SHG MEMBERS AS BANK AGENTS – THE BANK SAKHI MODEL

Approach and lessons from two pilot projects

GIZ – NABARD Rural Financial Institutions Programme

2015
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Acknowledgment

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We would like to thank Mr. J.S.Ravi Kumar, Chairman, Gramin Bank of Aryavart and Mr. Kollegal V. Raghavendra, Chairman, Narmada Jhabua Gramin Bank for their continuous guidance and support. We also acknowledge the support received from the head office, regional office, and branch level teams of both the banks. We are also grateful to the teams at Bartronics India Limited and NICT Technologies Private Limited for their continuous support and guidance to make the project successful. We would like to extend our gratitude to our partners from Rajiv Gandhi Mahila Vikas Pariyojana (RGMVP), its block and village level associations as well as the federations Priya Sakhi Mahila Sangh and Aprajita Mahila Sangh and their field teams for being on the front line to drive the projects. Lastly, a special note of thanks to the Bank Sakhis, without whom the projects could not have been successful.
Executive Summary

The Rural Financial Institutions Programme (RFIP) is a bilateral cooperation programme, jointly implemented by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) on behalf of the Government of the Federal Republic of Germany, and the National Bank for Agriculture and Rural Development (NABARD) on behalf of the Government of India. It aims at improving access to sustainable and demand-oriented financial services through the institutions of the rural cooperative credit system, microfinance organisations, and banks and their Business Correspondents (BCs).

The German Government and NABARD have supported the Self-Help Group (SHG) model and especially the SHG Bank Linkage Programme (SHG-BLP) since its inception. Over the last few years, the Financial Inclusion (FI) drive of the Government of India, with its focus on individual banking opportunities for rural and low-income households through banks and their agent network, has led to a change in the environment of the SHGs.

One of the important milestones in India’s FI drive has been the introduction of the Business Correspondent (BC) model in 2006. Since then, significant progress has been made in terms of increasing penetration in rural areas and improving access for the unbanked and under-banked households across the country. As of March 2015, 398 million basic savings deposit accounts (BSB-DAs) have been opened through 553,713 rural banking outlets. However, dormant agents and inactive accounts pose critical challenges. Replicable and sustainable business models of BCs are yet to evolve.

On the other hand, the Self-Help Group Bank Linkage Programme (SHG BLP) has reached out to more than 77 lakh Self-Help Groups (SHGs) and about 100 million households across the country. The programme has tried to develop the capacity of group members and member-based institutions to manage money and financial services, and to connect the community to formal financial institutions. However, the movement is facing challenges, such as large non-performing assets, low take-up of voluntary savings, slow digitisation of SHG data, and the absence of records about individual members. All of these limit the graduation from bank client through a group approach into an individual banking client.

In 2012, the RFIP decided to connect these two approaches with an objective to improve the integration of bank agents into the community by appointing SHG members as agents and calling them “Bank Sakhis” (a female banking friend). Under this approach, the banks partner with a local federation, corporate BC, and technology service provider. A Bank Sakhi can be someone who has been a member of a SHG and has been involved in conducting banking and bookkeeping activities of the group. The Bank Sakhis are selected among the SHG members of the federation on basis of pre-determined criteria (such as education, credit and savings history, location, and ability to invest) to act as Business Correspondent (BC) and Business Facilitator (BF) agents.

The underlying assumption of the approach was that by having agents who are part of and selected by the community, the uptake and usage of financial services by other community members would increase. These agents would not discontinue serving the accounts opened by them, and SHGs and their members would become part of the financial inclusion drive.

The approach has been tested with two pilot projects conducted in geographically diverse locations of Uttar Pradesh and Madhya Pradesh. This report provides a summary of the 1) approach, stakeholders and key components involved; 2) the experience and results from the pilot projects; 3) the relevant steps for replication of the approach; and 4) the lessons learnt that will be useful for replication.

1 Data as on 31st March 2015, published by NABARD in their Status of Microfinance Report 2014-2015
The approach has contributed to improving both the financial inclusion and the SHG model as it had been envisaged. It also resulted in economic empowerment of women, both customers and the Bank Sakhis.

The successful implementation on the approach requires regular training, handholding and monitoring of Bank Sakhis, upgradation of technology to allow group transaction at the BC level, regular financial awareness initiatives in the community, and a bouquet of demand driven products offered by the Bank Sakhis to the customers. On the basis of this positive development, the RFIP has shared this approach with a range of stakeholders and received positive feedback and interest to replicate the model in other areas across the country.

### Improving Financial Inclusion

The Bank Sakhis have demonstrated better performance vis-à-vis the conventional agents in terms of fewer inactive accounts, lower agent attrition level, and high customer satisfaction. They have a high proportion of first time account holders, especially women and children. The accounts opened by them are also more active due to higher level of customer service and availability.

An internal evaluation show that in UP and MP pilots respectively, 34% and 44% of the respondents are first time account holders. Majority of these customers did not have an account before this because they were either not aware about the banking services or it was too time consuming to go to the bank. With the facility of doorstep banking, the usage has increased triggering higher savings. The Bank Sakhis, being women and SHG members, are perceived to be more trustworthy and accessible.

### Empowering Gender

The Bank Sakhis have been able to include the unbanked sections especially the women. In the UP pilot project, almost half of the customer base is women. Women have limited options within the village for savings services and going to distant banks is not feasible for small amounts. The Bank Sakhi has made it more comfortable for female customers to freely reach out to her, which would have been difficult with male CSPs.

The approach has also led to economic empowerment of the Bank Sakhis themselves. It has empowered them by building their capacities to offer a wide range of banking services to their community. The women who were hesitant to step out of their houses alone are today opening bank accounts, visiting the bank branches, conducting awareness camps, and playing an important role to achieve the national goal of financial inclusion.

### Digitising SHG Transactions

A majority of the customers of the Bank Sakhis are SHG members. They not only use their individual accounts for individual financial services, but also transact within the group, to and from the group account. The banks can adjust their technology to enable the Bank Sakhi to conduct transactions for the SHGs and its members through the micro-ATM at the meeting place itself. This has several benefits – better transparency at group level, quick real time transactions, increased float for the linked bank branch, and increased revenue for the Bank Sakhi.

By shifting the SHG transactions to the Bank Sakhi’s platform, all transactions will be digitized and run directly through the financial inclusion server of the BC and the core banking system (CBS) of the bank. The banks will have access to real-time and authentic information on SHG–bank and intra-SHG financial transactions. This has a strong link with the E-Shakti initiative by NABARD – by linking the individual SHG members to the bank, and improving the interface between the SHG and bank through hassle free doorstep delivery of services.
Chapter 1:

The Context – Performance of BC and SHG Models in India

The Business Correspondent Model

The first step in the process of achieving financial inclusion for any country globally has been to create an ecosystem which provides access to a basic bank account for the financially excluded. In India, the Business Correspondent (BC) model finds its genesis way back in 2006 post the Khan Committee recommendations. It was a watershed move at policy level by the Government of India to allow external agents to offer banking services away from a physical location of a bank branch. As on 31st March 2015, 187 million BSBDA (basic savings bank account) have been opened by a network of more than 5 lakh BC agents and transactions worth Rs. 74.6 billion have been transacted. The BC model has attracted the interest of mainstream corporates, technology companies, and NBFCs.

However, the BC model has been plagued with challenges. The top challenges are “low viability” and “high attrition” of agents. The key cause for this is that a proper business case still remains aloof. There are several challenges which contribute to this:

- Though outreach has been enabled by BC model, customers do not have access to a comprehensive range of products including credit at the BC agent point. The focus has been on opening just the Basic Savings Bank Account (BSBDAs), and a large proportion of these accounts remain dormant.
- The return for the time and money invested has remained low for the agents, making this an unattractive business. They are not able to earn enough revenue from commissions to cover their operational and opportunity costs. In some cases, substantial capital investment is required for the equipment (e.g. under

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2 https://www.rbi.org.in/scripts/BS_CircularIndexDisplay.aspx?id=8955
3 According to RBI’s Annual Report for 2014-15
• The level of awareness about the financial services through BC agents is seen to be low. This is a key reason for low uptake of services and low levels of trust. Banks need to develop effective strategies for creating awareness about not just the services but also their benefits.

• Low levels of trust amongst the customers with regards to agents and the use of technology also results in low uptake. Banks need to ensure training of agents and monitoring important customer protection parameters such as awareness about charges and issuance of transaction receipts.

The Self-Help Group Bank Linkage Programme

Another major financial inclusion initiative is the Self Help Group Bank Linkage Programme (SHG-BLP). Since the early 1990s, NABARD has been supporting social mobilization and financial empowerment of rural low-income households through the SHG-BLP. This programme is reaching out to about 100 million households across the country as on 31st March 2015. Through this approach, the capacity of group members and member-based institutions to manage money and financial services and to connect the community is developed.

As on March 2015, a total of 76.97 lakh SHGs with total savings of Rs. 11,060 crores have been linked with banking services under this programme. A total of, 44.68 lakh SHGs have gross loan outstanding of Rs. 51,545 crores. The average savings per SHG remained at Rs. 14,368 and average loan disbursed at Rs. 1,15,361. Loans to SHGs are counted towards the priority sector lending targets of banks.

