

Self-Help Group Members as Banking Agents for Deepening Financial Inclusion in India

Limited penetration of bank branches across rural India has made access to formal financial services difficult for millions of people in rural communities. Advancements made in technology however made branchless banking possible and the situation has improved considerably over the past decade. In the past, the Indian government has launched programs, aimed at equipping every household with a bank account; its initiatives, such as the program called Pradhan Mantri Jan Dhan Yojana, has led to the opening of over 356 million bank accounts between 2014 and 2019. Nevertheless, formal financial services have stayed inaccessible due to several barriers, especially for women: one of the barriers being highlighted by the project is low mobility, as well as low literacy levels and cultural barriers. “In 2013-14, NABARD and GIZ jointly implemented a proof of concept entitled SHG Members as BC Agents under the Rural Financial Institutions Programme (RFIP)³ and successfully demonstrated that SHG members as banking agents or Customer Service Points (CSPs) could deliver last mile banking services to the rural community in a cost-effective and sustainable manner. It was in this context, that the Bank Sakhi (female banker friend) Model—a gender-focused variant of the traditional BC model, was adapted by NRLM and piloted in seven states—via special funds made available under the dedicated funding line created under the NRLP in 2015–16.” (World Bank, 2020).

Quick facts

Barriers addressed



Digital & Physical Infrastructure

Poor digital & foundational ID infrastructure
Distance from financial service points
Lack of female agents



Social norms

Ambivalence or antagonism towards women's financial independence

Segment focus

1 2 3 4

Geography

[India >](#)

Sources

[Pinto and Arora, 2021](#); [World Bank, 2020](#).

Customer Journey Relevance



Key stakeholders involved

National Rural Livelihoods Mission (NRLM) (launched by Ministry of Rural Development, Government of India)

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Key activities

Implementation of the gender-focused Business Correspondent (BC) Model under NRLM, named Bank Sakhi (meaning female banker friend) – also known as agent-led banking model

- SRLMs (State Rural Livelihood Missions) (autonomous bodies in India) identify SHG members and train them as BC agents
- SRLMs provide capacity-building, training and back-end support – in partnership with local banks and corporate BC agent network managers
- “State missions also provide financial support through partial grants/incentives and low cost credit through community institutions to meet the initial investment requirements of these Bank Sakhis, including procurement of hardware devices and working capital to conduct initial transactions.” (World Bank, 2020).

Outcomes/results

Steady progress in the targeted low-income states (Bihar, Jharkhand, Madhya Pradesh, Odisha, Rajasthan and Chhattisgarh). Since the rollout of the program in 2015-2016, 1051 agents have been trained, and 728 agents have been deployed.

Technical support for the agents has been growing – a growing supply of digital wallets, micro-ATMs, and hardware.

The model relied on the nature of SHGs, which often have group accounts; however, for these, two individuals still needed to physically go to the bank. To get around this anomaly, the program incorporated dual authentication and micro ATMs, which improved access.

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Key enabling environment factors for the intervention

- A conducive policy environment: The Government of India has initiated ambitious financial inclusion programs, such as that of Pradhan Mantri Jan Dhan Yojana (PMJD) (Pinto and Arora, 2021)
- Involvement of public actors at different levels: Besides the Government of India, SRLMs (Autonomous bodies under the State governments) had an active role in the project (World Bank, 2020)
- Previous projects that have recognized the importance of SHGs in their role of making women more economically empowered and financially included: An example can be found here, the [Self-Help Group Bank Linkage Programme](#)

Key design elements and principles that led to successful outcomes

- Reliance on an already existent, established social network that women use (the SHGs)
- Ability to adapt during the project: The procedure of registering group accounts was not taken into account at first, but they developed technical solutions (the dual authentication system and the micro ATMs)

Potential for scale/replicability

The model relies on Self-Help Groups (SHGs), which can potentially be culture/country-specific – in other regions they might be less prevalent, and less important, which could hinder the replicability of the program.

SHGs are quite relevant in India – both historically and nowadays, and are centered around offering training for women's empowerment—

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Potential for scale/replicability (cont.)

—especially in entrepreneurship. In Maharashtra alone, 527,000 SHGs have had a role to play in accounting for over 50% of all women-led, small scale businesses in India.

While SHGs might seem specific to the Indian context, similar social structures are very popular especially in rural areas throughout the world.

Challenges encountered during the program

While the program aimed to remove physical barriers to opening bank accounts, managing transactions, etc., it didn't take into account that SHGs often have group accounts linked to their individual accounts. For opening group accounts, two members of the group still needed to physically go to the bank for identification. For this reason, they introduced a dual authentication system and micro ATMs, which solved this problem, as they could manage everything online (World Bank, 2020).

Recommendations from the research

The recommendations given by the authors can be summed up in two categories: supply-side initiatives and demand-side initiatives (World Bank, 2020):

- Supply-side initiatives:
 - The provision of a wider range of services (such as loans, insurance, pensions, savings products) under the BC model
- Demand-side initiatives:
 - A need to further invest in financial literacy training, as there is still scepticism of digital platforms
 - A need for structured monitoring and evaluation on the progress and impact of BC agents
 - Establishment of clear guidelines for customer protection and strong local grievance redressal architecture