

Role of technology in scaling up the BC Sakhi network in Uttar Pradesh: A lesson for other states

Shobhit Mishra, Piyush Poddar, Ravi Kant



The under-banked in rural India and the importance of business correspondents

Seema is a 34-year-old entrepreneur from rural Uttar Pradesh, India. She has studied up to the eighth standard (secondary school) and for the past three years, runs her own tailoring business. She lives in a modest house with her husband and two children. Four years ago, she was nudged by her husband to open a bank account at a camp organized in her village. However, the account has remained unused ever since.

Seema does not feel a real need to operate the bank account. She is anyway able to save in a box hidden in her kitchen, behind many boxes of myriad masalas. The key deterrent in accessing the bank is distance. The nearest bank branch is more than 5 km away. All that changed when a woman from her village, a fellow member of the Self Help Group, became a bank agent. Bank agents in India are called Business Correspondents (BCs) and in this case the agent, being a woman is known as *BC Sakhi*¹ (or BC friend). Seema felt comfortable discussing financial matters linked to her household with a known face. On the basis of the advice of the *BC Sakhi*, she deposited a portion of her hard-earned money in the bank. Access to the *BC Sakhi* in her *Gram Panchayat* (cluster of villages) helped address the issue of distance. Having a woman as BC helped lower barriers to an honest conversation on how best to manage her finances. “Only a woman can understand what another woman is going through in life” says Seema.

Access to a *BC Sakhi*, close to her house, enables Seema to regularly use banking services. She has also withdrawn the money she received in her *Jan Dhan* account under the *Pradhan Mantri Garib Kalyan Yojana* (PMGKY). This was INR 500 or USD ~7 transferred every month for three months by the government as a subsidy. During the COVID-19 lockdown, she needed money and she could access her account and withdraw the subsidy, despite the constraints on mobility.

All of this have been made possible with help of the “[One Gram Panchayat - One BC Sakhi](#)” initiative (a strategic plan formulated by [NRLM](#)), launched by the Uttar Pradesh government in the year 2020. Under this initiative, the state rural livelihoods mission (UPSRLM) is [recruiting and operationalizing ~58,000 BC Sakhis](#) in the state.

Mobilizing rural women as potential BC candidates in the state has been a complicated and mammoth exercise, given the sheer number of BCs, currently at around 58,000. The case study charts how UPSRLM utilized technology to address the challenge of setting up *BC Sakhi* network and operationalizing it in state of Uttar Pradesh while managing associated risks.

¹ SHG Member works on field to do banking transactions using her Laptop/Desktop/Mobile/Tab is called as BC Sakhi

The expansion of the banking network in India has undergone drastic changes over the past seven decades. BC *Sakhis* have emerged as a convenient last-mile interface of banks, especially for cash-in and cash-out transactions. Less than **15%** of villages in India have a brick-and-mortar bank branch. BC agents augment the limited outreach of physical bank branches, especially in remote / rural areas. COVID-19 has magnified the importance of this network of 1.5 million BC agents catering to the financial transactions of more than 350 million people. However, many people in rural areas are still unable to access formal banking products and services.

Even as financial inclusion in the country improves, a **6%** gender gap in bank account ownership persists - fewer women own a bank account than men. Moreover, the accounts of **more than half of the women** who have access to formal financial services remain dormant. Given its female-friendly nature, the BC *Sakhi* network can further increase women's financial inclusion by offering easy access to financial services.



How has technology helped in scaling up UPSRLM's BC *Sakhi* program?

UPSRLM acknowledged the importance of technological innovations to digitize the end-to-end process of the BC *Sakhi* program. It started the digitization process by entering into a three-party agreement with a technology service provider and MSC (for technical assistance to establish 58,000 BC *Sakhis* in the state). UPSRLM, with the help of its partner institutions, developed app-based and web-based solutions to scale up the reach of BC *Sakhis* quickly across Uttar Pradesh's villages.

On the basis of these interventions, UPSRLM quickly selected **56,875** candidates for the BC *Sakhi* program from more than 200,000 applicants.

