account is necessary if the client has any. A statement or receipt with the date, amount, and form of payment for the settlement makes the format of the Debt settlement.

DEBT SETTLEMENT AGREEMENT

This Debt Settlement Agreement, hereinafter known as the "Agreement", is between _____ of _____ (the "Creditor"), and _____ of _____ (the "Debtor").

When mentioned jointly the Debtor and Creditor shall be known as the "Parties".

1. Effective Date. _____ (mm/dd/yyyy) shall be the effective date of this Agreement, with the Parties agreeing to the following:

2. Present Debt. The Parties agree that there is a current debt owed by the Debtor in the amount of \$ _____, hereinafter known as the "Present Debt."

3. Settlement Debt. The Creditor agrees as part of this Agreement they shall be accepting the last payment for the satisfaction of the Present Debt, hereinafter known as the "Settlement Debt". This Settlement Debt shall be in the amount of \$ _____.

Acceptance of the Settlement Debt shall immediately discharge all monies owed by the Debtor to the Creditor.

4. Payment. Payment for the Settlement Debt shall be made by:

☐ - Check
☐ - Bank Wire
☐ - Certified Check
☐ - Cash
☐ - Other _____

The Debtor shall make payment of the Settlement Debt Amount by _____ (mm/dd/yyyy), or else this Agreement is void.

Upon acceptance of payment, the Creditor shall discharge the Present Debt as paid-in-full.

5. Creditor's Duties. It is the duty of the Creditor to remove or delete any entries from the Debtor showing this account has been late or claims that could prove to be harmful on their credit report. All credit report entries must be removed.

6. Binding Effect. This Agreement shall be binding on all Parties involved including their successors or assignees.

Sample format of Debt Settlement Agreement

Recognition of Account Closure:

This document certifies that the account closing procedure has been finished. It could contain information like the account's termination date and a statement verifying it. An official bank letter or receipt recognising the closure that has been signed by authorised staff is the evidence for account closure.

Policy for maintaining Inactive accounts

To ease the understanding of Inactive Accounts / Inoperative Accounts / Unclaimed Deposits in Banks, we will go through the recent instructions from RBI (revised) dated January 1, 2024. This is verbatim taken from the RBI site.

Inoperative Accounts/ Unclaimed Deposits in banks- Revised Instructions
 (Circular No. DOR.SOG (LEG).REC/64/09.08.024/2023-24 dated January 1, 2024)

PART I- PRELIMINARY

1. Definitions

(a) In this Circular, unless the context states otherwise, the terms herein shall bear the meanings assigned to them below:

i. Bank induced transaction- Transactions in the account initiated by the bank as per its extant policy such as charges, fees, interest payments, penalties, taxes (an illustrative list is given in Annex I).

ii. Customer induced transaction- The transactions in account which are in the nature of:

- a. a financial transaction initiated by or done at the behest of the account holder by the bank/ third party (an illustrative list is given in Annex I) or;
- b. a non-financial transaction, or;
- c. KYC updation done in face-to-face physical mode or through digital channels such as internet banking or mobile banking application of the bank.

iii. Financial transaction- A monetary transaction in the savings/ current account of the customer with the bank either by way of a credit or debit transaction.

iv. Inoperative Account- A savings/ current account shall be treated as inoperative, if there are no 'customer induced transactions' in the account for a period of over two years.

v. Non-financial transaction- An enquiry or request for any product/ service initiated by the account holder through any ATM or internet banking or mobile banking application of the bank or through Third Party Application Providers, which requires two-factor authentication (2FA) and leaves a trail for audit purposes or successful log-in to the internet banking/ mobile banking application. Illustratively, this includes transactions such as change in transaction limit, request for issue of cheque book/ credit card/ debit card, nomination facility, balance enquiry, etc.

vi. Unclaimed Deposits- The credit balance in any deposit account maintained with banks, which have not been operated upon for ten years or more, or any amount remaining unclaimed for ten years or more as mentioned in paragraph 3(iii) of the "Depositor Education and Awareness" (DEA) Fund Scheme, 2014.

vii. Unclaimed Deposit Reference Number (UDRN)- It is a unique number generated through Core Banking Solution (CBS) and assigned to each unclaimed account/ deposit transferred to DEA Fund of RBI. The number shall be such that the account holder or the bank branch where account is maintained, cannot be identified by any third party.

(b) All other expressions unless defined herein shall have the same meaning as have been assigned to them under the Banking Regulation Act, 1949 or the Reserve Bank of India Act, 1934 or any statutory modification or re-enactment thereto or as used in commercial parlance, as the case may be.

2. Review of Accounts

2.1 Banks shall undertake atleast an annual review in respect of accounts, where there is no customer induced transactions for more than a year. In cases where there is no explicit mandate to renew the term deposit, the banks should review such accounts if the customers have not withdrawn the proceeds after maturity or transferred these to their savings/current account in order to prevent such deposits from becoming unclaimed. The banks shall inform the account/deposit holders in writing through letters or email or SMS (if the email and mobile number are registered with the bank) that there has been no operation in their accounts/deposits in the last one year, as the case may be. The alert messages shall invariably mention that the account would become 'inoperative' if no operations are carried out during the next one year and, the account holder would be required to submit KYC documents afresh for reactivating the account in such case.

2.2 If the letters are returned undelivered or no response is received through registered email, the bank shall immediately undertake an enquiry to find out the whereabouts of account holder or his/her nominee/legal heirs in case the account holder is deceased.

2.3. In case any response is received from the account holder giving the reasons for not operating the account, the banks shall continue to classify the account as operative for one more year and the account holder shall be advised to operate the account within a period of one year (herein after referred to as 'extended period'). In case the account holder still fails to operate the account within the extended period, the banks shall classify the said account as inoperative account after the expiry of the extended period.

2.4 For the purpose of classifying an account as 'inoperative', only customer induced transactions and not bank induced transactions shall be considered. There may be instances where the customer has given a mandate like Standing Instructions (SI)/ auto-renewal instructions and there are no other operations in the Savings /Current account or the Term Deposit. These transactions shall also be treated as customer induced transactions.

2.5 The classification of an account as inoperative shall be for a particular account of the customer and not with reference to the customer. In case a customer is maintaining multiple accounts/deposits with a bank, all such accounts/deposits shall be assessed individually for the purpose of classifying them as inoperative account/ unclaimed deposit, as the case may be.

2.6 In case the account holder is not carrying out transaction and the account is - inoperative due to shifting of primary account to another bank, the account holder may be requested to provide the details of the new bank account with authorisation to enable the bank to transfer the balance from the existing bank account.

3. Treatment of accounts opened for credit of scholarship amount and credit of Direct Benefit Transfer under Government Schemes

The banks open zero balance accounts for beneficiaries of Central/State government schemes and for students who receive scholarship. Central and State governments have been expressing difficulty in crediting cheques/Direct Benefit Transfer/ Electronic Benefit Transfer/ scholarship amount in these accounts as they are also classified as inoperative due to non-operation for two years. The banks shall, based on the purpose of opening of the account, segregate the aforementioned accounts in their CBS, so that the stipulation of 'inoperative' account is not applicable to these accounts due to their non-operation for a period of more than two years. To avoid the risk of fraud, etc., in such accounts, while allowing operations in these accounts, the bank should exercise due diligence as per the extant instructions.