The SHG movement in India has linked women to the formal banking ecosystem in rural areas. This channel has emerged as a valuable, local, and disciplined community driven structure which can provide a skilled pool of banking agents to achieve financial inclusion goals. It has inculcated the savings behaviour among women and created an environment of entrepreneurship in rural areas.

However, the movement is facing challenges such as low provisioning of voluntary savings and lack of access
to a wide range of financial services. On the providers’ side, banks are not uniformly keen to service SHGs in their branches as this constitutes a small portion of their portfolio and their higher-income customers are more profitable for them, leading to high opportunity costs. There is a lack of digitised Management Information System (MIS) of the borrowing and repayment histories of SHGs and those of individual SHG members within a group, as well as intra-group transactions which continue to be done informally in cash outside the banking system. If banks had easy access to the track records of individual members, they would be more inclined to graduate well-performing members to avail of individualized and improved banking services.

**Connecting the Two Models**

The Financial Inclusion and the SHG-BLP models have its own strengths and challenges. While the former has the ability to offer a wide range of products in rural areas, it is suffering from poor viability due to low transaction, customer trust, and agent quality and motivation. The latter has a huge outreach is unable to provide a wider range of individual banking products to the members. In 2012, the Rural Financial Institutions Programme, a joint NABARD-GIZ programme, decided to converge these two approaches: Improving the integration of bank agents into the community by appointing SHG members as agents. A few advantages were identified:

- SHG members are integrated into the community (through their own group and village level organizations) and are known and trusted by the other community members. They are also more likely to stay within the community and will not migrate for other job opportunities as it has often been seen by conventional BC agents.

- SHG members have basic financial literacy and are used to dealing with money (their own and group members’ money). They also have experience working with banks and other financial institutions.

- SHG members are mostly women who are generally known to be more responsible and trustworthy with money. These women will also be able to tap the part of the population which is mostly financial excluded, but provide the highest potential - women.

- By ensuring the credit delivery under the SHG Bank Linkage Programme through BC agents, banks can not only keep track of credit flow but also ensure migration of transaction to the BC channel. This also ensures that funds remain longer with the bank post disbursement (in savings account of the group or its member) due to door step services.

- Once the SHG transactions are transferred to the BC agents, the increase in business volume also improves the business case. It will also reduce the cost of cash management for the SHGs and SHG federations, and result in more transparent transactions.
transactions for the SHG’s account including deposits and withdrawals. Earlier the SHG account transactions could only happen at the branch because it requires authentication of at least two designated leaders the SHG. With the new software, double or dual authentication can be done on the micro-ATM as well. The Rural Financial Institutions Programme (RFIP) is a bilateral cooperation programme, jointly implemented by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) on behalf of the Government of the Federal Republic of Germany, and the National Bank for Agriculture and rural Development (NABARD) on behalf of the Government of India. It aims at improving access to sustainable and demand-oriented financial services through the institutions of the rural cooperative credit system, microfinance organisations, and banks and their Business Correspondents (BCs). The ‘SHG Members as Bank Agents’ project is a significant project of the RFIP, which brings together the Self Help Group Bank Linkage Programme (SHG-BLP) and the BC model of financial inclusion practiced by banks. The approach has been tested through two pilot projects in India.

With this approach the RFIP aims at two outcomes:

1. Integrating the SHG movement into the Financial Inclusion drive by utilising the existing infrastructure of groups, federations, and supporting agencies that have been developed in the last two decades.

2. Improving the quality of Financial Inclusion efforts by establishing sustainable business models for the BC agents and the banks.

2.1 The Approach

Under this approach, the banks partner with a local federation, corporate BC, and technology service provider. The SHG members are appointed as bank agents through the corporate BC and are called “Bank Sakhis” (a Hindi phrase for a female-friend of the bank). A Bank Sakhi is someone who has been a member of a SHG and has been involved in conducting banking and bookkeeping activities of the group. The bank selects these Bank Sakhis on pre-determined criteria to act as Business Correspondent (BC) as well as Business Facilitator (BF) agents. The Bank Sakhis offer BC and BF services to the community members of the villages assigned to her (on average five villages). The services include opening of savings account, recurring deposits and fixed deposits, making deposits and withdrawals, transferring money, and delivering notices to loan defaulters. Depending on the agreement between the bank and the corporate BC as well as between the corporate BC and the Bank Sakhis, the agents also offer other products such as insurance policies, and solar home lighting system loans etc. Bank Sakhis are equipped with micro automated teller machines (ATMs) or laptops and can offer these services on real-time basis through the financial inclusion server of the corporate BC and/or the Core Banking System (CBS) of the bank.

2.2 The Pilot Projects

The RFIP initiated two pilot projects to test the potential of establishing SHG members as bank agents. In May 2013, the first pilot project was launched in collaboration with the Gramin Bank of Aryavart (GBA) in the Unnao District of Uttar Pradesh. The second pilot project was started with Narmada Jhabua Gramin Bank (NJGB) in May 2014, in the Indore and Dewas District of Madhya Pradesh. The objective of these pilots was to test the uptake and challenges of this model in different parts of the country with the adoption of different partners, business models, and technologies.

Uttar Pradesh

The Gramin Bank of Aryavart (GBA) has identified a
GBA is a large RRB with 651 branches in 15 districts of UP. As on March 2014, the bank owned a fund of Rs.1063 Crore with deposits of Rs.9898 Crore, Advances of Rs.5990 Crore.

well-functioning SHG ecosystem that is being nurtured and promoted by Rajiv Gandhi Mahila Vikas Pariyojana (RGMVP) for this pilot project. Bank Sakhis are selected from the groups promoted by RGMVP. The supervision and quality control capabilities have been built at the Block Level Federation6. In mid-2013, the partners appointed the first SHG members as Bank Sakhis who would service one Gram Panchayat each. These Bank Sakhis already had experience in dealing with banks on behalf of their SHGs and were well-known in the village. The technology support is provided by the corporate BC Bartronics.

Technology Used and Products Offered

The Bank Sakhis were equipped with a micro-ATM by the bank for providing banking services in the villages using customer’s biometrics for authentication. The micro-ATM has a built in GPRS-enabled SIM card, fingerprint reader, and printer. With this technology, the Bank Sakhis provide doorstep banking services to the customers. In order to mobilize customers, the Bank Sakhis, in cooperation with the local federations, conduct awareness and education camps.

Bank Sakhis offer the following products and services:

- Individual BSBDA Account opening, and fund transfers, deposit, withdrawals
- Forming, nurturing SHGs and facilitating financial intra-SHG and SHG-Bank transactions

In Uttar Pradesh:

- Nearly 47% of the account holders are women (most of them are availing banking services for the first time).
- About 67% of the SHG members in the villages where Bank Sakhis are operating were her early customers and opened individual savings accounts.
- Approximately 61% of transactions are deposits (indicating high potential of micro savings).

Table 1: Key Performance Indicators for Madhya Pradesh Pilot Project (as on 30th September 2015)

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of Bank Sakhis appointed</td>
<td>50</td>
</tr>
<tr>
<td>No. of clients with bank account opened through Bank Sakhis</td>
<td>23,203</td>
</tr>
<tr>
<td>No. of villages reached by Bank Sakhis</td>
<td>174</td>
</tr>
<tr>
<td>Total no. and value of transactions (deposits and withdrawals) cumulative</td>
<td>3,57,312 Rs. 5,60,95,905</td>
</tr>
</tbody>
</table>

Source: GBA MIS (30th September 2015)

6 A registered society at the block level which has representatives from the village organisations (VOs). SHGs at the village level are organised into VOs.
NJGB is an RRB sponsored by Bank of India. It has full ownership of the project and monitors its progress. As on March 2015, the bank has 353 branches in MP, Rs. 420.5 lakhs as total deposits, and Rs. 356.2 lakhs as total loans and advances out of which Rs. 313.2 lakhs are loans to the priority sector.

- Recurring Deposits, Fixed Deposits
- NPA loan recovery
- Loans for Solar Home Lighting Systems (off grid), Kisan Credit Card (KCC) loans, OD loan facilities
- Life Insurance, Accidental Insurance and Pension schemes under PMJDY scheme of Govt. of India

A key innovation under this project is a software feature called “Dual Authentication” that was launched in February 2015. This application allows Bank Sakhis to electronically conduct transactions for the SHG’s account including deposits and withdrawals. Earlier the SHG account transactions could only happen at the branch because it requires authentication of at least two designated leaders of the SHG. With the new software, double or dual authentication can be done on the micro-ATM as well.

Madhya Pradesh

The Narmada Jhabua Grameen Bank (NJGB) in hands with its corporate BC Network for Information & Communication Technology (NICT) partnered with two SHG federations - Priya Sakhi Mahila Sangh (PSMS) in Indore, and Aprajita Mahila Sangh (AMS) in Dewas. The federations selected Bank Sakhis to operate as bank agents and provided handholding and operational support to the Sakhis since May 2014. These Bank Sakhis had prior experience in dealing with banks on behalf of their SHGs.

