

Using Dual Authentication Technology for Digital Financial Inclusion of SHGs

Bihar Rural Livelihood Promotion Society (BRLPS), (referred to as JEEViKA) with a member base of 9.9 million women as part of 848,896 SHGs, with an outstanding of Rs.82.1 billion loans from banks, started its Digital Financial Service Initiative in 2016 to enable access to doorstep banking for community members and community-based organisations (CBOs). To achieve its goal, it has developed a network of women community agents or banking correspondents (BC) known as *Bank Sakhis*. JEEViKA provides these *Bank Sakhis* with financial support and capacity building to start their BC outlets. The programme has so far been successful in providing convenient banking solutions to around 2 million people in rural Bihar, with two third of these customers being women.

Earlier people had to travel at least 6 to 7 Km to transact at nearby ATM, CSP point or bank branch. Many times, they had to return without conducting transactions due to server downtime or cash crunch at CSP point or ATM. People with restricted mobility due to physical conditions such as old age, being physically challenged, or those restricted by social norms such as teenage girls or newly married women are now able to access financial services without being dependent on anyone.

The programme could provide doorstep and ease of transaction facility through *Bank Sakhis* only for individual bank accounts and only limited services to CBOs (like SHGs and Village organisations), such as deposit in their accounts. For other transactions such as withdrawal, fund transfer and balance enquiry from their CBO account, CBO members had to still visit branch which required all the office bearers (joint signatories to the accounts) to travel together to the specific branch. This meant that they have to travel long distances, stand in long queues and face the risk of carrying cash besides loss of one day wage or its opportunity cost. As a result, there was an increasing demand from JEEViKA's CBOs to get their CBO accounts also served at BC points like that of individual accounts.

One of the community members of JEEViKA, who is also an office bearer of a CBO, mentioned that she is able to do her personal banking transactions at BC outlet in just a few minutes in the village and wishes that she could do the transactions from CBO account also from the BC outlet. Apart from the community members, *Bank Sakhis* also demanded a facility to cater to transactions of CBO accounts as this would help in getting regular business volumes and increase their revenues.

To make Bank Sakhi outlets one-stop destination for individual and CBOs' banking needs, JEEViKA is partnering with the banks which have the 'Dual Authentication' technology. For dual authentication, banks' BC point application is adjusted in such a way that it can validate biometric data of multiple individuals, as signatories of an account in order to allow debits from a joint account like CBO account.

Currently JEEViKA has successfully tested the dual authentication technology with three banks- Dakshin Bihar Gramin Bank, Bank of Baroda and IDFC First Bank.

This technology enables any two authorized signatories of CBOs (as per predefined mode of operation given in the bank account) to withdraw cash or transfer money from CBO's savings as well as overdraft account to any other account by giving their biometric authentication at BC outlets. Now the CBOs' officer bearers have an alternative channel close to their home and need not travel to bank branches for transactions.

Process for activation of dual authentications for CBOs

JEEViKA's state team has laid down detailed systems and procedures for activation of dual authentications for its CBOs. The process begins with the awareness generation about dual authentication among the CBOs. JEEViKA's block office team conducts orientation of community mobilisers about dual authentication facility at BC outlet, its benefits and key requirements for its

activation so that they can sensitise the CBOs about it. CBOs' members discuss the benefits of dual authentication facility in CBOs' meeting and pass a resolution to get dual authentication facility at BC point to be activated.

Must haves for dual authentication activation

- All office bearers of a CBO should have individual bank accounts in the same bank where there is CBO's bank account
- Aadhaar number of all the office bearers of a CBO are seeded in their respective individual bank accounts.

All the above-mentioned details should be submitted at the bank branch where CBO has the bank account. The bank will map the bank account details and Aadhaar numbers of all the office bearers with the CBO's bank account. After this mapping, any two of the office bearers can withdraw or transfer money from the bank's BC point by providing their biometric consent.