4. Segregation and Audit of Inoperative Accounts/ Unclaimed Deposits

4.1 The segregation of inoperative accounts is required to be done to reduce the risk of frauds. The transactions in inoperative accounts, which have been reactivated, shall be monitored regularly, for at least six months, at higher levels (i.e. by controlling authorities of the concerned branch) without the knowledge and notice of the customers and the dealing staff.

4.2 The banks shall ensure that amounts lying in inoperative accounts/unclaimed deposits and reactivated inoperative accounts/ unclaimed deposits, are subjected to concurrent audit.

5. Tracing of Customers of Inoperative Accounts/ Unclaimed Deposits

5.1 The bank shall contact the holder(s) of the inoperative account/ unclaimed deposit through letters, email or SMS (if the email and mobile number are registered with the bank). The email/ SMS shall be sent on a quarterly basis.

5.2 In case the whereabouts of the holder(s) of the inoperative account/ unclaimed deposit are not traceable, the banks shall contact the introducer, if any, who had introduced the account holder to the bank at the time of opening of the account. The banks shall also contact the nominee, if registered, for tracing the customer.

5.3 The banks shall undertake special drives periodically to find out the whereabouts of the customers, their nominees or legal heirs in respect of inoperative accounts / unclaimed deposits.

PART II- OPERATIONAL GUIDELINES**6. Activation of Inoperative Accounts**

6.1 The banks shall make available the facility of updation of KYC for activation of inoperative accounts/ unclaimed deposits at all branches (including non-home branches) and through Video-Customer Identification Process (V-CIP) if requested by the account holder, subject to the facility of V-CIP being provided by the bank. The V-CIP related instructions under Master Direction - Know Your Customer (KYC) Direction, 2016 dated February 25, 2016 (as updated from time to time) shall be adhered to by the bank.

6.2 The banks shall activate the inoperative accounts/ unclaimed deposits, including those which are under freeze by orders of various agencies like Courts, Tribunals, Law Enforcement Agencies, only after adhering to the KYC guidelines provided in the Master Direction - Know Your Customer (KYC) Direction, 2016 dated February 25, 2016 (as updated from time to time) such as Customer Due Diligence (CDD), customer identification, risk categorisation, etc.

6.3 The banks shall ensure that activation of inoperative account/ unclaimed deposits in CBS necessarily requires second level of authorisation by another officer at the same or higher level (i.e., through maker and checker). System logs shall invariably be maintained in case of any activity in or activation of inoperative accounts/unclaimed deposits for concurrent audit purpose. The preservation period of such system logs shall be as per the internal guidelines of the bank.

6.4 The bank shall automatically intimate the inoperative account/ unclaimed deposit holders through SMS and registered email stating that on the basis of the KYC documents submitted by them, the inoperative status of the account has been removed. The intimation shall also mention the remedial measures available to them to report unauthorised access, if any. This would alert the account/ unclaimed deposit holder against any possible fraudulent activity in his/her inoperative account. The banks shall have in place adequate operational safeguards to ensure that the claimants in case of inoperative accounts/ unclaimed deposits are genuine. The banks shall process requests for activation of inoperative account/ unclaimed deposits within three working days from the receipt of the complete application.

7. Payment of Interest

Interest on savings accounts shall be credited on a regular basis irrespective of the fact that the account is in operation or not.

8. Levy of Charges

8.1 The banks are not permitted to levy penal charges for non-maintenance of minimum balances in any account that is classified as an inoperative account.

8.2 No charges shall be levied for activation of inoperative accounts.

9. Display of Unclaimed Deposits and Search Facility

Banks shall host the details of unclaimed deposits {only name, address (without pin code) and Unclaimed Deposit Reference Number (UDRN)}, which have been transferred to DEA Fund of RBI on their respective websites, which shall be updated regularly, at least on a monthly basis. The banks, which do not have their own websites shall make available the above list of unclaimed deposits in their respective branches. The database hosted on the website shall provide a search option to enable the public to search for their unclaimed deposits using name in combination with the address of the account holder/ entity. Upon a successful search, details of unclaimed deposits shall be displayed in a format comprising account holder's name(s), his/her address (without pincode) and UDRN only. In case such accounts are not in the name of individuals, the search input and result should include names of individuals authorised to operate the accounts. However, the account number, its type, outstanding balance and the name of the branch shall not be disclosed on the bank's website.

10. Fraud Risk Management in Inoperative Accounts

10.1 The banks shall not allow any debit transaction in an inoperative account unless there is a customer induced activation as per the procedure mentioned in paragraph 6 of these guidelines. Further, banks may also consider imposing a cooling-off period on reactivation, with restrictions on the number and amount of transactions, as may be applicable for newly opened accounts with the bank.

10.2 The banks shall ensure that there is no unauthorised access to customer data pertaining to the inoperative accounts. The banks shall also ensure that adequate steps are taken to prevent data theft and related misuse for fraudulent purposes.

11. Customer Awareness

11.1 The banks shall provide on their website as well as at their branches, the information on the process for activation of the inoperative account/ unclaimed deposits and claiming the balances therein. Necessary claim forms and documents may be made available for the benefit of customers.

11.2 The banks shall conduct public awareness and financial literacy campaigns regularly to educate the members of the public about the activation of inoperative accounts/unclaimed deposits and the prescribed procedure to claim amounts lying therein by a depositor or his/her nominee/ legal heir in case of deceased depositor.

Exercise



Fill in the blank:

1. Account termination involves closing a customer's _____ with the bank.
2. BC/Fs should inform customers about the _____ and provide necessary guidance during the account termination process.
3. BC/Fs should ensure that all outstanding _____ are settled before initiating the account termination process.

True / False Questions:

1. BC/Fs can unilaterally terminate a customer's account without following any specific procedures.
2. Account termination procedures are the same for all types of accounts, regardless of their nature.

Notes



This image shows a full page of white paper with horizontal blue ruling lines. The lines are evenly spaced and run across the width of the page. In the top left corner, there is a small orange icon of a notepad with two sheets, followed by the word "Notes" in an orange sans-serif font. The rest of the page is blank.

Unit 3.4: Escalation Procedures for Customer Queries

Unit Objectives



At the end of this unit, the participants will be able to understand:

- Explain the Significance of Proper Escalation Procedures
- Describe the methods of Managing Various Customer Inquiries and Complaints

3.4.1: Importance of appropriate escalation procedures

In the banking sector, efficient and well-defined escalation procedures are essential for maintaining regulatory compliance, seamless operations, and client satisfaction. These protocols function as a methodical structure for managing many situations and problems that could emerge in the banking setting.

1. Timely Issue Resolution: Encouraging prompt issue resolution is one of the main benefits of having suitable escalation protocols. A complicated financial environment may give rise to a number of difficulties, contradictions, or client complaints. These problems are rapidly discovered, reported to the pertinent parties, and remedied without needless delays thanks to an escalation mechanism. This improves consumer satisfaction while simultaneously increasing operational efficiency.