Technology Used and Products Offered

Most of the Bank Sakhis are equipped with laptop (under the kiosk model), while 3 out of 29 Bank Sakhis were using Micro-ATMs. Similar to Uttar Pradesh, the Bank Sakhis provide a range of financial services, on behalf of NJGB, to customers in their villages by using biometrics for authentication and conducted awareness camps at the village level to mobilize customers.

Bank Sakhis offer the following products and services:

- Opening individual Basic Savings Bank Deposit Account (BSBDA; a financial inclusion savings account, formerly called ‘No Frills’ account), fund transfers, deposits, and withdrawals
- Deposits into the SHG group accounts
- Recurring deposits (RDs), Fixed Deposits (FDs)
- Life insurance, accidental insurance and pension schemes under the Pradhan Mantri Jan-Dhan Yojana (PMJDY) scheme of the Government of India
- Common Service Centre (CSC) to provide e-services in rural areas such as recharge of mobile, cable TV, e-governance services such as filling application forms for PAN card and ID cards as part of the government’s Digital India mission
- Photocopying and printing services

Using a laptop to provide the banking services brings

| Table 2: Key Performance Indicators for Madhya Pradesh Pilot Project (as on 30th September 2015) |
|--------------------------------------------------|-----------------|---------------------|
| Progress as on 30th September 2015 (Since May 2015) | 28 |
| No. of Bank Sakhis appointed | No. of clients with bank account opened through Bank Sakhis | 10,477 |
| No. of villages reached by Bank Sakhis | Total no. and value of transactions (deposits and withdrawals) cumulative | 19,271 Rs.3,26,08,834 |

Source: NJGB MIS (30th September 2015)

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7 The intervention is further explained in the chapter “Digitisation of SHG Transactions”
8 For more information, refer to http://apna.csc.gov.in
one additional benefit to these Bank Sakhis - through the corporate BC (NICT) they can provide Common Service Centre e-services to their customers which provides them with additional income. Many Bank Sakhis also offer photocopying and printing services to their clients using their kiosk establishment.

2.3. Bank Sakhis Vs. Conventional CSPs
Both the pilot projects have shown that Bank Sakhis are performing significantly better than the conventional bank agents of the same bank. The conventional bank agents are mostly male, technology savvy, and have some small business such as a grocery store or a mobile recharge shop. They are advantaged with better mobility (most have a vehicle) and better visibility in the village. The Bank Sakhis on the other hand are women who have been members of an SHG, are generally not tech savvy, most are housewives while some have their own small business or support their husband’s business. They do not have a wide social profile and are not so mobile (do not drive a vehicle).

Despite the restricted mobility, limited social circle, and low comfort with technology, these women Bank Sakhis perform better than the conventional agents as shown in the table below.

### 2.4. Evaluation Results

An internal evaluation by the RFIP of the pilot projects in Uttar Pradesh and Madhya Pradesh found out that the Bank Sakhi model has following advantages:

**First Time Account Holders**
Bank Sakhis have been successful in tapping the financially excluded customer segments. In UP, 34% of all respondents are using a bank account for the first time, and out of these 20% are women. In MP, 44% of all customers and 12% of women customers are using a bank account for the first time due to Bank Sakhis. Out of the 56% of the clients who already had bank accounts prior to this project, 75% of the accounts had reportedly not been used in the last three months.

**Women and SHG Members Preferred as BC Agents**
Customers prefer BC agents who are women and are part of the SHG over the traditional male BC agents. They are seen as more trustworthy, are more accessible, have lower attrition, and have more efficient cash management skills owing to previous experience of bookkeeping in SHG. In MP, the percentage of active savings

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**Table 3: Comparison of Performance of Bank Sakhis Vs. Conventional Agents of the Partner Banks in Uttar Pradesh and Madhya Pradesh Pilot Projects (Data as on 30th September 2015)**

<table>
<thead>
<tr>
<th>S.N.</th>
<th>Indicators</th>
<th>Uttar Pradesh</th>
<th>Madhya Pradesh</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Bank Sakhis</td>
<td>CSPs other than Bank Sakhis</td>
</tr>
<tr>
<td>1</td>
<td>Earliest date of start of the CSP service</td>
<td>16-Apr-2013</td>
<td>16-Jan-2011</td>
</tr>
<tr>
<td>2</td>
<td>Number of branches reached by CSPs</td>
<td>10</td>
<td>349</td>
</tr>
<tr>
<td>3</td>
<td>Number of villages reached by CSPs</td>
<td>174</td>
<td>6728</td>
</tr>
<tr>
<td>4</td>
<td>Number of bank accounts opened per CSP</td>
<td>464</td>
<td>393</td>
</tr>
<tr>
<td>5</td>
<td>Percentage of active accounts (UP: ≥1 transaction in last 24 months; MP: ≥1 transaction in the last 12 months)</td>
<td>87%</td>
<td>38%</td>
</tr>
<tr>
<td>6</td>
<td>Percentage of active accounts used by women (Jul to Sep’15)</td>
<td>51%</td>
<td>42%</td>
</tr>
<tr>
<td>7</td>
<td>Average number of transactions per active CSP per month (Jul to Sep’15)</td>
<td>448</td>
<td>101</td>
</tr>
<tr>
<td>8</td>
<td>Average value of transactions per active CSP per quarter (Jul to Sep’15)</td>
<td>Rs. 3,10,513</td>
<td>Rs. 1,89,084</td>
</tr>
<tr>
<td>9</td>
<td>Percentage of deposits in total value of transactions (cumulative till Sep’15)</td>
<td>48%</td>
<td>34%</td>
</tr>
<tr>
<td>10</td>
<td>Percentage of deposits in total number of transactions (cumulative till Sep’15)</td>
<td>60%</td>
<td>44%</td>
</tr>
</tbody>
</table>

Source: GBA MIS (30th September 2015) for Uttar Pradesh, NJGB MIS (30th September 2015) for Madhya Pradesh
accounts with the Bank Sakhis is three times higher than those of conventional BC agents and they do twice as many account transactions as their male counterparts. In UP, the percentage of the accounts managed by Bank Sakhis that are actively used is more than two times higher than other CSPs. Also, the average balance in the savings accounts is three times more with Bank Sakhis.

**Trigger to Save More**

The main reason due to which customers were not able to save in bank accounts was because the branch was far away and the relative cost of savings was much higher. Customers value the time and money saved while transacting with the Bank Sakhis vis-à-vis the branch. They also value the flexibility of timings to do transactions after their work day is over. In both UP and MP, more than 90% of the respondents reported that they were able to save more after using the Bank Sakhi’s services. They reported that their average personal monthly savings increased from Rs. 200 to Rs. 431 per month in UP and from Rs. 64 to Rs. 296 in MP.

**Quality of Service**

The Bank Sakhis are trusted and perceived as reliable, competent, conveniently located, and fairly available. In UP, all customers report being satisfied with the Bank Sakhi’s service, of which 54% were ‘satisfied’ and 46% were ‘very satisfied’. In MP, all customers were satisfied with the Bank Sakhis’ services, with 41 percent among them ‘very satisfied’.

**Increased Cash Flow of Small Businesses**

It has also helped small businesses, consistent with other studies on the impact of savings. In UP, 63% of the respondents had small businesses; out of these 73% reported an increase in the scale of their business due to their ability to save more and channel it into business investments.

**Benefits of Bank Sakhis for SHG members**

All of the SHG members who are now conducting SHG transactions with the Bank Sakhi reported that they preferred to transact with the Bank Sakhi rather than at the bank branch. The direct benefits are savings in time and money, increased transparency within the group,
and the ease of withdrawing money at any time. The SHG leaders report that their group’s financial behaviour had improved after the introduction of the Bank Sakhi. In UP, 88% report that members deposited savings more promptly, 85% report increase in savings per month, and 50% report more prompt loan repayments. The service permits them to deposit small surplus that they have to build up the loan instalment. Also, they can withdraw the loan in smaller tranches instead of withdrawing the full amount at once. Both of these factors help them to better manage their SHG loans and savings.

Bank Sakhi’s Motivation

Bank Sakhis are motivated by non-monetary factors in addition to monetary gains. In MP, 65% Bank Sakhis joined with an intention to do something new and 45% wanted to create a stronger self-identity. Most of the Bank Sakhi’s always dreamt of doing something worthwhile to establish their identity and working as a Bank Sakhi has provided them with that opportunity. All Bank Sakhis reported that they would make this their sole job. However, all of them have expressed the need to earn more commission.

Low Attrition Rate

Bank Sakhis have shown very low attrition, thereby commanding better trust among clientele base by ensuring continued service. In UP, only one Bank Sakhi has quit in the past two years, and in MP only two Bank Sakhis have quit in one year.