Exhibit 1: Process flow for activation of dual authentication for CBOs at BC point

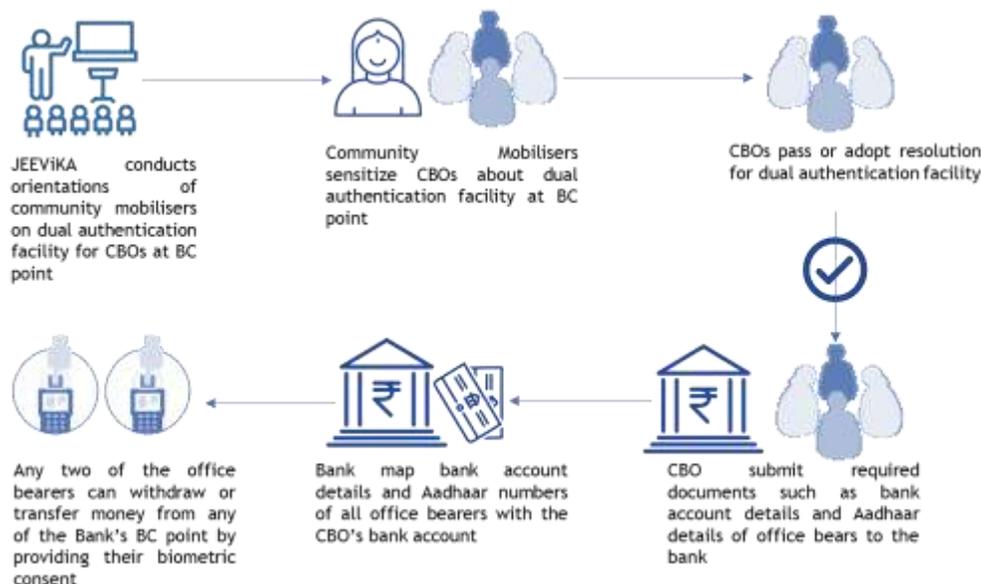


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Benefits of dual authentication facility at banking agent outlets

Dual authentication facility is proving beneficial not only to the CBOs but also to other stakeholders such as banks and *Bank Sakhis*.

Community Based Organisations

1. Time and money of CBO members is saved- Office bearers of the CBOs usually incur Rs. 50 to 100 per person for travelling to bank branch and have to spend 4-5 hours of waiting in bank branch for conducting financial transactions from their CBOs accounts.

Visit to bank branch also results in additional wage loss for some of the office bearers. Ensuring availability of at least two office bearers on the same day for 4-5 hours for visit to bank branch leads to procrastination of transactions from CBO bank account.

Many times, they have to visit bank branch multiple times for a transaction due to server issues and long queues. With the dual authentication facility at BC points, office bearers of the CBOs can easily transact within their village and the transaction at BC point usually takes less than 10 minutes.



“ We are saving time and money by coming to *Bank Sakhi* for SHG account transactions”- Asha Devi

Asha Devi is an office bearer in Amrit SHG group in Bihta block of Patna district. Her SHG group is one of the first of JEEViKA's SHG groups who can transact at BC point. All the office bearers are happy that now they do not have to travel 10Km to a bank branch for deposit and withdrawal from their SHG account. Earlier they had to think twice before visiting the bank branch for withdrawal of small amounts. The cash keeping risk of their SHG is also reduced as they can now deposit almost all the collection received from the members in their SHG account and can withdraw or transfer from *Bank Sakhi* outlet as per the need.

2. Safe and convenient transactions- At BC points CBOs' office bearers do not have to fill any form for withdrawal or transfer requests. They just need to provide their Aadhaar numbers for biometric authentication for conducting withdrawal or fund transfer transactions. Transactions are instant and paperless. Office bearers find it convenient to transact through *Bank Sakhis*, as *Bank Sakhis* are more empathetic to the queries of the CBO members as compared to the bank officials.

These transactions are safe and secure as they are biometric authenticated and after every transaction a printed receipt is generated from the micro ATM/printer. The receipt gives details such as names of the office bearers who have conducted the transaction, type of transaction and CBO name and account balance.

The office bearers can submit these printed receipts for the reference of other CBO members. The facility of fund transfer to any other account, reduces the need for CBOs to withdraw cash and carry for distribution to individual members. They can now get the required amount transferred to individual members from CBOs' bank account. It also contributes in building digital trail of CBOs' transactions with its individual members.

