

Self-help group as a banking agent can be a viable channel for propelling financial inclusion



The Context

Over the years, Government of India has introduced several programs for women empowerment and financial inclusion. The Pradhan Mantri Jan Dhan Yojana (PMJDY) accelerated the mission of financial inclusion. To meet the target of providing at least one basic bank account to every household, banks went door to door opening bank accounts, organizing account opening camps and increasing the network of business correspondents (BC agent). Aadhaar based e-KYC verification made it easier for women to get access to bank

account who generally do not have required KYC documents for opening of bank account. The wide spread rollout of Aadhaar enabled BC outlets in addition to ATMs have further brought banking facilities closer to women. The Global Findex Survey 2017 reveals that through the efforts of the Government of India, there has been an acceleration in the account ownership and 77% of Indian women now own a bank account as against 43% in 2014 and 26% in 2011.

Pradhan Mantri Jan Dhan Yojana (PMJDY) data also shows that out of the total accounts opened, around 53% of accounts were opened by women as on February 2019¹. However, despite increase in the ownership of bank accounts, women continue to lag in terms of access to financial services as compared to men. As of June 2017, only 33% of women had active bank accounts as compared to 47% of men.²

Encouraging women especially in rural areas to participate in the formal financial system poses several constraints such as low literacy levels, low mobility and cultural barriers that limit women from interacting with male staff of financial service providers. The agency banking channel which has been one of the key drivers of financial inclusion in India, still has limited outreach to women as compared to men. The ANA India Wave II study 2017 reveals that women comprise only 43% of the customer base of banking agents in India. Agency banking channels have a low outreach of only 8% of women banking agents³.

¹ Pradhan Mantri Jan-Dhan Yojana; progress report: <https://www.pmjdy.gov.in/account>

²The Financial Inclusion Insights Wave IV India report, June 2017

³ State of the Agent Network, India 2017 published by MicroSave

The Advantages of Female Banking Agents

There are several disadvantages with women agents owing to cultural perceptions and norms coupled with funding and operational challenges. However, women also hold inherent advantages.

Our experience with Bihar Rural Livelihood Program (BRLP) in Bihar shows that female agents are easily approachable and are better at providing initial hand-holding support to women clients. They also enable and encourage women clients to transact regularly which in turn builds a digital footprint. It enables further access to multiple products and services including digital credit.

In conservative rural settings where ordinary women lack freedom of mobility and accompanying safe and readily accessible public transport system for travelling to branches of formal financial institutions, it is these women banking agents that bridge the gap between home and service provision institution.

When women SHG members become banking agents, they not only substantially improve women's access to financial services but also act as important role models for women's public engagement and their increased participation in banking services. JEEViKA is trying to uproot certain traditional norms and build on the inherent strengths of women agents. JEEViKA has trained and onboarded 400 agents across 18 districts of Bihar within a period of 12-15 months of the launch of this initiative.

Self-Help Group Members as Banking Agents Can be Financially Viable

Bihar Rural Livelihood Program (BRLP), JEEViKA (referred to as JEEViKA) started its Digital Financial Service initiative in 2016 to enable access to doorstep banking for rural women by developing a network of women community agents or banking correspondents known as *Bank Sakhis*. JEEViKA and SIDBI's PSIG program came together for a partnership in early 2017 to promote deeper penetration of alternate banking services and digital financial inclusion of JEEViKA SHGs.

The program approach was not just to increase access to financial services but also to establish strong systems and processes, which can ensure that *Bank Sakhis* become profitable. While several operational parameters are tracked to make the programme successful such as the number of agents, transactions per agent, commissions etc., the key success metrics include the number and amount of transactions at the bank level and a sustainable and consistent income accrued at the agent level to make it a viable livelihood option.

Social norms and family responsibilities limit operational capabilities

Lack of capital for branding and liquidity management

Perception of customers that female agents are less knowledgeable compared to males in financial and technological matters

Find difficult to establish good rapport with service provider staff who are mostly male

Figure 1: Challenges that are being addressed by BRLP through its Bank Sakhi

With reference to Figure 2, as on December 2018, a cumulative 1.60 million transactions worth Rs. 6.13 billion across a range of services such as savings, deposits, withdrawals and remittances were achieved by the *Bank Sakhis*. The average earnings per month of a *Bank Sakhi* is Rs. 6,762 and around 64% of the total *Bank Sakhis* are earning more than Rs. 5000 per month. Around 42% of *Bank Sakhis* earned at least Rs.5000 within 6 months of their operations; however, majority of them were able to achieve monthly commission of at least Rs. 5,000 within 6 to 9 months of their operations.