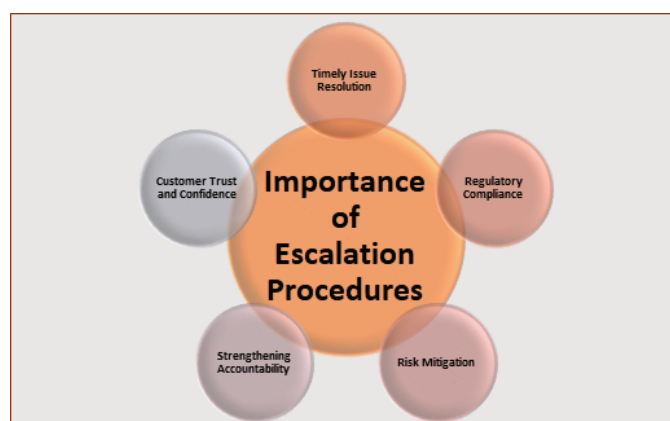


Fig. 3.4.1 Importance of Escalation Procedures

2. Regulatory Compliance: Because banks work in a highly regulated industry, following rules and regulations is a must. By offering a methodical approach to addressing and reporting concerns, appropriate escalation processes assist banks in meeting compliance obligations. Ensuring that any violations of regulatory standards are promptly detected, reported to the relevant authorities, and fixed, lowers the possibility of regulatory fines.

3. Risk Mitigation: In the banking industry, escalation protocols are essential to risk mitigation. Banks should reduce possible risks by taking proactive steps to escalate concerns swiftly, regardless of whether they are connected to fraud, security breaches, or operational challenges. To preserve the integrity of the financial system and protect the interests of the bank and its stakeholders, risks must be recognised and addressed in their early stages.

4. Strengthening Accountability: Accountability at various organisational levels is facilitated by well-stated escalation mechanisms. Every stakeholder is aware of their specific role and responsibilities in the escalation process, which guarantees that problems are assigned to the people or groups most qualified to manage them. A culture of ownership and accountability is fostered by this accountability, which enhances the effectiveness and responsiveness of the financial ecosystem.

5. Customer Trust and Confidence: In the banking sector, keeping customers' trust and confidence is crucial. Customers are reassured that their complaints are treated seriously when issues are resolved effectively and openly using the proper escalation procedures. Thus, the relationship between the bank and its clients is strengthened and the bank's reputation is enhanced overall.



Scan to access the video on escalation process

Handling different types of Customer queries and Complaints

Depending on the nature of the problems, consumer inquiries and complaints in the banking sector can be divided into several categories. These are a few typical categories:

S.No.	Complaint Categories	Types of Complaints
1.	Account-related Issues	Inconsistencies in Balance
		Transactional disagreements
		Account Statement inquiries
		Issues with Account access
2.	Transaction - specific problems	Ineffective transactions
		Unacknowledged transactions
		Fund transfer delays
		ATM- associated problems
3.	Questions concerning Products and Services	Questions concerning different financial products (Savings Accounts, Loans, etc.)
		Explanations of fees and interest rates
		Details on recently launched products and services
4.	Documentation and Compliance	Requirements for creating an account
		Issues with document verification
		Compliance-related questions (e.g., KYC processes)
5.	Technology-related issues	Problems using internet banking
		Problems pertaining to mobile banking applications
		Technical issues pertaining to cards
6.	Grievances about customer service	Unpleasant encounters with bank employees
		Delayed or inadequate customer service
		Problems with communication
7.	Security and Fraud Concerns	Notifying authorities of any unauthorized transactions
		Suspicious activities on the account
		Card security problems
8.	Problems with Loans	Checks on the status of loan approval
		Concerns about repayment
		Loan Application Documentation
9.	Policy and Procedure Clarifications	Recognizing bank policies
		Looking for guidance on protocols
		Requests for revisions or amendments to policies

One of the most important parts of the v (BC/F) function in the banking sector is managing client inquiries and complaints. Managing these questions and grievances well is crucial to preserving client happiness and confidence. The following is how BC/Fs might respond to various kinds of consumer inquiries and grievances:

Active Listening	Customers should be actively listened to by BCBFs when they ask questions or voice concerns. The initial stage in resolving a customer's concerns is to comprehend their viewpoint. Invite clients to discuss specifics and offer any pertinent details on the issue they are having.
Knowledge of products and services	It is essential to have a thorough awareness of the bank's offerings. The specifics of different banking products, transaction procedures, and associated policies should be thoroughly understood by BCBFs. They can accurately respond to consumer inquiries and deliver pertinent information thanks to this expertise.
Clear Communication	Customers should be communicated with by BCBFs in an understandable and efficient way. Use clear, concise language when giving information or outlining solutions. Ascertain that the consumer is fully informed by clearly articulating the actions taken to answer the question or complaint.
Empathy and Professionalism	When responding to consumer problems, empathy is essential. BCBFs ought to show compassion and sympathy for clients who could be going through difficult times. Keeping a professional manner is just as crucial. BCBFs should maintain their composure, decorum, and composure under pressure.
Efficient Problem Resolution	As soon as a client inquiry or grievance is detected, promptly address it. When it comes to resolving difficulties, BCBFs must adhere to established protocols, escalate problems as needed, and provide clients a timeframe for completion. It is critical to update the client on the status.
Documentation	For the sake of tracking and analysis, consumer inquiries and complaints must be properly documented. BCBFs are required to keep accurate records that include customer information, the type of question or complaint, the actions taken to address it, and any correspondence that may have taken place. This documentation stops similar problems from happening again and helps to improve processes.
Escalation Procedures	It's critical to comprehend and adhere to the escalation procedures for complicated situations or those that are unresolvable at the BCBF level. BCBFs should be aware of the procedures for elevating problems within the bank so that important concerns are brought to the attention of the right people and resolved.

Exercise



Fill in the Blank:

- The _____ ensures that complex customer issues are directed to higher levels of authority for resolution.
- BC/Fs should be aware of the channels through which issues can be _____ within the bank.
- Following appropriate escalation procedures is crucial for maintaining customer trust and _____.
- Active _____ is a crucial skill for BC/Fs when customers express their queries or concerns.
- BC/Fs should practice clear _____ when communicating solutions to customers.
- Efficient problem resolution involves _____ and resolving issues within a reasonable timeframe.

True/ False Questions:

- Empathy is not essential when dealing with customer concerns
- BC/Fs should avoid documenting customer queries and complaints as it may lead to unnecessary bureaucracy.
- Escalation procedures primarily serve to delay problem resolution.
- Proper escalation procedures are important to prevent critical issues from being overlooked and to ensure timely resolution.

Notes



This image shows a full page of white paper with horizontal blue ruling lines. The lines are evenly spaced and run across the width of the page. In the top left corner, there is a small orange icon of a notepad with two sheets, followed by the word "Notes" in an orange sans-serif font. The rest of the page is blank except for the lines.

Unit 3.5: Managing Follow-up visits and Account Management and administering post-sale customer service

Unit Objectives



At the end of this unit, the participants will be able to understand:

- Outline the Standard Procedures for Follow-Up Visits
- Explain the process of Updating Payment Collection Details
- Describe the procedure for Delivering and Collecting Payments

3.5.1: Standard procedures for follow-up visits

In the banking industry, follow-up visits are essential to preserving and improving the connection between business correspondents and clients. First and foremost, these visits are a way to reaffirm credibility and confidence. By communicating with clients regularly, BC/Fs show that they are dedicated to providing continuous assistance and taking care of any changing financial requirements or worries. Regular communication fosters a relationship and supports the idea that the BC/F serves as a dependable and approachable middleman between the bank and its clients.