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In Uttar Pradesh:

Both the projects have won appreciation and awards for the benefits demonstrated. The following recognitions and awards won by the partner Regional Rural Banks:

**Madhya Pradesh**

1. Won Skoch Financial Inclusion and Deepening Award 2015

2. Nominated for prestigious WSIS Project Prize 2015 (Top 100 entries from across the globe)

3. Nominated for Porter Prize India 2015 (Top 27 entries at national level)

**Uttar Pradesh**

1. SKOCH Financial Inclusion and Deepening Award, 2014

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Meet A Bank Sakhi

**Sangeeta Kochle** of Asravat, Indore

Not just Another House wife

**Number of Accounts Opened:** 902

**Value of Transactions Done:** Rs. 84.8 Lakhs

Sangeeta Kochle is one of the best performing Bank Sakhis of Narmada Jabua Gramin Bank. She was part of the first batch of Bank Sakhis appointed by Priya Sakhi Mahila Sangh in May 2014 in a rural village 25 kms from Indore city. She has been a member of her SHG since more than five years. She has been taking loans from her SHG and repaying them on time. With the help of these loans she bought a tailoring machine and also set up a grocery shop. Another opportunity came when her federation informed her that she has been identified to work as a Bank Sakhi from her village. With the aspiration to do something new and the strong will to be successful, Sangeeta decided to become a Bank Sakhi.

For someone who never used to go out of the house alone, Sangeeta has come a long way. Now, she goes from one village to another conducting awareness camps, opening bank accounts, and doing transactions. She also goes to the bank branch every week for processing all documents and for operating her overdraft account. She has now even asked the bank to give her a vehicle loan to buy a two-wheeler scooter so that she can independently travel to villages and bank branch.

Sangeeta has proved her ability to tap in on good business opportunities by becoming one of the two best performing Bank Sakhis in terms of account opening and transaction volume. She also has the highest percentage of active accounts among all other Bank Sakhis working for NJGB. Initially she opened the accounts only for women, but later she also started opening for male members of the community. Now her customers include old, young, children, men, women—literally all of them. However, a majority of them are still women.

She is also more involved in her SHG federation’s work now. She supports the federation to form new SHGs and conduct SHG meetings. She manages the upkeep of SHG records and also conducts transactions for the members through her kiosk. This has helped her earn additional income of Rs.2,000 to Rs.3,000 every month from the federation.
Chapter 3: Stakeholders

3.1. Stakeholders Involved

In order to implement the approach, a partnership between different stakeholders is required. Essential partners are the bank, who would like to engage Bank Sakhis, and the SHG members who get appointed Bank Sakhis. In many cases, the bank works with a corporate BC who acts as aggregator of CSPs and manages them. Depending upon the model selected, SHG federations and/or Self-Help Group Promoting Institutions (SHPIs) can also support the Bank Sakhis and play a crucial role. It is up to the partners and their context to decide on the best partnership model. This decision will influence the respective roles and responsibilities of stakeholders as well as the processes to be implemented. The partners need to carefully weigh the pros and cons of the different options and select the one which is most suited for their overall strategy and the local context. In all the models, the stakeholders and the partners are closely interlinked with each other and, therefore, irrespective of the formal partnership model, all stakeholders interact with each other while performing their functions. There are four possible stakeholder arrangements as shown in Figure 2.

3.2. Value Proposition for Each Stakeholder

For the approach to work and be sustainable it is important that every stakeholder has a clear value proposition. This will ensure their interest and commitment to the approach, and justify the resources that need to be invested by them.
MODEL 1
Bank directly appoints and manages selected SHG members as Bank Sakhis.

MODEL 2
Bank appoints SHG federations or SHPIs as corporate BCs. The SHG federation/SHPI appoints and manages the selected members as Bank Sakhis.

MODEL 3
Bank appoints corporate BCs. On behalf of the bank, the corporate BC appoints and manages SHG members as Bank Sakhis.

MODEL 4
Bank appoints corporate BC, who then appoints and manages SHG federation or SHPI as sub-BC. The SHG federation/SHPI appoints and manages SHG members as Bank Sakhis.

Figure 2: Different Options for Deciding on the Partnership Model Between Stakeholders - An Overview

Figure 3: Key Stakeholders in the SHG Members as Bank Agents Approach

3.3. Experience from the Pilot Projects

The RFIP, for its pilot projects, implemented Model 4 (where the SHG federation is appointed as a sub-BC). In this model, four stakeholders are involved. The roles and responsibilities of the four stakeholders are elaborated in the table below. The Bank Sakhis get support from two different levels depending on the local structure:

1. From the supporting self-help group promoting
<table>
<thead>
<tr>
<th>Model</th>
<th>Pros</th>
<th>Cons</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model 1</td>
<td>• Direct control and monitoring by bank</td>
<td>• Difficult to manage if the bank branches are under-staffed or not trained</td>
</tr>
<tr>
<td></td>
<td>• Higher commissions for Bank Sakhis</td>
<td>• Difficult to scale as it requires higher investment from the bank</td>
</tr>
<tr>
<td></td>
<td>• Direct and clear communication</td>
<td></td>
</tr>
<tr>
<td>Model 2</td>
<td>• SHG federation/SHPI will have local knowledge and trust with community</td>
<td>• Bank’s dependence on federation to achieve FI goals</td>
</tr>
<tr>
<td></td>
<td>• They can provide field support to Bank Sakhis easing the bank’s work</td>
<td>• Investment required to build capacity of federation for BC management</td>
</tr>
<tr>
<td></td>
<td>• Federation/SHPI can earn additional revenue and route SHG transactions through Bank Sakhis</td>
<td>• Bank needs to partner with multiple federations as their outreach is limited to limited areas/districts</td>
</tr>
<tr>
<td>Model 3</td>
<td>• Wide outreach of corporate BC makes scale up easier for the bank</td>
<td>• Corporate BCs may not have the experience of working with SHGs and women BC agents</td>
</tr>
<tr>
<td></td>
<td>• They have good agent management skills and experience</td>
<td>• They may not have data on individual SHG members’ performance making selection difficult</td>
</tr>
<tr>
<td></td>
<td>• Banks can delegate the monitoring and risk management functions to the corporate BC</td>
<td>• They do not have relationship with local community like federations/SHPI</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• They generally do not provide intensive field support to BC agents</td>
</tr>
<tr>
<td>Model 4</td>
<td>• Day-to-day operational support and monitoring can be transferred to federation / SHPI</td>
<td>• Commission for Bank Sakhis is reduced as there are more stakeholders involved</td>
</tr>
<tr>
<td></td>
<td>• Existing human resources for managing the SHG federation/SHPI work can be leveraged to manage the Bank Sakhis</td>
<td>• Additional points are same as cons for Model 2.</td>
</tr>
<tr>
<td></td>
<td>• SHG transactions can be easily routed through the Bank Sakhis</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Additional points are same as pros for Model 2.</td>
<td></td>
</tr>
</tbody>
</table>
Table 5: Value Proposition for the Stakeholders Implementing the Approach

<table>
<thead>
<tr>
<th>Stakeholder</th>
<th>Value Proposition</th>
</tr>
</thead>
</table>
| Bank                         | • By ensuring delivery of SHG credit and its repayment through Bank Sakhis, banks can keep a better track of credit flow. This will also ensure that funds remain longer with the bank post disbursement (in savings account of the group or its member).  
  • Other than SHGs, Bank Sakhis are more adept to serve the low income customers compared to conventional male agents. By doing so they decongest the branches by servicing the low-ticket transactions. This not only helps the branches to focus on more profitable products, but also improves the community relationship by serving the low-income and less literate clients.  
  • Bank Sakhis are more successful in mobilizing deposits and have better average balance in the accounts opened by them. They can also do basic monitoring of the priority sector loans (SHG and KCC) on behalf of the branch manager.  
  • The Bank Sakhis have lower attrition of the BC agents and this helps in easier achievement of FI targets. They have also been able to include the unbanked section of women.                                                                                                                                 |
| Corporate BC                 | • Owing to the better performance (in terms of higher active accounts) of Bank Sakhis compared to conventional agents, the Corporate BC is able to make higher income in long term.  
  • Due to the lower attrition of Bank Sakhis, the cost of re-appointing and re-training is reduced. If the agent attrition is high, then the cost of replacing and re-training the agents tends to increase.  
  • Bank Sakhis require more training, but they receive support from their federations / SHPIs making the day-to-day operational management easier.                                                                                                                                 |
| SHG Federation/ SHPI         | • Once SHG transactions are routed through Bank Sakhis, the cost of cash management and monitoring reduces. This also increases transparency and trust, because the transactions are conducted in front of the members.  
  • Bank Sakhis can also be trained to undertake management of the SHGs including conducting meetings and book-keeping (in return for commission), thus reducing the human resource cost.  
  • A wider range of products and services can be made available to the SHG members through the Bank Sakhis.  
  • The federation will generate additional income for sustainability based on the share they receive in the Bank Sakhis’s commissions.                                                                                                                                 |

Institution and/or federation (on district / block / village level) for training, monitoring, handholding

2. From the Corporate BC for training on technology, technical support and monitoring

In the pilot project in Uttar Pradesh, the stakeholders included an SHPI, block and village-level federations. While the SHPI had an overarching supporting role, the block-level federations were appointed as sub-BCs by the corporate BC. The village-level federations brought in local support, informally. The corporate BC, Bartronics, is playing the dual role of BC and TSP. They provide enrolment kit, ongoing technical support, and training to Bank Sakhis on technical aspects of her work. In the Madhya Pradesh pilot project, district-level federations acted as sub-BCs of the Corporate BC to develop the capacities of Bank Sakhis and to manage and monitor them. The Corporate BC works closely with
Table 6: Roles and Responsibilities of Stakeholders in Uttar Pradesh and Madhya Pradesh Pilot Projects