Figure 3: Distribution of Bank Sakhis based on monthly commission as on Dec. 2018

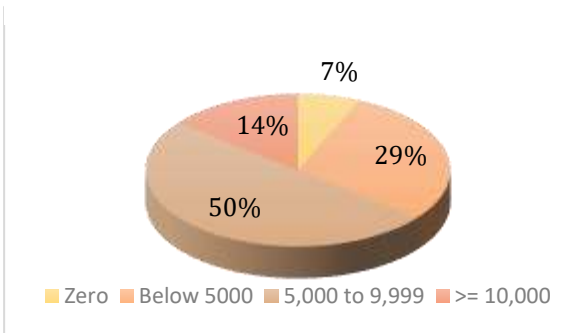
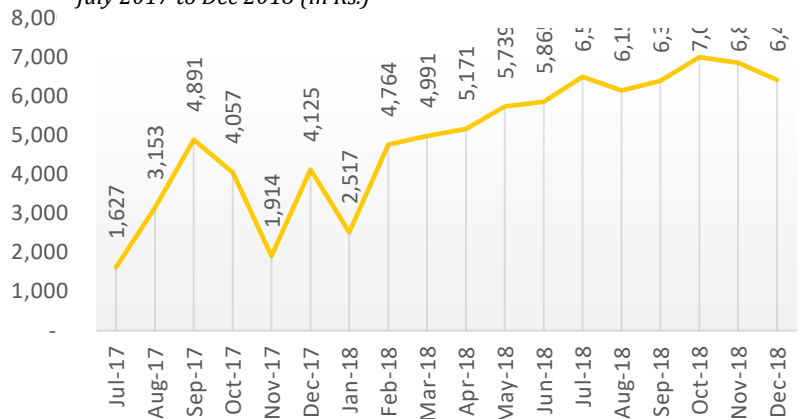


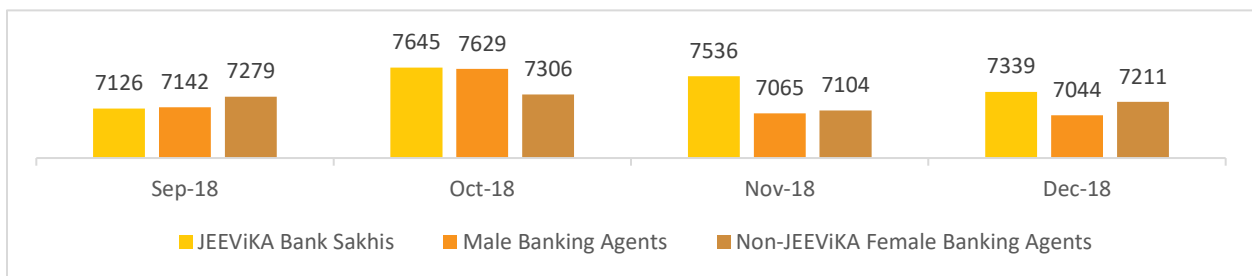
Figure 2: Average commission earned per month per Bank Sakhi from July 2017 to Dec 2018 (in Rs.)



JEEViKA Bank Sakhis are breaking the myth that women agents are less enterprising or less capable than male agents. Among the 3 Partner Financial Institutions (PFIs), recent data from one of the partner banks shows that *Bank sakhis* of JEEViKA are performing better in November 2018 and December 2018 as compared to the male banking agents and non-JEEViKA female banking agents. With continuous support

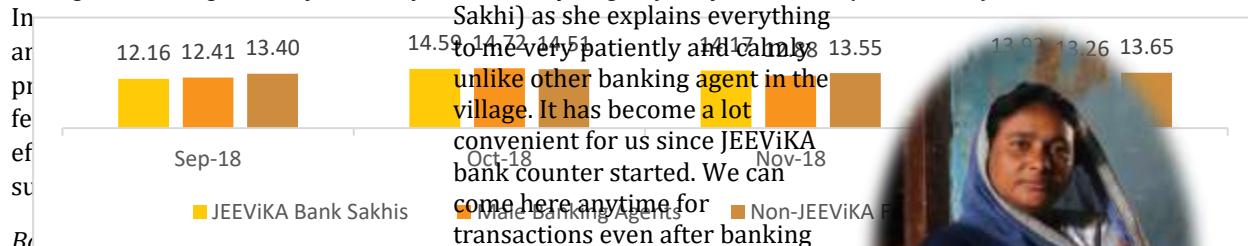
from JEEViKA there has been an incremental growth in the commission and volume of transactions for the *Bank Sakhis*.