3. Transactions can be done by the office bearers of the CBOs **even on holidays or during non-banking hours** at *Bank Sakhis* or BC points. In case of any emergency, CBOs can easily withdraw funds and provide to their members. On the day of SHG meeting after passing resolution for withdrawal of funds, office bearers can withdraw on the same day from BC point and handover the funds to CBO members.



Bank

1. **Reduction in workload of staff**- Low value transactions of CBOs get migrated to *Bank Sakhi*/BC points helping the banks in decongestion of their branches.
2. **Increase usage of individual bank accounts** - CBOs can now transfer funds directly in members' bank accounts from the CBOs' bank accounts using dual authentication facility at BC points. It will contribute to improving the account balance of the individual members and increase the usage of their bank accounts.

Bank Sakhi

1. **Increase in volume of transactions**- Migration of CBOs' transactions from bank branch to *Bank Sakhis* help in increasing their volume of transactions contributing to increase in revenue for *Bank Sakhis*. It has also contributed to increasing awareness amongst the community members about *Bank Sakhi* outlets resulting in increased transactions, especially deposits. Earlier members used to procrastinate their individual transactions and preferred to conduct them at bank branches when they visited branches for CBO transactions.

JEEViKA's challenges in scale up of dual authentication

Despite the clearly visible benefits for CBOs, the scale up of dual authentication facility for all JEEViKA CBOs remains a challenge. Technical, operational and knowledge gap challenges, mentioned below, create impediments in getting dual authentication activated for CBOs across the State.



Technical and operational challenges

1. **Low transaction limits**- Most of the banks have daily limit for transactions at BC points. They have withdrawal limit of Rs. 10,000 per day per account and for fund transfer the limit is Rs. 25,000 per day. Currently the limits for individual bank accounts and CBO bank accounts at BC points are the same. On most occasions, CBOs have a withdrawal need of more than Rs. 10,000. It creates a hassle for the CBOs as they would have to come to BC point for multiple

“ The limit of Rs.10,000 is too low, bank should give higher transaction limits to CBOs for transactions at BC points”

- says Pooja Kumari, *Bank Sakhi* in Danapur block of Patna district

number of days or would have to travel long distances to bank branch to get the required amount.

2. Fund transfer through dual authentication through banking agent is not inter- bank- Most of the banks only allow intra bank fund transfer from CBO accounts using dual authentication facility at BC points. For example, if a CBO wants to transfer funds from its bank account to an individual member, then the individual member should have an account in the same bank as the CBO. This restricts the utility of dual authentication facility at BC points for CBOs and office bearers will have to first withdraw funds and then handover the cash to individual members of the CBO.

3. Lack of interoperability- Office bearers can conduct transactions from only those bank's BC points where CBO has a bank account. As a result, many of JEEViKA's CBOs are not able to benefit from dual authentication as they do not have BC point of their bank nearby, hence the need for allowing "off-us" transactions in CBO accounts at any BC outlet

4. All office bearers of a CBO should have individual bank accounts in the same bank as the CBO- If the office bearers do not have their individual bank accounts in the same bank as the CBO, it is a challenge to get new bank accounts opened due to operational delays at bank branch and resistance from CBO's office bearers.

Office bearers usually show resistance to open an additional bank account as they don't have any requirement for additional bank account. Many of them also believe that they would have to maintain some balance in the new bank accounts and therefore resisted opening a new bank account.

Once the office bearers get convinced, the branch staff needs to be convinced to open zero balance accounts and there are delays in opening of new bank accounts. The process of activation of dual authentication becomes more cumbersome in case of some banks, which require individual bank accounts for all the members of a CBO in their banks for dual authentication mapping.

" Convincing and getting accounts opened for only the office bearers is still manageable, however, getting accounts opened for 5 members or 10 members too difficult "

- says JEEViKA Alternate Banking Team

5. Dual authentication facility available only in savings account and not in cash credit accounts of CBOs- Most of the banks have not enabled cash credit accounts of CBOs for dual authentication at BC points only for savings accounts of CBOs. As a result, the CBOs' office bearers still need to visit bank branches for withdrawal or transfer of loan. CBOs have very limited requirement of withdrawal or fund transfer requirements from their savings account.