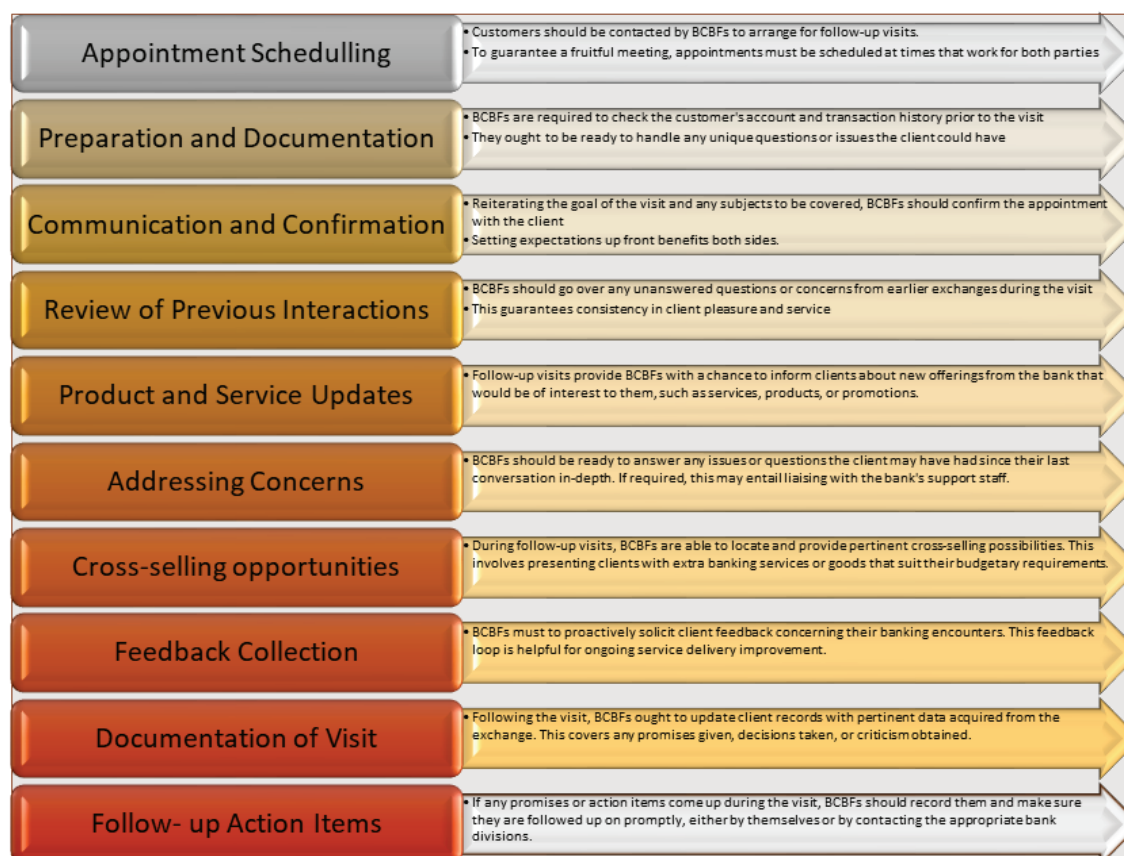
Second, follow-up visits can foster loyalty and consumer satisfaction. Through aggressive outreach, BC/Fs demonstrate a sincere concern for their client's financial well. Customers enjoy using this personalised approach since it makes them feel appreciated and understood. Customers who are happy with the financial services provided by the BC/F are more inclined to use them going forward and could even refer others to them, which helps the company's clientele expand.

Furthermore, follow-up visits play a critical role in locating prospects for cross-selling or upselling pertinent banking goods and services. By maintaining a current understanding of the client's demands and financial status, BC/Fs can make customised recommendations that support the client's objectives. This helps the consumer by giving them appropriate financing alternatives, and it also helps the bank generate more income overall.

Moreover, follow-up visits turn into an effective instrument for consumer education in the context of financial inclusion. Through these exchanges, BC/Fs may teach clients financial literacy, assisting them in navigating financial procedures, comprehending new banking options, and making wise selections. This teaching component is especially important in underbanked or unbanked communities where there may be a lack of knowledge about financial services.

In conclusion, follow-up visits are important because they promote trust, improve client happiness, find new company prospects, and aid in financial literacy. Using consistent and significant involvement, BC/Fs have the potential to positively influence both specific clients and the larger society, advancing the objectives of sustainable banking practices and financial inclusion.

Here are the standard procedures for follow-up visits by BC/Fs:



3.5.2: Role of BC/F in updating details of payments collected

Maintaining accurate and current financial records depends heavily on the updating of payment data by a Business Correspondent/Facilitator (BC/F). Following the completion of different types of banking transactions, including deposits or repayments, the BC/F is in charge of appropriately entering these transactions into the bank's information system. This entails painstakingly recording the money received, the transaction's goal, and any pertinent client information. Ensuring regulatory compliance and preserving the integrity of the financial system depend heavily on the correctness of these data.

In addition, the BC/F is essential to maintaining the promptness of these updates. Receivables must be promptly and accurately recorded in order to preserve current financial data and to help clients get updated account statements and transaction histories. This proactive strategy helps to increase client satisfaction and confidence in the BC/F's financial services.

BC/Fs frequently have reporting duties in addition to updating payment data in the information system. Periodically, they might have to produce reports that summarise the transactions they made, the money they were paid, and other pertinent data. These reports have two uses: they are used internally to help with target monitoring and performance review, and they are used externally to give the bank and regulatory bodies transparency.

All things considered, the BC/F's responsibility for updating payment information includes accuracy, promptness, and adherence to reporting guidelines. This diligence upholds the professionalism and dependability of the BC/F in facilitating financial transactions for the community, as well as the correctness of financial records and the smooth operation of the banking system.

3.5.3: Delivering and collecting payments

In locations with restricted access to standard banking services, the Business Correspondent/Facilitator (BC/F) serve as middlemen between the bank and its clients, playing a crucial role in the distribution and collection of payments. When it comes to payment delivery, BC/Fs help consumers obtain their money, making sure they get their paychecks, pensions, subsidies, or other benefits. This entails immediately disbursing the payments, adhering to security protocols, and properly confirming customer information.

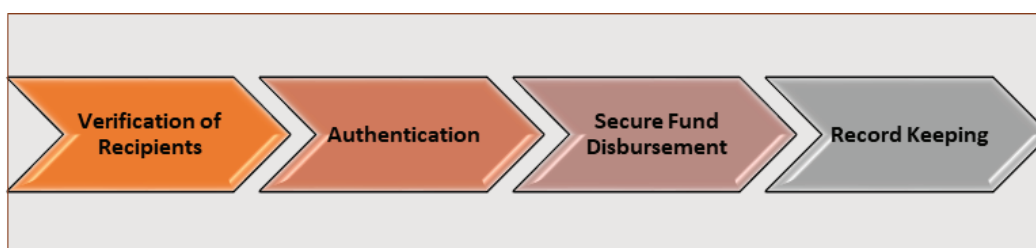
However, when it comes to payment collection, BC/Fs help clients pay for a range of goods and services. This might entail gathering money owed to the bank on account of loans, utility bills, or other debts. To collect payments, provide consumers with receipts, and make sure the money is correctly recorded in the banking system, BC/Fs employ safe, standardised procedures.

All things considered, expanding financial services to disadvantaged groups, advancing financial inclusion, and stimulating economic growth in isolated or rural regions depend heavily on the BC/F's delivery and collection of payments. Their operations help ensure that money moves smoothly and that clients may receive banking services even in places where traditional bank offices might not be available.