As of 31st March 2022, it has trained approx. 45,000 BC *Sakhis* of which IIBF certification has been awarded to 41,383 BC *Sakhis*. Support funds have been released to 35,030 BC *Sakhis* on which 23,866 BC *Sakhis* have been operationalized.



App-based solution

- Developed a mobile app-based solution named UP BC SAKHI
- The potential candidates and the BC *Sakhis* can access the application through their registered mobile number



Web-based solution

- A web-based solution as <https://bc.upsrlm.org> has been developed
- The stakeholders can access the webpage to update the status of BC *Sakhi* positioning
- The portal helps to monitor the progress of BC *Sakhi* deployment and the status of transactions done by BC *Sakhis*





What did UPSRLM do to achieve this?

To scale-up and strengthen the BC Sakhi network, UPSRLM focused on three key areas where technology played an important role:

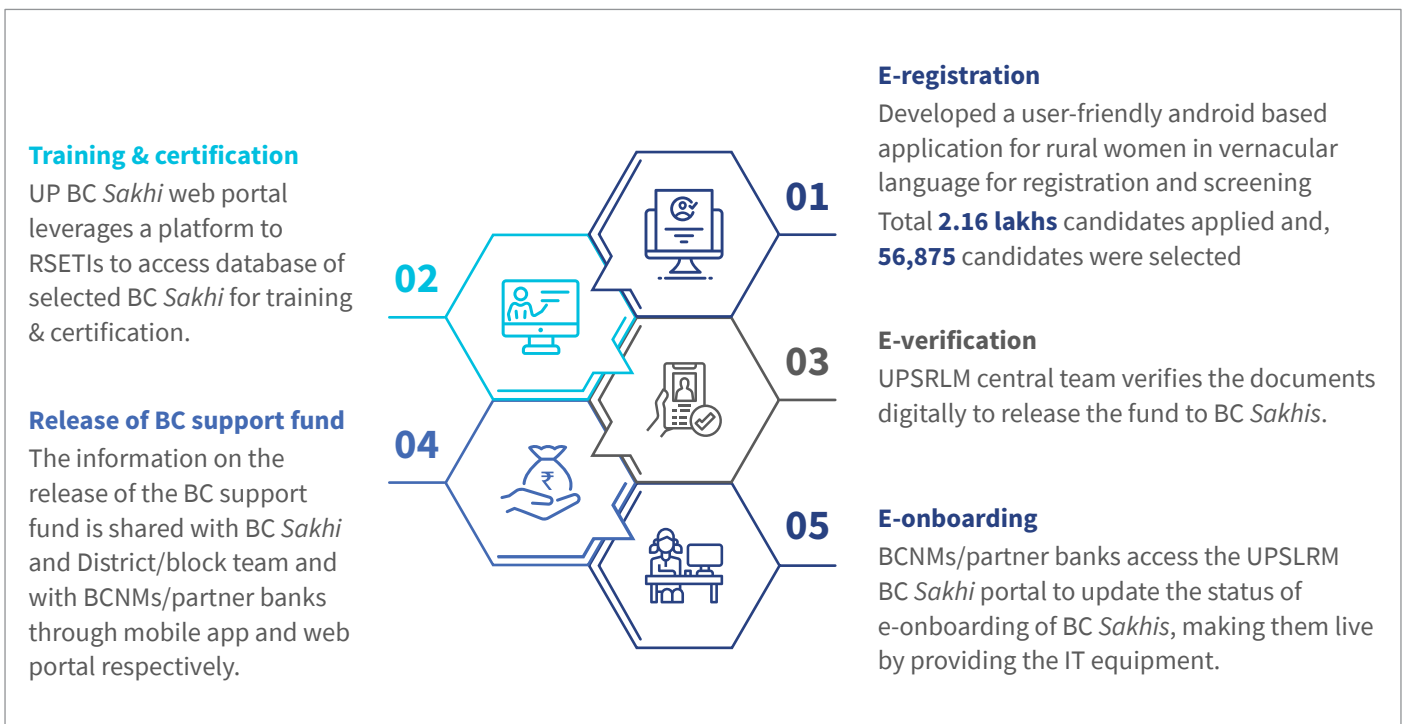


a) Selection and onboarding of BC Sakhis

UPSRLM adopted a five-step approach and digitized the process to get to the desired number of 58,000 BC

Sakhis. The approach ensured every stakeholder could access real-time information, and the process remained transparent.