<table>
<thead>
<tr>
<th>Stakeholder</th>
<th>Roles and Responsibilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank</td>
<td>• Partnering with local SHG federations which appoint and manage BC agents&lt;br&gt;• Introducing BCs and Bank Sakhis to the villagers as representatives of the bank for providing doorstep basic banking services</td>
</tr>
<tr>
<td>Corporate BC</td>
<td>• On-boarding of Bank Sakhis and mapping of villages&lt;br&gt;• Providing enrolment kits (laptop, webcam, fingerprint machine, stamp pad, account opening form, etc.)&lt;br&gt;• Providing training and ongoing technical support to the Bank Sakhis for smooth implementation of enrolment activities, and troubleshooting of technical issues&lt;br&gt;• In some cases, the corporate BC could also be the TSP for the bank (for instance in the Uttar Pradesh pilot project). In such a case in the capacity of the TSP, the corporate BC also manages the FI server for the bank and provides MIS reports</td>
</tr>
<tr>
<td>SHG promoting Institution and Federation</td>
<td>• Nurturing block federations and village organisations to build their capacity to appoint and manage the Bank Sakhis&lt;br&gt;• Overseeing and monitoring the activities of block federations and village organisations</td>
</tr>
<tr>
<td>SHG federation (district, block, and/or village level federations)</td>
<td>• Identifying and appointing selected SHG members as Bank Sakhis&lt;br&gt;• Supporting the Bank Sakhis in organising financial awareness campaigns&lt;br&gt;• Monitoring the performance of the Bank Sakhis and providing ongoing operational support</td>
</tr>
<tr>
<td>Bank Sakhis</td>
<td>• Creating awareness about services in the community&lt;br&gt;• Opening accounts and enabling banking transactions at the doorstep for customers&lt;br&gt;• Maintaining registers and cash books, as well as managing cash</td>
</tr>
</tbody>
</table>

The technology service provider and the federation to provide training and support to the Bank Sakhis. They also ensure regular commission payouts to Bank Sakhis. In all the models, the technical service provider (TSP) was present to manage back-end technical processes and provide access to the CBS of the bank through its FI server. It also provided regular MIS reports and relevant technical support.
Chapter 4:

Step-By-Step Implementation of the Model

The ensuing chapter describes the different stages and steps that stakeholders will go through along the process of implementing the programme. With each attempt at replication, decisions about partnership arrangements, technology options, the operational process as well as which services to offer including their pricing will need to be made at a local level between all stakeholders involved in the implementation. The local context and existing infrastructure need to be taken into consideration while making these decisions. This guide can only present different options and possibilities based on our experiences, but the final decisions need to be made by the implementing partners.

The key steps in the implementation are as follows can be divided into the two stages of the project - “Inception” and “Execution”.

4.1. Inception of the Project

During the inception of the project, the first two strategic decisions to be made are the choice of stakeholder arrangement and front end technology. Once this is decided, the next decision is to select the partner institutions and agree upon the terms of the legal agreement. At this stage the roles and responsibilities of the partners also needs to be decided along with the operational processes. The processes will have to detail how the service areas and Bank Sakhis will be selected, how they will be trained and monitored, and how the cash management will happen. The processes with regards to the coordination and problem solving within the stakeholders are also decided at this point.

The six steps in this phase are described in detail below:

1. Selection of Stakeholder Model: The different possible stakeholder models have been explained in section 3.1. of Chapter 3 along with its pros and cons. The decision will have to be made by the bank. Based on the local context and the quality of institutions (corporate BC and SHG federations) available, the bank will choose the model. This will decision will influence the technicalities and processes of the model, and hence needs to be made first before proceeding.

2. Choosing the Front-End Technology: There are different front-end technology options available to deliver financial services through the BC channel. The most common solutions include the use of laptops/desktops for service delivery under the kiosk model, and handheld devices (micro ATMs, mobile phones,
and tablets) for doorstep service delivery. While choosing the front-end technology, several factors have to be taken into consideration:
− Cost of technology (initial investment costs plus operational and maintenance costs)
− Portability (fixed station vis-à-vis delivery at the door)
− Service delivery complexity (which determines the training needs for the Bank Sakhis and the products/services that can be delivered)

Maintenance (including battery life, troubleshooting, and support facilities)

3. Selection of Partners: Depending on the model, the bank needs to select the SHG federation and/or SHPI, corporate BC, and TSP. In most cases, banks already have partnerships with corporate BCs and a TSP apart from SHPIs or SHG federations (for SHG bank linkage). Nevertheless while choosing from the existing or new partners, they must gauge their interest, willingness to invest human resources for capacity building of Bank Sakhis, past performance, and financially stability.

4. Stakeholder Consultation and Agreement: During the conceptualisation of the project, all stakeholders (bank, BC, sub-BC, TSP, federation/SHPI) are consulted about the rationale, objective, and proposed outcome under this approach. On finding synergy amongst the stakeholders, a formal joint meeting is held to decide upon the terms of agreement and roles and responsibilities. In order to formally agree on all the points, a joint Memorandum of Understanding (MoU) or agreement for all the stakeholders helps in the clarification process. All agreements clearly spell out the revenue sharing agreement and mechanism between the parties.

5. Decision on the Product Suite: The right product mix involving savings, credit, and fund transfer is essential to acquire customers and increase usage. If customers avail the same product range which is offered by the bank branch through Bank Sakhi as well, they will see value and treat Bank Sakhis just as a normal bank branch. Further, it is important to ensure a diverse product suite in order to ensure enough volume of transactions and a business case for the introduction of the Bank Sakhis. A diverse product suite will also result in higher satisfaction for customers who can use the Bank Sakhis as “one-stop-shop”.

In UP, GBA deployed smart card based solution in the start of the pilot project. Later GBA introduced a cardless solution and Aadhaar enabled, biometric Micro-ATMs which significantly reduced the enrolment time. Micro-ATMs consist of a fingerprint scanner, receipt printer, keypad, card slot, external USB port, and web cam. The client is able to authenticate each transaction by using his/her biometric identification through fingerprints. Transactions are made in real time as Micro-ATM is connected to the CBS of the bank via the financial inclusion server using GPRS enabled SIM cards. Equipped with these Micro-ATMs, the Bank Sakhis are mobile and can visit the customers’ location in different villages.

In Madhya Pradesh, the Bank Sakhis through their corporate BC (NICT) also offer CSC services such as mobile recharges, bill payments, and e-governance services. This provides additional income as well as footfall for the Bank Sakhis, thus increasing their transaction volume and customer base.

In Uttar Pradesh Bank Sakhis enrolled clients to avail loans to buy solar home lighting systems. They created awareness on solar energy and its benefits, did lead generation, loan documentation, and liaison with bank branch for loan sanctioning. They also serviced client queries including technical troubleshooting of home lighting systems post disbursements.

In Madhya Pradesh, the Bank Sakhis through their corporate BC (NICT) also offer CSC services such as mobile recharges, bill payments, and e-governance services. This provides additional income as well as footfall for the Bank Sakhis, thus increasing their transaction volume and customer base.

Banks can consider offering BSBDA initially, and then gradually launch to be driven by customer needs and the capacities of the Bank Sakhis. The products should be introduced gradually after gauging the capacities of the Bank Sakhis and providing continuous training to them.

6. Development of Operational Processes:
Stakeholders draw the project implementation plan with documentation of step-by-step process for the
delivery and management (front-end and back-end) of Bank Sakhi-led financial services. This will be based on the roles and responsibilities identified earlier. They will also form the basis of the training modules for capacity development. The following processes need to be documented at this stage - area survey and selection; Bank Sakhi selection; on-boarding; training; enrolment and transactions; cash management; and monitoring and reporting.

4.2. Execution of the Project

The second stage of the project is the execution of the agreement and the processes agreed upon in the first stage. So in this phase the responsible stakeholder selects and on-boards the Bank Sakhis and trains them. Once they have started operations they would require ongoing support and monitoring for transaction management.

1. Area and Village Selection: This needs to be decided in tandem by all the stakeholders. Usually, the bank identifies possibly un-banked/under-banked villages where good-quality SHGs are present. A baseline survey needs to be conducted by the BC or sub-BC with the help of local field staff to assess the current socio-economic conditions, financial behaviour of the village community, status of access to the banking services in the village, and telecom connectivity. Based on this the final area and villages are selected by the stakeholders.

2. Bank Sakhi Selection: Once the villages have been identified, the BC or sub-BC shortlists the potential SHG members in the village who can become Bank Sakhis. Generally, the SHG has a member who maintains the books and records, facilitates the savings and credit linkage of the SHG with the bank and other financial institutions, and is also one of the office bearers in the group. Such a member or any other member who possesses the required skills can be considered for the role of a Bank Sakhi. The field staff fills in the Bank Sakhi Questionnaire and conducts reference check. Based on pre-decided selection criteria, the final Bank Sakhis are selected.