General overview of the process

Delivering and Collecting payments process is designed to ensure efficiency, security and accuracy in financial transactions.

Delivering Payments:



Collecting Payments:



Exercise



Answer the following questions:

1. Why are follow-up visits important for a BC/F?
2. How can BC/Fs leverage follow-up visits to promote financial inclusion?
3. Why is accuracy in updating payment details important for a BC/F?
4. What role does timeliness play in updating payment details for a BC/F?
5. How does the BC/F ensure the security of payments during the delivery and collection processes?
6. What is the significance of following standard procedures for delivering and collecting payments?

Notes

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4. Perform Administrative Tasks

Unit 4.1 Loan Recovery and Default Management

Unit 4.2 Reporting in Banking Operations

Unit 4.3 Security Procedures and Escalation Matrix for customer queries for Customer Queries



(BSC/ N 8404)

Key Learning Outcomes



At the end of this module, the participants will be able to:

- Identify the Sources for Obtaining the List of Defaulters and Default Loan Accounts
- Explain the process of Assisting in Payment Recovery and Reporting
- Describe the Standard Formats for Various Reports
- Discuss the process of Reviewing Future Targets for Banking Operations
- Outline the Best Practices for Bank Data Security
- Explore the Technological Trends in Improving Security in Digital Banking

Unit 4.1: Loan recovery and default management

Unit Objectives



At the end of this unit, the participants will be able to understand:

- Identify the Sources for Obtaining the List of Defaulters and Default Loan Accounts
- Explain the process of Assisting in Payment Recovery and Reporting

4.1.1: Sources to obtain the list of defaulters and default loan accounts

Effective loan recovery and default management depend on having access to a list of defaulters and default loan accounts. These essential lists are available to BC/Fs via a variety of methods, guaranteeing a thorough approach to handling defaults. The primary sources are as follows:

1. Bank Branch Records: To get up-to-date information on clients who are in default, BC/Fs can work closely with the bank branches with which they are affiliated. A detailed list of accounts with delinquent payments is frequently kept up to date in bank records.

2. Centralised Database Systems: Information regarding defaulters and accounts with past-due payments is kept in centralised database systems that are maintained by numerous banks. These databases are accessible to BC/Fs, guaranteeing a centralised and well-organized method of default maintenance.

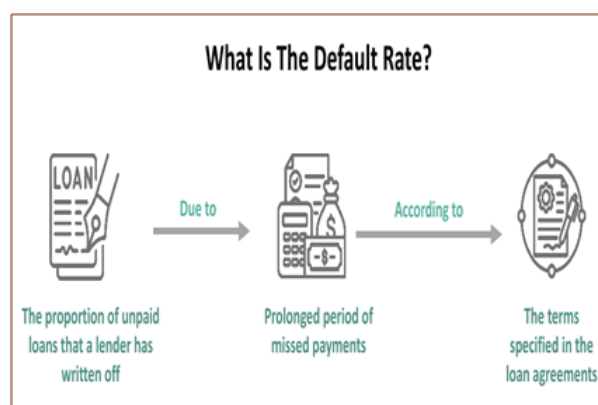


Fig. 4.1.1

3. Credit Information Firms (CICs): Information firms and credit bureaus gather data on credit defaults and credit histories. By using these organisations' services, BC/Fs can get credit reports and find clients who have a history of loan default.

4. Cooperation with Bank Officials and Supervisors: BC/Fs must keep lines of communication open with other bank officials as well as their supervisors. Supervisors can shed light on possible defaulters, and cooperative efforts among bank hierarchy members can produce useful data.

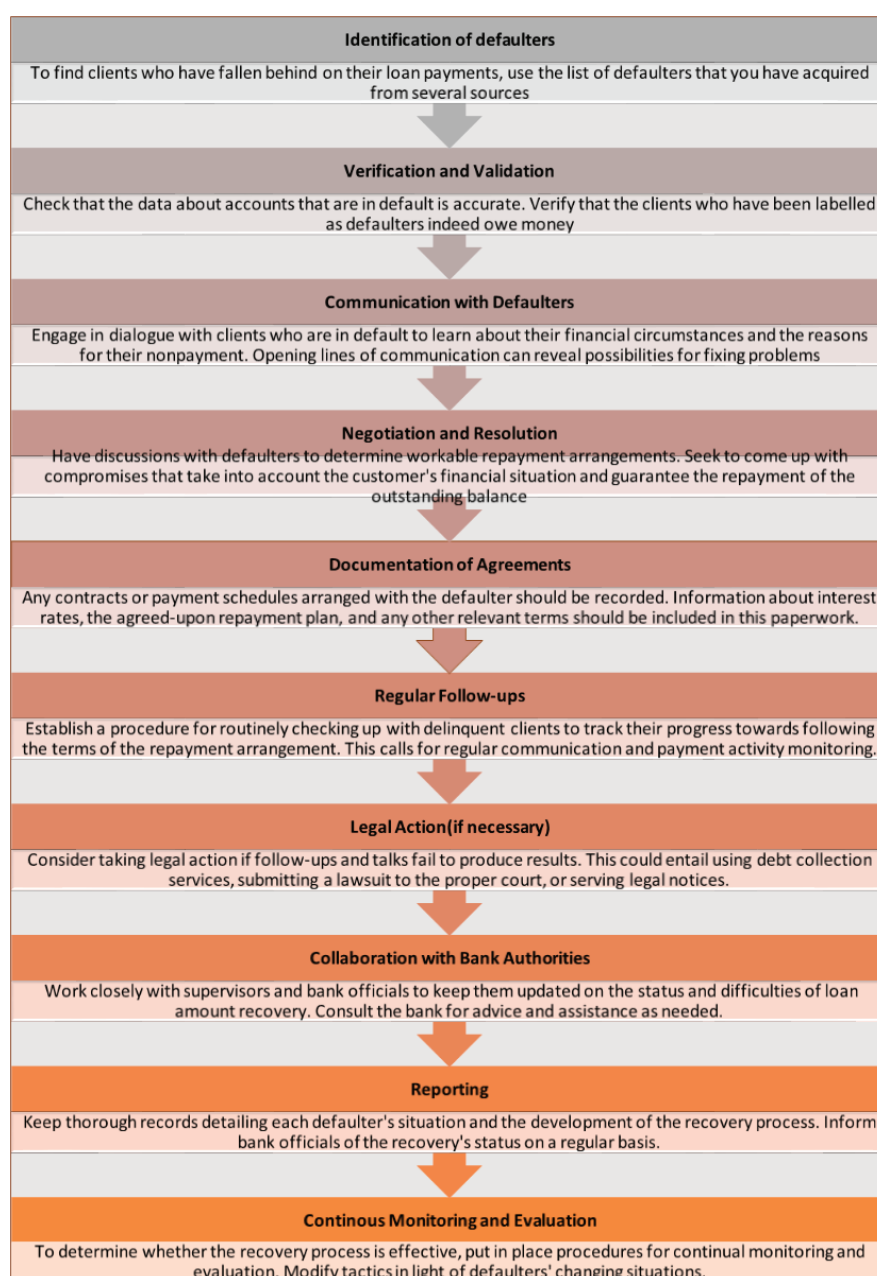
5. Government Databases: When loans are backed or guaranteed by government programmes, government organisations may keep databases including information about defaulters. To improve their comprehension of default circumstances, BC/Fs might investigate these datasets.