Figure 4: Average monthly commission per agent for a partner bank (in Rs.)



Female Bank Agents Enhance

Figure 5: Average monthly volume of transactions per agent with partner bank (in Rs, in lacs.)



facilitate better social inclusion by motivating first-time women customers who are usually illiterate, semi-literate or still in their teens and yet to earn any income of their own. There has been an increase in subscription of savings products by women clients through *Bank Sakhis*.

"I like to transact with Rishi (Bank Sakhis) as she explains everything to me very patiently and calmly, unlike other banking agent in the village. It has become a lot convenient for us since JEEViKA bank counter started. We can come here anytime for transactions even after banking hours. Now we don't have to go to a bank branch, as *Bank Sakhis* only gets our passbooks updated. We are also able to deposit VO funds through *Bank Sakhis*"

Dharamsheela, Pawna village in Bhojpur district of Bihar



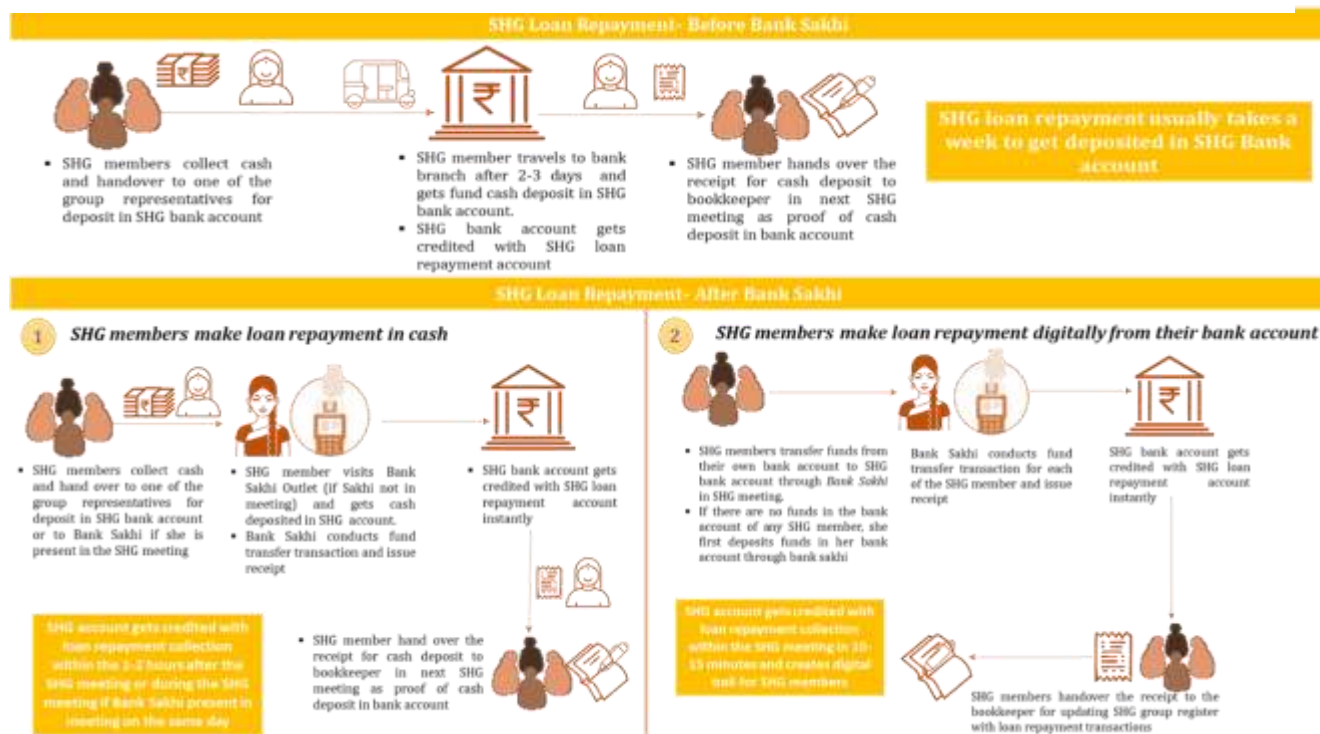
Data from one of the partner banks shows that around 74% of the accounts opened by the *Bank Sakhis* are of women and there has been incremental increase in the average ticket size of transaction by women account holders of the partner bank. They are also providing doorstep banking to the neediest and otherwise excluded segment in the community such as the elderly and the disabled for account opening and distribution of EBT payments. Currently, around 1.12 million people in rural areas of Bihar are being covered by JEEViKA *Bank Sakhis*.