A snapshot of the digitized process of BC Sakhi selection and onboarding:





E-verification

After training and certification, the State Mission Management Unit (SMMU) of UPSRLM verifies the bank details of BC *Sakhis* and the Self Help Group (SHGs) of which the BC *Sakhi* is a member. BC *Sakhis* upload documents (personal documents as well as details of their SHG) through the mobile application, for verification.



Release of BC support fund

After verification, UPSRLM extends financial support to BC *Sakhis* to buy equipment (INR 50,000) and manage liquidity (INR 25,000). The SMMU team updates the fund transfer status to BC *Sakhis* on the UPSRLM web portal/app. This information is triggered within the larger UPSRLM team as also to banks and partner agencies.



E-onboarding

The banks or partner agencies onboard the BC *Sakhis* and distribute the handheld devices. These partner institutions further train BC *Sakhis* on device handling and on conducting banking transactions. They also update the status of device distribution on the UPSRLM web portal.



b) Grievance redressal of BC *Sakhis*

UPSRLM has set-up a call center at state level to act as a bridge between the UPSRLM's Financial Inclusion (FI) team and the BC *Sakhis*. BC *Sakhis* raise their grievances through the mobile application or they call on the toll free number of the call center. The call center records the grievances and forwards it to the UPSRLM FI team for action.



c) Monitoring and performance evaluation of BC *Sakhis*

The UPSRLM BC *Sakhi* web portal captures the transaction report of BC *Sakhis* across the state. Banks or partner agencies electronically transfer the transactional files to UPSRLM. These files are uploaded on the UPSRLM web portal. Going forward, UPSRLM can leverage the web portal to evaluate the performance of BC *Sakhis* and formulate strategies to make the BC *Sakhi* network sustainable.





What were the key benefits of this approach?

The mobile app-based recruitment process of BC *Sakhis* was undertaken by UPSRLM, amid the COVID-19 pandemic. The Department of Rural Development, Government of Uttar Pradesh began the selection process in June, 2020.

The technology has helped the UPSRLM team select 56,875 BC *Sakhis* within six months and operationalize more than 23,866 BC *Sakhis* over a period of 20 months. The technology-backed selection and onboarding process of BC *Sakhis* offered several benefits:

- The participation rate of women in the selection process increased, as all steps are online. The hurdle of mobility that most women face in rural areas, was addressed.
- The entire process was transparent with real-time updates to all the key stakeholders. This reduced the chances of dispute

- With low or no human touch, it reduced the risk of spread of COVID-19 and delay in the process due to the pandemic
- With the help of quick selection and on-boarding of BC *Sakhis*, we estimate that ~42 million rural people of about 23,866 *Gram Panchayats* (as of March 2022) have proximate access to financial services

As on March 2022, the 23,866 operational BC *Sakhis* have facilitated ~2.3 million transactions and facilitated flow of USD 69 million (INR 5.2 billion).



The way forward and lessons for other SRLMs in scaling up the BC *Sakhis*

“One *Gram Panchayat* one BC *Sakhi*” is a big step toward empowering women. This initiative provides banking and payment services across village in UP.

A similar intervention in other states will go a long way in extending banking services across the length and breadth of the country. [NRLM data](#) indicates that in India, more than 255,000 *Gram Panchayats* are spread across 29 states. Of these, as many as 212,000 *Gram Panchayats* need trained and certified BC agents. Like UPSRLM, other SRLMs can use technology to scale the BC *Sakhi* network and help women like Seema access financial services.