6. Local Community Input: BC/Fs frequently maintain strong relationships with the areas they assist. By interacting with people in the local community, BC/Fs can obtain important information about defaulters and maintain awareness of their client's financial situation.

7. Sources for Law and Regulation: Information on defaulters and default accounts may be shared by legal and regulatory authorities. To obtain important information, BC/Fs should cooperate with regulatory agencies and keep up to current on applicable regulations.

Procedure for recovering loan amount from defaulters

One of the most important parts of a Business Correspondent/Facilitator's (BC/F) job is getting the loan amount back from defaulters. The process takes a methodical approach to uphold moral standards and guarantee a just and efficient rehabilitation. Here is a detailed explanation of how to pursue loan amounts from defaulting borrowers:





Scan to access the video on Recovery Management in Banking

4.1.2: Assisting in Payment Recovery and Reporting

A Business Correspondent/Facilitator (BC/F) is an essential component of the banking system's financial stability as it aids in reporting and payment recovery. Business Correspondents and Business Facilitators (BC/Fs) actively assist clients who are having trouble paying on time. They engage in frank and sympathetic dialogue to learn the causes of the payment delays and extend support.

BC/Fs work with clients to reach workable repayment arrangements. They look into options including rearranging payment schedules, granting extensions, or giving advice on getting out of debt. Every customer interaction about payment recovery is painstakingly recorded by BC/Fs. Details of discussions, agreements made, and any other information pertinent to the healing process are all included in this report.

BC/Fs confirm the legitimacy of payments that clients have made. They make sure that the customer's account displays the most recent payment status and that payments are appropriately recorded. BC/Fs execute a methodical procedure for doing routine follow-ups with clients who have signed repayment arrangements. These follow-ups are intended to keep an eye on compliance with the established payment schedules and to handle any potential problems.

BC/Fs produce regular reports on the progress of payment collection activities. These reports contain information on the number of clients helped, the amount recovered, unpaid balances, and any difficulties experienced throughout the procedure. BC/Fs keep lines of communication open with supervisors and bank regulators. They work with the bank to seek advice, report on difficulties, and coordinate initiatives to increase recovery rates. They also keep them updated on the status of payment recovery.

If follow-ups and discussions fail to successfully recover payments, BC/Fs may take the issue up to higher levels of the bank. This guarantees that cases that remain unresolved get the help and attention they require. BC/Fs take an active part in programmes aimed at continuous improvement. They evaluate the efficacy of payment recovery tactics, pinpoint development opportunities, and work in tandem with the bank to optimise overall recovery procedures.

For BC/Fs, upholding ethical standards and regulatory compliance requirements is crucial to the payment recovery process. They guarantee the safety of their clients, privacy, and equitable treatment in all dealings.

Roleplay:

Let's look at the scenario, "Payment Recovery Consultation" between BC/F (Participant A) and Customer (Participant B), who is facing challenges in making payments on time.

Guidelines: BC/F to introduce and express empathy -> understand the situation through open-ended questions and by demonstrating active listening -> negotiate and explore various solutions -> Explain the importance of documentation -> explain the process of verification -> Status reporting -> Continuous Improvement Discussion

Updating details in Information Systems

Maintaining the accuracy, efficiency, and security of banking activities depends heavily on updating details in the information system for multiple reasons.

First of all, it guarantees that the data in the system is up to date and accurate, representing the most recent exchanges with customers, transactions, and adjustments to their financial situation. Regular updates give a precise picture of the customer's connection with the bank, which helps the bank and the customer make well-informed decisions.



Fig. 4.1.2

Furthermore, adhering to regulatory obligations depends on having correct and current information. Financial institutions must follow reporting guidelines established by regulatory authorities and keep accurate records. The bank can complete these responsibilities by regular updates, which lowers the chance of non-compliance and the fines that come with it.

Regular updates also protect the confidentiality and security of consumer information. The risk of unauthorised access or misuse of out-of-date information is reduced by immediately updating the system. This preserves the honesty and reliability of the banking system in addition to safeguarding the consumers.

Additionally, current data improves the general client experience. BC/Fs are better able to deliver individualised and pertinent services when they have access to the most recent consumer data. Stronger client relationships and more customer satisfaction follow from this.

Information systems that are updated regularly help financial institutions operate more efficiently in the larger banking sector. Banks can optimise resource allocation, minimise errors, and streamline procedures with the help of precise and up-to-date data. This operational effectiveness helps the bank stay competitive in the market and rapidly address the needs of its customers.

To sum up, updating details in information systems is important for reasons other than data management. It is a basic procedure that supports client pleasure, security, regulatory compliance, and the general operational efficacy of banking organisations.

Business Correspondents and Business Facilitators (BC/Fs) must take into account a number of critical factors when updating information in information systems to guarantee accuracy, security, and compliance. The following are the main things that BC/Fs need to remember:

Accuracy of the data: BC/Fs are responsible for making sure that the data entered into the system is correct and represents the real information that the clients have given. Errors must be avoided by double-checking and confirming the data before changing it in the information system.

Current Updates: To reflect real-time changes in consumer information, updates to the information system should be made as soon as possible. Updates that are timely aid in keeping customer data current and support sound decision-making.



Fig.4.1.3

Security Measures: To prevent unwanted access to client information, BC/Fs must follow stringent security procedures. Make use of secure login credentials, adhere to encryption guidelines, and refrain from disclosing private information to unauthorised parties.

Regulatory Guidelines: BC/Fs are required to abide by the rules and regulations established by banking authorities. Following these recommendations guarantees that the modifications are made in compliance with all applicable laws and regulations.

Confidentiality of Customer Information: Maintaining the confidentiality of customer information is imperative during the update process. Don't disclose or give away private consumer information to uninvited parties.

Documentation and Record-Keeping: Make sure that the information system updates are appropriately documented. For the sake of reporting, audits, and future reference, keep a record of the modifications.

Procedures for Verification: Put verification processes in place to guarantee that the updates are authorised and genuine. Cross-referencing data with customer-provided supporting papers may be necessary for this.

User Education and Knowledge

Make certain that BC/Fs have received sufficient training on the features and upgrades of the information system. Make staff members at BC/F aware of the significance of processing data securely and accurately.

Data Integrity Checks: To find and fix any inconsistencies in the information system, do periodic data integrity checks. Procedures for cleaning data add to the system's overall dependability.

Audit Trails: Keep track of past updates and modifications to the information system by keeping audit trails.

Transparency and accountability are ensured via audit trails in the event of any disputes or questions.



Scan to access the video on Understand the difference between Regulatory reporting, compliance reporting and financial reporting

Exercise

Fill in the blanks:

1. Bank's _____ branch can provide BC/Fs with a list of defaulters and default loan accounts.
2. Identifying defaulters through cooperation with credit bureaus and financial institutions is one of the most important _____.
3. The bank's _____ should be often inspected by BC/Fs to find clients who have past-due payments.
4. BC/Fs can get useful information about customers who have fallen behind on their loans from the _____.
5. BC/Fs can get precise and current information on defaulters by contacting the bank's _____ department.
6. Through their interactions with clients and provision of essential support, BC/Fs are vital in enabling the _____ process.
7. To successfully recover payments, BC/Fs are required to adhere to the _____ protocols as specified by the bank.
8. To properly communicate with the bank and report on the progress of payment recovery attempts, BC/Fs must maintain comprehensive records of _____.
9. The coordination of payment recovery and reporting efforts between bank branches and BC/Fs is contingent upon the _____ relationship.
10. BC/Fs should update the information system and monitor the status of payment recovery using the proper _____ instruments and techniques.