3. On-Boarding and Training: As part of the on-boarding, the partners support the Bank Sakhi to complete the documents required for signing the agreement. They help them setup up the equipment (hardware and software) and open overdraft account. They also provide the necessary physical evidence – certificate of authorization and branding material.

As part of the pilot projects, RFIP has developed a Baseline Survey Format. This is available in the “SHG as BC Toolkit”.

Guidelines for selection of Bank Sakhis and a Questionnaire have been developed. These are part of the “SHG as BC Toolkit”.

Comprehensive Training Modules have been developed by RFIP and are part of the “SHG as BC Toolkit”. The toolkit has 3 modules:

1. Understanding the Bank Sakhi-BC model
2. Operating the kiosk/ micro ATM
3. Bank Sakhi as Business Facilitator

The final step in the on-boarding process, before operations begin, is the training of Bank Sakhis. Apart from training the Bank Sakhis, the field staff of the SHG federation/SHPI or corporate BC also needs to be trained on how to manage the Bank Sakhis. The general training for the stakeholders should cover different aspects of operations:

- Overview of the BC model and the stakeholders involved
- Roles and responsibilities of the Bank Sakhis
- Technical and process orientation on how to use the device
- Different services the Bank Sakhi can offer as a BF and related processes
- Book keeping and registers to be maintained
- Financial literacy and conducting awareness camps
- Commissions and financial incentives

In addition the above, the SHPI/Federation’s staff as well as the link bank branch’s staff needs to be trained on how to manage and monitor Bank Sakhis’ performance. For the SHPI/Federation staff, a training of trainers could be conducted to prepare them as trainers so that they can train new Bank Sakhis. Other than regular training, the bank branch staff needs to be sensitized on the role and benefits of the Bank Sakhis for the branch operations, in order to ensure their support.
4. Transaction Management: Once the Bank Sakhis start opening bank accounts, they will service deposit and withdrawal requests. For this they have to maintain float in their electronic bank account and keep cash. They need to periodically visit the link bank branch, where they maintain their overdraft account, to replenish the float (in the case of excess cash in hand) or withdraw cash (in the case of falling short of cash in hand). For all activities related to account opening and transaction management, the Bank Sakhis need to closely coordinate with their link bank branch. Support from the branch is critical for smooth operations. In separate registers, the Bank Sakhis record all activities, including account opening, transactions, and BF services delivered.

5. Financial Literacy: Bank Sakhis need to be trained on the importance of financial literacy in her operational area. She needs to communicate the different products and services that she can offer and their benefits to the target customers. To achieve this, financial awareness camps should be organized regularly with support from the bank branch and federation. These should be organized at places with high footfall such as schools, colleges, village markets, and Panchayat office. Apart from camps, regular field visits needs to be done to explain the benefits to the customers. Customers who have already being enrolled will have to be explained about other savings and credit products.

The bank needs to ensure that Bank Sakhis have the requisite financial literacy and branding materials such as banners, pamphlets, and posters. The bank branch staff should be actively involved in supporting the Bank Sakhis. This will establish legitimacy of Bank Sakhi’s work amongst the customers.

6. Monitoring: Regular monitoring of the Bank Sakhis’s activities needs to be done to ensure compliance with laid down processes, especially those related to customer protection and service. The performance of the Bank Sakhis need to monitored against key performance indicators such as number of enrolment, transactions, and loans. This will have to be done through regular monitoring visits and by setting up an MIS. Monitoring is also important to keep a track of problems arising at technical as well as operational level, so that they can be resolved in time.

Besides performance, other key areas where monitoring is required are:
- Process: Tracking the turnaround time
- Customer service: Taking regular customer feedback
- Outreach: Coverage of allocated villages by Bank Sakhi
- Record keeping: Registers should be regularly and properly updated
- Branding: Banners, posters, certificate, and other point of sale display material
- Cash management: Cash and overdraft balance

In Uttar Pradesh:

In both pilots, different mediums were used to create awareness amongst customers. Below the line activities such as street plays, puppet shows, and video vans were used. The Bank Sakhis were also provided with pamphlets, and branding material (uniform and bags).

Once the Bank Sakhi begins operations, an introduction camp is organized, where the branch manager introduces her to the community. This brings legitimacy to the work done by the Bank Sakhis.

Reporting Formats have been developed by RFIP and are part of the “SHG as BC Toolkit”.

Ready To Use Tools

Reporting Formats have been developed by RFIP and are part of the “SHG as BC Toolkit”.
Chapter 5:

Digitisation of SHG Transactions

One gap in the BC model has been that only individual accounts could be served at the agent level. Group accounts still needed to be served at the branch level, where multiple office bearers (at least two in case of a SHG) are needed to authenticate themselves through signatures. Only then money from a group account (Savings Bank Account / Cash Credit Limit) could be withdrawn and distributed among the individual SHG members. This required the signatories of the group to visit the branches, spending a lot of time and money and causing inconvenience to the members and leaders of the group.

A majority of the customers of Bank Sakhis are SHG members, who use their individual accounts not only for individual financial services, but also transact within the group, to and from the group account.

With the current or usual banking software, Bank Sakhis can perform the following transactions for the SHG (given that all members have individual accounts serviced by the Bank Sakhi):

- Weekly savings by individual members can be debited from the individual to the group account directly
- Regular loan repayments from individual members (internal lending) to group can be transacted from the individual to the group account.

By enabling the Bank Sakhi to also debit the SHG’s savings account through her application (kiosk/Micro-ATM), she could further offer the following services to the SHG:

- Loan disbursement from the group to individual members (internal lending) can be done from the group account to individual accounts

In case the bank is using biometric authentication for transactions, they need to upgrade the software to accept dual authentication as the group accounts are always joint accounts and have two signing authorities.

- Repayment of loan installments to the bank (cash credit limit, term loan)
- Transfer from the group savings account to the group loan account
- Statement printing and balance inquiry for the group account.

In order to enable these transactions at the Bank Sakhi level, an authentication process which recognizes at least two office bearers is required at the agent level. This requires an adjustment of the application used by the agents. The new application runs with the same software as it is used for other BC services and does not require an extra server, router or gateway. The basic condition is that all members, and especially the office bearers who are authorized signatories for the group, have a bank account with the Bank Sakhi. The individual savings accounts of these signatories are linked with the group savings bank account. They identify themselves through smart card or biometric authentication processes (depending on which is used by the bank) and after the successful verification of identities, the group account can be debited. This process is called “Dual Authentication”.

The advantages of enabling dual authentication at the Bank Sakhi level are manifold for the bank, SHG, and Bank Sakhi herself:
transaction history of all SHG members can be built up gradually. It also decongests and reduces the work load of the branches.

- **SHG**: This process saves valuable time and costs for SHG members who would otherwise have gone to bank branches for SHG transactions. Further this provides the members with prompt services and supports the digitisation of all financial transactions within the group. Building up individual track records with the bank also gives the members an opportunity to approach banks directly in case they want to graduate to individual loans.

- **Bank Sakhi**: Enabling Bank Sakhis to perform all transactions to and from SHG accounts means that she can conduct transactions over and above those that she conducts for individual customers. This leads to an increase in transactional revenue for the Bank Sakhi.

The dual authentication technology by digitizing the SHG transactions also compliments NABARD’s E-Shakti project. The project’s objective is to capture all SHG related transactions for effective monitoring and transparency of SHG related banking portfolio. The dual authentication technology aims to bring the informal transactions at SHG level onto the core banking system. This facilitates in tracking and tracing all SHG level transactions and can help in identifying any distress levels, thereby playing a key role in delinquency management of SHG portfolio.

**Digital Bank Sakhi**

**Name**: Rajkumari Devi  
**Age**: 38  
**Education**: 8th pass  
**Year of joining as Bank agent**: 2013

Rajkumari was one of the first Bank Sakhis in Uttar Pradesh. Starting off with 331 banking transactions a month in November 2013, Rajkumari achieved 2,240 transactions totalling over Rs. 5.5 Lacs in March 2015. As on 31st October 2015, Rajkumari has enrolled over 600 Villagers who have done nearly 24,000 transactions totalling about Rs 77 Lacs. This includes 578 SHG transactions valuing 5.17 lacs between 7 SHGs that she services through her Micro ATM since early 2015. Rajkumari has been earning an average income of Rs. 1816 per month. Her transaction data for the month of April 2015 shows that that 20% of her total transactions are from SHG members including savings, fund transfer, and withdrawals. At present, Rajkumari has 72 SHG clients, but only 47 are using their smart cards for SHG transactions. With these 47 customers she has managed to do minimum 188 transactions per month. If the rest of the SHG members also start transacting through Rajkumari, then she has a potential to do minimum 288 transactions per month. There is potential to increase her income also, if the inter-lending in the group increases.