Knowledge gap

1.Low motivation of the banks in implementation of dual authentication- Most of the banks are uninformed of the benefits of dual authentication for the CBOs; therefore, these banks are unresponsive towards the implementation of dual authentication facility for CBOs at BC agents. Even those banks which have activated dual authentication facility have not provided proper instructions and training to their branch staff on the process for activation of dual authentication.

In the absence of training and instructions, JEEViKA faced instances of denial from branch staff or lack of support for activation of dual authentication for CBOs. Some of the bank branch staff were unwilling to activate dual authentication facility for the CBOs, as they believed that it would dilute their control on the withdrawal transactions done by the CBOs. Even where the branch staff was willing, there were delays in getting new accounts opened for the office bearers and activation of dual authentication facility.

The BC agents of the banks too have not been informed about the availability of dual authentication facility and how to conduct dual authentication transactions. In such a situation, to get dual

authentication facility available to its CBOs, JEEViKA had to explore the BC agent software of its *Bank Sakhis* and train them on conducting dual authentication transactions.

2. Resistance from CBO's office bearers- The concept of dual authentication is very new for the CBOs and its members. Office bearers of some of the CBOs refused to give their individual bank account details for activation of dual authentication, as they believed that if the group doesn't repay loan then it will be deducted from their bank accounts. Some of the CBOs have adopted a wait-and-watch strategy as they would like to observe other CBOs transacting at BC points before getting dual authentication activated.

The way forward

Dual authentication has proved to be a sure step forward towards making digital financial inclusion of SHGs/CBOs by making CBO transactions convenient and safe. The word of mouth publicity from those CBOs which have started using dual authentication at BC points is motivating some of the other CBOs to also get dual authentication activated. As a scale up strategy, JEEViKA would be first targeting those CBOs which are in remote areas and bank branches that are located beyond 5KM. For partnerships, it would be considering those banks which have high credit portfolio with its CBOs and have sizeable network of BC agents in rural areas of Bihar. By March 2020, JEEViKA plans to get dual authentication activated for 350 SHGs in 10 districts of Bihar where Dakshin Bihar Gramin Bank is operating. JEEViKA's district and block office teams have been entrusted with the job to get dual authentication activated for 350 SHGs.

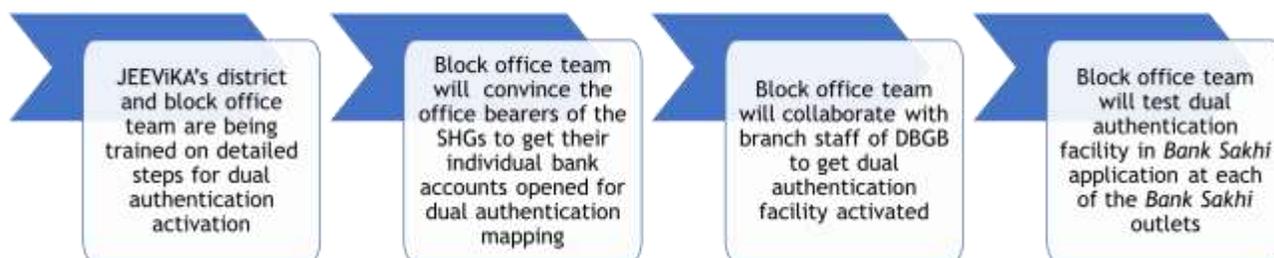


Exhibit 2: JEEViKA's approach for dual authentication activation in CBOs

To overcome the various technical, operational and knowledge gap challenges in the implementation of dual authentication across CBOs, JEEViKA is taking various initiatives such as conducting awareness sessions amongst the CBOs and *Bank Sakhis*; exploring new partnerships with banks for dual authentication and disseminating its learnings of dual authentication pilot in relevant forums. JEEViKA, with support from NRLM, plans to conduct a policy advocacy workshop with DFS and other major banks of India about the benefits of dual authentication facility for group accounts at BC points.