Notes

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Unit 4.2: Reporting in Banking Operations

Unit Objectives



At the end of this unit, the participants will be able to understand:

- Describe the Standard Formats for Various Reports
- Discuss the process of Reviewing Future Targets for Banking Operations

4.2.1: Standard format for various reports

To guarantee efficient administration, compliance, and performance monitoring, BC/Fs are in charge of keeping track of a variety of reports related to banking activities. The following report types, together with their respective significance, are typical ones that BC/Fs must keep up to date:

Status Reports on Sourced Customers: The BC/F's reports include a thorough summary of the clients it has procured. They contain information on transactions, account status, and any problems or worries. These reports are essential for monitoring client involvement, pinpointing areas in need of development, and providing performance to managers and supervisors. The suggested format for the report is as follows:

S.No.	Customer Name	Account Status (Active, Inactive, Closed)	Transaction History	Issues / Concerns

Bank Transactions Reports: These reports provide information about the many types of transactions that clients have made. These reports are crucial for monitoring the movement of money, seeing patterns, and guaranteeing the accuracy of financial documentation. They facilitate regulatory compliance by offering an open and transparent accounting of financial transactions. The suggested format for the report is as follows:

S.No.	Transaction date	Transaction Type (Deposit, Withdrawal, Transfer)	Amount	Account Details

Reports on the Amount and Type of Complaints Received: These records list the quantity and type of client complaints. Finding opportunities for improvement in communication, product offerings, or customer service is made easier by analysing this data. It also helps with the implementation of corrective actions to improve customer satisfaction and deal with any problems that keep coming up. The suggested format for the report is as follows:

S.No.	Complaint date	Nature of complaint	Resolution Status

Targets Achieved Reports: Reports on targets attained describe how the BC/F performed in relation to predetermined objectives. These reports support performance evaluation of both individuals and teams, benchmarking for improvement, and coordinating activities with organisational goals. They are essential for talks on goal-setting and performance reviews.

Target Type (E.g., New Accounts, Transaction Volume)	Set Target	Achieved Target	Variances / Deviation

Review Future Targets Reports: These reports offer information about the BC/F's future objectives. Through the evaluation of future goals, BC/Fs can plan their operations strategically, distribute resources efficiently, and coordinate their efforts with the organization's long-term goals. This future-focused viewpoint encourages proactive and knowledgeable decision-making.

Future Target Type	Goal setting period	Planned activities	Resource requirements

4.2.2: Reviewing Future Targets for Banking Operations

A supervisor of BC/Fs must take into account several important factors when evaluating future targets for banking operations to guarantee efficient planning, resource allocation, and goal achievement. Examining these factors is crucial for performance optimisation, problem identification, and coordinating team activities with the bank's overarching objectives. Below are the Roles and Responsibilities of BC/F supervisor (extract referred from Central Bank of India):

- To monitor the working of BC Agents assigned to him/her daily through BC Dashboard / telephonic Calls / online VC meetings besides a monthly visit to BC Points
- Fixation of targets and monitoring the progress vis-à-vis target
- To Ensure that banking services are available to the identified villages/SSAs (Sub Service Areas)/NonSSAs including communities in rural/urban / metro areas
- To educate BC about their roles and responsibilities
- To ensure redressal of grievances of customers / BCs and submit feedback to link branch with a copy to Regional Office
- Conduct meetings in the villages/SSAs/non-SSAs as well as communities in their operational area to encourage villagers/customers to avail of banking services of our bank and submit reports to linked Regional Offices
- Visit allocated villages / SSAs / non-SSAs as well as communities and BC points in the district at least once a month
- Monitor and control the activities of the BCs in coordination with the link branch and ensure that BCs remain active
- Ensure that the BCs are operational during working hours as per extant guidelines of the Bank. To ensure that BCs are not doing any type of off-line transactions at BC point
- To ensure that BCs are engaged in cross-selling of Central Bank of India and third-party products
- To ensure that BCs are engaged in the recovery of the Central Bank of India
- Plan and organize camps in consultation with the link branch/Regional Office from to time to achieve various targets
- To coordinate with the branch and CBCs/Service provider for appointment of BC for the identified location
- Any other terms and conditions as applicable.



Fig. 4.2.2

A supervisor can improve the BC/F team's strategic planning process, reduce risks, and promote a continuous improvement culture by carefully going over the following factors. The accomplishment of future goals and the general success of banking operations are facilitated by this proactive strategy.

- **Goal Alignment:** Make sure that future targets are in line with the bank's overarching strategic goals. This alignment guarantees that the work of BC/Fs directly advances the larger goals and objectives. Check that the suggested goals align with the financial goals and business plan of the bank.
- **Requirements for Resources:** Evaluate the human, technological, and financial resources needed to meet the upcoming goals. Planning resources effectively is necessary for an implementation to be successful. Determine whether the resources at your disposal are adequate and whether you require any more help or training.
- **Risk assessment:** Determine any hazards and difficulties that could prevent future goals from being met. The creation of mitigation solutions is made possible through proactive risk assessment. Examine the risks related to alterations in regulations, market conditions, and internal operational difficulties.
- **Consumer needs and market trends:** To make sure that the future aims are pertinent and adaptable to changing demands, stay up to date on market developments and shifts in customer preferences. Take into account the potential effects of consumer demands and market conditions on the viability and accomplishment of the intended goals.
- **Performance Metrics:** Establish the key performance indicators (KPIs) that will be utilised to gauge future goal progress. Well-defined metrics serve as a foundation for continuous performance assessment. To monitor the team's performance and make necessary strategy adjustments, establish and evaluate KPIs.
- **Needs for Training and Development:** Determine whether there are any knowledge or skill gaps among BC/Fs, then organise training programmes that will strengthen their capacities. Evaluate the team's present skill set and pinpoint any areas that can benefit from more training or development opportunities.

Scenario: Resolving Unresolved Queries

Resolving unanswered client questions and communicating about them effectively are the objectives. **Instructions:** Divide participants into pairs and assign them the roles of Manager and BC/F. Give the scenario the background information it needs, then allow participants to take turns portraying the various roles.

Question for BC/F (Participant A):

You have encountered two customer queries regarding a cash withdrawal discrepancy and a delayed fund transfer. How would you initiate the conversation with the manager about these issues?

Question for Manager (Participant B):

As the manager, how would you respond to the BC/F's approach to discuss the unresolved queries? What initial guidance would you provide?

Question For BC/F (Participant A):

The manager requests more information regarding the disparity in cash withdrawals. In what way would you describe the circumstances and the actions you've taken to look into it?

Question for Manager (Participant B):

How would you help the BC/F resolve the cash withdrawal issue, given the information they have provided? What steps would you recommend?

Question For BC/F (Participant A):

Regarding the fund transfer inquiry, how would you characterise the client's worries and what steps have you taken so far to resolve the matter?

Question for Manager (Participant B):

What actions would you suggest as a manager to look into the delayed fund transfer? In what manner would you organise with the technical group?

Query for BC/F (Participant A):

The manager recommends informing the clients of any updates. In what way would you comfort the manager and make sure that the impacted consumers were properly informed?

Question for Manager (Participant B):

While appreciating the BC/F's efforts, what more help or resources would you provide to hasten the answering of these consumer inquiries?