The SHG transaction assures at least 100 to 200 transactions per month for Rajkumari. This means an income of Rs. 400 to Rs. 500 for her. The SHGs also save Rs. 50 to Rs. 100 which they would have otherwise spent in visiting the bank branch to do the transaction.
One of the factors that have prevented the BC channel in India from being more effective in delivering high quality services to rural Indians and being used ubiquitously is the lack of business case for the service providers. This includes the bank, the corporate BC as well as the last mile agent. The reason for this is that the banks have largely engaged BC agents to open and service BSBD accounts (for which user fees are not usually charged as per their Financial Inclusion Plan targets made with the RBI). These accounts are often not profitable, since the balances and the ticket size of transactions is low while the bank branches have more lucrative and profitable customers to focus upon.

The banks have allocated BC agents to serve the small savings customers. However, the level of customer service offered by the BC agents is often low quality. Most of the BC agents have only limited products to offer mainly account opening and transactions. Since a large number of these accounts are inactive, they are not able to generate enough revenue through transactions. The introduction of the Bank Sakhi model has shown promise address the challenge of weak business case for the service providers.

• Firstly, the women BC agents are motivated to service the basic savings account despite low commission rates (refer Annexure for the commission rates in UP and MP pilot projects), thereby decreasing the attrition rate for the bank and corporate BC, and also offering better customer service.

• Secondly, since Bank Sakhis are SHG leaders themselves, they are well placed to handle the SHG accounts which are more profitable for the banks compared to basic savings accounts.

• Thirdly, in addition to above they also deliver a range of financial services such as recurring deposits, and money transfer as well as business facilitation services for the bank such as originating and servicing credit products, and delivering delinquency notices which are cost-effective for the bank compared to servicing them at the branches, and earn high commissions for the Bank Sakhis and corporate BC.

The higher savings accounts balances and hence lendable surpluses of these accounts increase the profitability of the Bank Sakhi’s portfolio for the bank. It also means higher revenue for the corporate BC and for the Bank Sakhis. Based on the experience from the two pilot projects, the Bank Sakhis earned average monthly commissions of Rs. 2,163 and Rs. 1,890 in
Uttar Pradesh and Madhya Pradesh respectively. This is income before deducting expenses, which will depend on the technology choice made by the bank. The investment and operational costs are lower for Micro-ATMs compared to kiosks / laptop. While in the Micro-ATM model the Bank Sakhis invest an average of Rs. 10-15,000, in the Kiosk Model Banks Sakhis are required to invest more than Rs. 30,000. The banks sometimes pay a fixed remuneration to the Sakhis in order to ensure that their expenses are covered but most of their income is earned through commissions.

Another important stakeholder in the model is the SHG federation or the Self-Help Group Promoting Institution (SHPI) who provides the capacity building support to Bank Sakhis. Based on the model chosen by the bank, they might get into an agreement with the corporate BC or bank and receive a share in the commissions. In both the UP and MP pilots, the SHG federations (block and district level respectively) are acting as sub-BCs and receive a share in the commissions which the Bank Sakhi is earning to cover their training and capacity development costs. However, it is seen that during the initial few months this commission might not be sufficient to cover the costs of intensive field support provided by the federations.

Given the benefits that the approach accrues, there is interest from different stakeholders including banks for replication. However, it is important to address a few issues which directly affect sustainability of the approach before replication.

• **Smart subsidies for initial investments:** In cases where technology needs to be purchased the Bank Sakhi is facing relatively high initial investment costs (especially in the kiosk model). Additional investments in working cash are required which allow her to facilitate transactions (fixed deposit against available overdraft). The Bank Sakhis are financing this either through bank loans or by borrowing from informal sources. A majority of them find the loans to be an additional burden and face difficulty in repaying the loan installments on time. Initial funding support through subsidized loans or capital support will take this financial burden off the Sakhis.

• **Financial support for capacity development of support agencies and Bank Sakhis:** Capacity development support on individual Bank Sakhi level as well as on aggregator level (SHPI, federation) is required to implement the approach. While the Bank Sakhis require intensive training in technology, service delivery and product design, the support agency needs to build up their capacity to support the Sakhis as well. Especially in the initial 6-12 months of the implementation phase, Bank Sakhis are not in a financial position to pay for the services provided by the support agency while this is the phase where most intensive support is required. External funding to the support agency for capacity development will therefore ensure higher impact and long-term sustainability of the approach.

• **Increase business volumes for Bank Sakhis:** The bank needs to proactively identify suitable products and services (including third party products) which can be offered through the Bank Sakhis so as to increase her income. This should include savings, credit, and insurance products. For a sustainable replication, a convergence between the Bank Sakhi approach and the provision of multiple services needs to be actively promoted.
Chapter 7: Key Lessons from Pilot Testing the Approach

The experience from the twin pilots has generated important lessons on how to create an effective financial inclusion model by leveraging a long standing local network: SHG members and their federations. The focus was to establish the value proposition for the stakeholders including the last mile agents who are often ignored in the BC equation. It is important to integrate these lessons so as to bridge any gaps and ensure that the potential of the approach is achieved.

7.1. Bank Sakhi

The projects have been able to not only provide an additional income source for the Bank Sakhis, but have also empowered them by building their capacities to offer a wide range of banking services to their community. The women who were hesitant to step out of their houses alone are today opening bank accounts, visiting the bank branches, conducting awareness camps, and playing an important role to achieve the national goal of financial inclusion.

1. Role of Capability Building: The pilots focused on building the capacity of the federations and Bank Sakhis by developing and delivering effective training modules on hard and soft skills. Progressively senior Bank Sakhis are being evolved as ‘Master Trainers’ to train new Bank Sakhis to promote peer learning.

2. Driven by Non-Monetary Motivations: In addition to the monetary incentives, the social benefits of improved reputation, empowerment, and pride due to association with a bank are highly valued by the Bank Sakhis. For most of the Bank Sakhis this is their first employment barring small enterprise work at home such as tailoring. They are driven to do something new that will earn them respect in their community.

3. Choice of Suitable Technology: The choice of technology will have significant impact on not only the cost (in terms of capex and opex) but also on the range of services that can be offered and the level of training required for the Bank Sakhis. Both the models of Kiosk and Handheld Device have their own advantages and disadvantages. Kiosk requires more technical training, restricts mobility, and requires higher investments. But it provides the opportunity to offer additional non-financial services to increase income (bill payments, photocopy). The handheld device on the other hand makes it possible to provide door step services, requires lesser technical training, and requires much less investment. However, it restricts the services that could be made available through the device.

From the perspective of the model, the latter model provides more flexibility and mobility to Bank Sakhis as door-to-door service is important to mobilise small savings. A hub and spoke model with a stationery kiosk and linked spokes with roving agents using handheld devices could also be used.

Diversified Product Suite for Viability: The pilots strive to
offer an attractive product mix to the customers including basic savings account, term deposits, loans, payment and e-governance services (in MP), and loans for solar lighting systems (in UP). The transaction volumes and hence the viability of Bank Sakhis significantly improves with introduction of SHG transactions. It is important to keep on expanding the product suite depending on the demand in the area to improve the Bank Sakhi’s viability. In the evaluation study, the customers demanded additional products such as ATM, cheque book, more loans, money transfer outside village, and insurance.

5. Challenges Faced by Bank Sakhis: Despite the success of the Bank Sakhis, they face challenges in day-to-day operations. These have been observed in both the pilots and major ones include – low overdraft limits, difficulty in travelling to the branch frequently, interruptions in network and power supply, technology issues, and low levels of awareness amongst customers.

7.2. Institutional Stakeholders

The sustainability of the approach is critically dependent on the institutions involved. The bank must drive the project with support from the Corporate BC and the partner federation. The roles and responsibilities of each of them must be identified based on their strengths. For instance, the Corporate BC is observed to be more proficient for technical support and the federations are better equipment for Bank Sakhi selection and operational support.

1. Selection of Stakeholders: The business model configurations in terms of stakeholders and their role will vary from one project to another depending on the institutions operating in the geography and their capacities (financial and human). In any case, proactive, decisive, and robust institutional stakeholders especially the bank has been of critical importance in the smooth launch and progress of the projects.

2. Coordination between Different Stakeholders: Regular and clear communication between all the stakeholders is critical to ensure issues are identified and resolved in time. For this it is imperative that the roles and responsibilities of all stakeholders are clearly defined in advance. They should form a coordination committee with point of contact specified for each stakeholder that meets at regular frequency for planning and problem solving. Defining a service level agreement with point of contact, action, and turnaround time, and escalation procedure is agreed for any issues arising.

3. Role of the Federations: The federation and the community (SHGs) are the most fitting of all stakeholders to recommend suitable Bank Sakhis and support them to create awareness and deliver financial services. The Bank Sakhis recommended by them are seen as reliable and trustworthy bank agents.

7.3. Customer

The customers value trust, proximity, availability, competence and behaviour of the Bank Sakhis. They also value the flexibility to do transactions on their doorstep even on Sundays and holidays. This convenience helps them same time and money of travelling to the bank branches.

1. Breaking Social Barriers: Through the twin pilot projects initiated and supported by the RFIP, it has been clearly established that the Bank Sakhis are more effective than conventional CSPs in the expansion of FI in rural areas and especially to women and children. They have been able to include the unbanked sections by breaking the barriers of caste and gender.