Bank Sakhis are also supporting in digitizing financial transactions between SHGs and CBOs by visiting the SHG meetings to conduct financial transactions for the members. This has reduced the cash-carrying risk for SHG members and improved timely repayment of loan in addition to creating a digital trail for SHG members. JEEViKA intends to start digital disbursements of loans as well through BC channel in partnership with a couple of banks which is currently being tested on ground.

Employing SHG members as banking agents has benefitted the community and at the same time provided gainful employment to many of them for the first time. The program has helped them become more respected in their family and community. They are able to earn the epithet of 'Banker Didi' for themselves. Once begun, these SHG members are more likely to continue with the bank agency business as they are less likely to migrate for lucrative employment opportunities.

As on March 2018, in India, on an average 1 BC outlet serves around 2,279 people whereas in Bihar, on an average, 1 BC outlet serves around 12,333 people. Bihar needs an additional 60,000 BC outlets to be on par with the national average density of BC outlets. These additional 60,000 BC outlets have a huge potential to generate livelihood opportunities especially for women. ⁴

Figure 6: Flow chart of the process of SHG loan repayments before and after bank sakhis



JEEViKA Led Technical Support in Building the Cadre of Female Banking Agents

Some of the initiatives taken by JEEViKA that helped *Bank Sakhis* overcome the constraints mentioned earlier and to achieve sustainability in their agency business are:

1. **Choice of candidate for banking agent-** SHG members, being more financially experienced, are preferred as banking agents. It helps them in establishing better rapport with the staff of financial service providers as well as women SHG members.
2. **Financial support-** JEEViKA provides establishment support in the form of grant and an interest-free loan for the purchase of equipment such as laptop and micro ATM from their community-based organizations. It also provides financial support to *Bank Sakhis* for the first 6 months. *Bank Sakhis* are also able to get working capital loan for liquidity management from their community-based organizations. The financial support from BRLPS JEEViKA has helped *Bank Sakhis* to overcome familial financial hurdles and expand their business operations.
3. **Capacity building support-** *Bank Sakhis* are provided training on various aspects of agency business such as products and services, customer service, marketing, risk management and basics of banking in India. Apart from this, *Bank Sakhis* are provided regular capacity support by JEEViKA's block office staff to help them better serve their customers.

⁴ Source for population for India and Bihar: <https://data.gov.in/resources/state-wise-population-decadal-population-growth-rate-and-population-density-2011>; source for BC outlets in India: RBI Annual Report 2018; source for BC outlets in Bihar: <http://slbcbihar.com/banking-outlet-bcs.aspx>

4. **Marketing support-** JEEViKA has launched training program for its community members to bring awareness of the products and services and benefits of transacting with banking agents. The block office team of JEEViKA also supports *Bank Sakhis* in routing financial transactions between SHGs and CBOs through them. These financial transactions can provide *Bank Sakhis* a regular volume of transactions and help them in overcoming some of their liquidity management constraints. The brand of JEEViKA also creates trust amongst customers especially for the first-time female customers.



Figure 7: *Bank Sakhi* conducting fund transfer for deposit of SHG repayments in SHG bank account

5. **Monitoring of agents-** JEEViKA's team conducts regular monitoring of the performance of their *Bank Sakhis*. With the continuous performance tracking JEEViKA could provide the required support to non- performing *Bank Sakhis*. It has also helped in keeping the number of dormant/inactive *Bank Sakhis* to less than 5% which is much less than the general attrition level in the sector.

The Way Forward

SHG members as banking agents are sincere, disciplined and trustworthy. They can build better bonds and lasting relationships with their customers especially women. However, State Rural Livelihood Missions, Banks and their Corporate BC should be cognizant that women SHG members need more financial and capacity building support as compared to male agents in the initial 6-12 months, given the social and cultural challenges faced by them in their entrepreneurial journey.

Additionally, there is need to work with Banks to provide fund transfer facility to SHG loan accounts at affordable rates and create awareness for such facility which will encourage repayments of loans through bank agents. This will also go a long way in creating digital trails for SHGs and their members for enabling higher ticket individual loans.

JEEViKA also plans to capacitate its SHGs members to use self-service modes such as BHIM or mobile wallets as well to transfer money or make payments. As a next step, JEEViKA plans to scale up the *Bank Sakhi* programme in the rest of the districts of Bihar and introduce other financial services such as loan sourcing and loan appraisal from their *Bank Sakhi* outlets to increase the revenue of its female banking agents and improve access of banking products for its community members.