Question For BC/F (Participant A):

How would the BC/F wrap up the discussion with the manager to make sure you both understand the expectations and the next steps?

Question For both participants:

When you look back on this role-play, what insights did you get about how BC/Fs and management can effectively communicate to resolve customer inquiries? What other steps or enhancements might be taken into consideration?

Exercise



Fill in the blanks:

1. The _____ report offers information on bank activities, target accomplishment, and client status.
2. The _____ report is created in banking operations to examine the quantity of complaints and future goals.
3. To keep track of the amount of money distributed, payments received, and goals met, BC/Fs keep a _____ report.
4. The _____ report is essential for tracking BC/F performance and evaluating goal attainment.
5. To keep consistency, it is imperative to follow the _____ when writing a report on banking activities.
6. BC/Fs should actively engage in _____ sessions to comprehend and match the bank's future goals.
7. During the process of _____ future targets, it is essential to assess the current market trends and customer demands.
8. To develop a _____ plan that is in line with the overarching objectives of the banking operations, BC/Fs and their supervisors must work together.
9. BC/Fs need to keep up with the most recent trends and industry best practices to meet future targets.
10. To make sure that all members of the team and supervisors agree on future goals, regular _____ is essential.

Notes

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Unit 4.3: Security Procedures in Handling Customer Information

Unit Objectives



At the end of this unit, the participants will be able to understand:

- Outline the Best Practices for Bank Data Security
- Explore the Technological Trends in Improving Security in Digital Banking

4.3.1 Best Practices for Bank Data Security

Banks must use a 360-degree strategy to protect sensitive data to prevent internal or external data breaches. This entails safeguarding internal procedures about staff, suppliers, and systems in addition to the customer-facing portion of banking operations. The following are five suggestions for data security in the banking sector:

1. Authentication:

Every transaction in the bank must be authenticated by verifying the identity of the individual initiating the transaction. This covers clients accessing online or mobile banking platforms, in-person bank visits, and credit/debit card transactions at ATMs and point-of-sale terminals. Employees of banks who have access to client and bank data are likewise covered by this. A password or PIN and identification were all that was needed for authentication in the past, but many banks now use two-factor and multi-factor authentication to make sure the person is who they say they are. To confirm their clients' identities, banks are also employing biometric authentication methods, such as behavioural biometrics during interactions with Interactive Voice Response (IVR) systems.

2. Records of Audit:

A passbook or statement containing the history of all the bank transactions was always available. Every action that occurs during a customer's engagement with the banking systems is also recorded in an audit trail. This is essential for reacting swiftly to events, such as ransomware attacks or security breaches. The time of the encounter is logged together with the facts, regardless of whether the customer is utilising online or phone banking. This data is regularly backed up, never entirely erased, and archived at predetermined periods. Keeping up a response strategy for security incidents is one aspect of the audit trails.

3. Secure Infrastructure:

Secure infrastructure includes the servers and database systems used to hold data, as well as the security perimeters put in place to protect them. In any fundamental financial system, production data is often encrypted. Critical infrastructure is handled by authorised suppliers exclusively, and access to production systems is restricted. Securing these databases requires efficient access control. Important information such as the customer's name, address, and bank account number must be hidden if testing calls for it. Suppliers of applications are typically not the same as those of infrastructure. Special equipment that blocks access to USB ports, social media websites, and personal emails is typically provided to bank personnel. When utilising public WiFi, employees can only access the banks' network over a VPN.

4. Secure Processes:

Banks have set up several procedures to guarantee that security is tested and put into practice. Examples include safeguarding specific areas within the building and remote data centres, non-disclosure agreements (NDA) for staff and vendors, and Know Your Customer (KYC) updates for clients.

Banks may protect their customers' personal information, including credit card numbers and identities, by reducing insider risks through the use of Data Loss Prevention (DLP) solutions. Additionally, by helping banks comply with data protection laws like PCI DSS and GDPR, these solutions may guarantee that their security measures uphold industry standards and preserve the privacy of their clients' personal information. Additionally, procedures about national, international, and local legislation are put into practice, and risk analyses are done to make sure these procedures comply with the requirements.

5. Ongoing Communication:

Apart from the normal account statements that are prepared and given to customers, banks also keep in regular contact with customers regarding system upgrades, new authentication methods, etc. To make sure they are notified of any unexpected action about their accounts, customers can also set limitations and alerts depending on certain situations. Although there are other ways to communicate, the arrangement is adaptable to suit the needs of the clients.

Technological trends in improving security in Digital Banking

By resolving the issues raised by cyber threats and guaranteeing the security of financial transactions in the digital age, these technological advancements work together to create a complete and flexible security framework in digital banking.

Biometric authentication: A more easy and safe way to authenticate users is to employ biometric data, such as voice, facial, and fingerprint recognition. In addition to typical passwords, biometrics offer an extra degree of security.

Multi-Factor Authentication (MFA): To access an account, users using MFA must present two or more forms of identity. A combination of passwords, SMS codes, biometrics, or other authentication factors may be used in this situation.

Blockchain Technology: Blockchain provides a tamper-resistant, decentralised method of recording transactions. By offering an unchangeable and visible ledger, lowering the possibility of fraud, and guaranteeing the accuracy of financial data, it improves the security of digital banking.



Fig. 4.3.1

Artificial Intelligence (AI) and Machine Learning: These two fields are vital to the detection of anomalous patterns and possible security risks. These tools can detect abnormalities and stop fraud by instantly analysing enormous volumes of data.

Endpoint Security: Endpoint security has grown crucial as more and more people use mobile devices for banking transactions. Sophisticated endpoint security tools guard networks and devices against online attacks, guaranteeing the safety of online banking transactions.

Cloud Security: Due to their scalability and flexibility, cloud-based solutions are being used by numerous institutions. Sturdy cloud security protocols, such as access limits, encryption, and monitoring, are put in place to safeguard private information kept on the cloud.

Quantum-safe cryptography is becoming more and more important as quantum computing develops because it can guard against the possible harm that quantum computers may pose to conventional encryption techniques.

Behavioural analytics: This method looks for abnormalities in user behaviour that can point to fraud by analysing patterns of behaviour. Banks can spot questionable transactions and take action by closely observing user behaviour.

Secure APIs: Secure Application Programming Interfaces (APIs) are crucial in light of the growing usage of third-party apps and open banking. Strong security standards are necessary for APIs to safeguard data transfers between various platforms and services.

Cyber Threat Intelligence: Banks utilise cyber threat intelligence to remain up to date on the most recent attacks and vulnerabilities. Retaining a robust security posture requires proactive monitoring and quick reaction to new threats.

Exercise



Short Answer Questions:

1. Why is encryption considered a fundamental best practice for securing bank data?
2. Explain the principle of the least privilege and its significance in bank data security.
3. Explain the concept of Multi-factor authentication (MFA) and its importance in the context of digital banking security.
4. How do artificial intelligence (AI) and machine learning contribute to strengthening security measures in digital banking platforms?

Notes

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

Chapter No.	Unit No.	Topic Name	Page No.	QR Code
1.	1.1	Evolution of the BC/F Role	5	 Scan to access the video on Roles and Responsibilities of BC/F (Hindi)
2.	1.1	Importance of BC/F in Financial Inclusion	6	 Scan to access the video on BC/F in Financial Inclusion
3.	4.1	Procedure for ecovering loan amount from defaulters	100	 Scan to access the video on Recovery Management in Banking