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## **Strengthening rural financial inclusion**

### **Data driven approach to guide bank managers to arrive at financial decisions**

India, the world's largest democracy with more than billion people, has about 72.2% of its population living in 6,38,596 villages. With the objective of ensuring greater financial inclusion and increasing the outreach of the banking sector, there has been several initiatives to provide basic financial services to remote rural citizens. Business Correspondent (BC) model, is one such initiative from RBI that allows banks to partner with third party agents to provide basic financial services such as credit and savings to households that don't have banks in their neighborhood. Since its inception in 2006, various banks have promoted the BC model in all corners of the country.

A recent assessment by Aaum consultants to understand the acceptability of 'Business Correspondence Model', has indeed revealed many interesting findings. The assessment based on extensive field research in Kanyakumari, Karaikudi districts; also involved discussions with the bank officials, post office networks that resulted in development of an analytical model (first of its kind) to strengthen 'Business Correspondent Model' in rural India. The analytical approach will involve

- ❑ Computing rural Household vulnerabilities, shocks, etc based on comprehensive household profiling.
  - With this solution, BCs can now effectively sensitize the HH financial risks to the villagers and make them buy appropriate insurance cover to their income generating avenues (i.e. cattle, daily laborers).
  - This will also enable the banks to orient/bundle their financial offerings specific to the village requirements.
- ❑ Developing 'Key Performance Indicators(KPIs)' to measure and monitor the

- persons performing 'Business Correspondent' roles wealth officers.
- performance of the banks associated with this initiative.

Successful implementation of these models will result in mechanisms for the banks to measure, enhance the BC operations fueling rapid adoption of BCM activities in rural India and will also help the banks to align their business activities in rural context.

**About Aaum:**

Aaum Research and Analytics Private Limited (Aaum) is incubated in IIT Madras research park with the vision to provide insights to businesses, policy makers & planning authorities. Aaum is founded by alumnus of IIT Madras and includes Professors from IITM in its board as advisors.

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