2. High Account Usage and Better Customer Service: The Bank Sakhis, being women as well as SHG members, are generally perceived as being more responsible and trustworthy with money. Since they are local and part of the community, the Bank Sakhis are able to serve the customers better. It has been observed in both the pilots that the accounts opened by the Bank Sakhis have a much lower dormancy and are more likely to remain active compared to those opened by conventional BC agents.

3. Reasons for Dormancy: Even though the level of dormancy amongst the accounts opened by Bank
Sakhis is lower than the conventional agents, it is still important to learn the reasons for dormancy. Some of the important reasons are – low level of awareness about the uses of the account and other products available; unannounced visits to the villages and not as per pre-communicated days by the Bank Sakhi; non-issue of transaction receipts resulting in low trust; and multiple account holders in same household. Some of these issues are being addressed by the Bank Sakhis by organizing awareness camps and planning visits to villages as per pre-communicated beat plans. Issuance of receipts has been a problem for Bank Sakhis operating on kiosk model as it is difficult to carry the printer along on field visits.

4. Role of Financial Awareness and Literacy: The most common reason for account dormancy is lack of awareness. The role of awareness camps and one-on-one interaction with the customers is critical to establish trust amongst the communities. Once the Bank Sakhi is appointed, the first step is to conduct an awareness camp with support of federation and link bank branch. Even after this, she conducts regular camps in different villages linked to her. It is necessary to provide her with basic financial literacy and marketing material for this task.

Well Placed to Serve Low Income Customers and SHG Customers

Bank Sakhis are uniquely placed to handle low-income customers and SHG groups. Their competitive advantage is in servicing savings accounts transactions. On the other hand, conventional male CSPs are keener to work on larger ticket size transactions with the lower middle income class. In UP, the bank has decided to focus the Bank Sakhi’s role on low-income and SHG customers’ transactions. This way they have outsourced these transactions at a lower cost compared to bank branch.
This Bank Sakhi approach demonstrates how two large financial inclusion programmes—the BC model and the SHG Bank Linkage Programme—can be converged with potential benefits for the government, service providers, and the customers. Through the twin pilot projects initiated and supported by the RFIP, it has been clearly established that the Bank Sakhis are more effective than conventional CSPs in the expansion of FI in rural areas and especially to women and children. The Bank Sakhis are also well placed to service the SHGs and provide them with more convenient banking services.

The advantages of the Bank Sakhi module as identified through the pilots are as follows:

• **Convenience for SHG members:** With SHG members acting as Bank Sakhis, the transactions of the SHGs can be routed through the BC model, thereby increasing transaction volumes for the Bank Sakhis and reducing cost of cash management for the SHGs and their supporting agencies (SHG federations/SHPI).

• **Transparency for Banks:** Once SHG transactions start through the Bank Sakhis and each individual member has an account, there will be greater transparency for the bank. The bank will be able to track individual SHG members, which is not possible at present. It also converges with the E-Shakti initiative of NABARD which seeks to digitize the SHG transactions.

• **Suitable for promoting Financial Inclusion:** It has been witnessed that the Bank Sakhis are able to mobilise higher savings and the accounts opened by them have a higher balance compared to conventional agents. They also have a lower percentage of dormant accounts. They are able to include women and children, who are generally the most financially excluded segments.

• **Lower CSP Attrition:** The attrition of agents, which is a common concern in the BC model, is significantly lower in the case of Bank Sakhis. This is because they have a more thriving customer base, and can manage a higher volume of transactions by leveraging the SHG ecosystem. Also being women, they are less likely to migrate to cities for employment.

• **Gender Empowerment:** The SHG members who are selected as Bank Sakhis are motivated by the opportunity to do something new and by the respect they receive from the community. The women who were hesitant to step out of their houses alone are today opening bank accounts, visiting the bank branches, conducting awareness camps, and playing an important role to achieve the national goal of financial inclusion. Not only does their self-confidence improve, their reputation and respect in the community and in the households also increases. Working as a Bank Sakhi is further a financially sustainable income opportunity for them.

To implement this approach, the first step is to decide on the model that the bank wants to adopt and to identify suitable stakeholders. Depending upon the local context and existing infrastructure, the appropriate model for implementing this approach will change. Irrespective of the model, it is important to ensure that all stakeholders are robust and committed to making the model successful.

Based on the experience garnered from the pilot projects, the role of a supporting agency in the form of an SHG federation or SHPI is very critical. They are best suited to select and support the Bank Sakhis. Given that they already have a local presence and community relationships, they are more sensitive to the needs and preferences of customers.

At the end it is important to ensure that two most important and inter-related challenges of the BC model are addressed – 1) quality customer service; and 2) strong business case for Bank Sakhis. All the activities related to the implementation of the approach must ultimately fulfill these two requirements. For this it is important to ensure efficient front-end processes, robust back-end technology, selecting the right Bank Sakhis, proper training, and regular monitoring and hand holding. In addition, a financial awareness programme to create awareness about the Bank Sakhi and the benefits is also required. The support from the bank branches to create awareness and win customer trust is indispensable for the Bank Sakhis.
# Annexure 1 – Commission Structure in Pilot Projects

## Annexure – Commission Structure in Uttar Pradesh

<table>
<thead>
<tr>
<th>Service Type</th>
<th>Total to BC</th>
<th>Share of total by Bank Sakhi</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Flat monthly amount</td>
<td>INR 1,000</td>
<td></td>
</tr>
<tr>
<td>2. Variable fees</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Account opening (INR)</td>
<td>20</td>
<td>16</td>
</tr>
<tr>
<td>Cash deposit / withdrawal (INR)</td>
<td>3</td>
<td>2.40</td>
</tr>
<tr>
<td>SHG group transactions (INR)</td>
<td>3</td>
<td>2.40</td>
</tr>
<tr>
<td>Fixed deposits (INR)</td>
<td>Not applicable</td>
<td>0</td>
</tr>
<tr>
<td>Credit recovery notice (INR)</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Generating eligible loan applications</td>
<td>0.20%</td>
<td>0.20% of loan amount (Min. INR 100, Max INR 500)</td>
</tr>
<tr>
<td>Generating eligible KCC loan applications</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Remittances</td>
<td>Not applicable</td>
<td>Only inward remittance facility is allowed and charges are NIL</td>
</tr>
<tr>
<td>SHG formation (INR)</td>
<td>300</td>
<td>250</td>
</tr>
<tr>
<td>SHG nurturing (INR)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SHG credit linkage (INR)</td>
<td>300</td>
<td>250</td>
</tr>
<tr>
<td>Recovery of loan (written off)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recovery of loan (doubtful)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Monitoring loans (per month / per account, INR)</td>
<td>INR 24 per quarter per account</td>
<td>80%</td>
</tr>
<tr>
<td>Insurance: Life (INR)</td>
<td>30</td>
<td>80%</td>
</tr>
<tr>
<td>Insurance: Non-life (INR)</td>
<td>1</td>
<td>80%</td>
</tr>
</tbody>
</table>
### Annexure 2 – Commission Structure in Madhya Pradesh

<table>
<thead>
<tr>
<th>Service type</th>
<th>Total commission</th>
<th>TDS</th>
<th>NICT commission Share</th>
<th>Federation</th>
<th>Bank Sakhi</th>
</tr>
</thead>
<tbody>
<tr>
<td>Column A</td>
<td>Column B</td>
<td>Column C</td>
<td>Column D</td>
<td>Column E</td>
<td>Column F</td>
</tr>
<tr>
<td>Per cent age share of overall commis-</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>sion</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Account opening</td>
<td>INR 20.00</td>
<td>INR 0.20</td>
<td>INR 1.98</td>
<td>INR 1.98</td>
<td>INR 15.84</td>
</tr>
<tr>
<td>Cash deposit/withdrawal</td>
<td>0.50%</td>
<td>0.01%</td>
<td>0.05%</td>
<td>0.05%</td>
<td>0.40%</td>
</tr>
<tr>
<td>(of deposit amount)</td>
<td>(of deposit amount)</td>
<td>(of deposit amount)</td>
<td>(of deposit amount)</td>
<td>(of deposit amount)</td>
<td>(of deposit amount)</td>
</tr>
<tr>
<td>SHG group transactions</td>
<td>0.50%</td>
<td>0.01%</td>
<td>0.05%</td>
<td>0.05%</td>
<td>0.40%</td>
</tr>
<tr>
<td>Recurring Deposits</td>
<td>INR 10.00</td>
<td>INR 0.10</td>
<td>INR 0.99</td>
<td>INR 0.99</td>
<td>INR 7.92</td>
</tr>
<tr>
<td>Fixed Deposits</td>
<td>0.50%</td>
<td>0.01%</td>
<td>0.05%</td>
<td>0.05%</td>
<td>0.40%</td>
</tr>
<tr>
<td>Fund transfer</td>
<td>0.50%</td>
<td>0.01%</td>
<td>0.05%</td>
<td>0.05%</td>
<td>0.40%</td>
</tr>
<tr>
<td>Credit recovery note</td>
<td>INR 10.00</td>
<td>INR 0.10</td>
<td>INR 0.99</td>
<td>INR 0.99</td>
<td>INR 7.92</td>
</tr>
<tr>
<td>Generating eligible loan applications</td>
<td>0.50%</td>
<td>0.01%</td>
<td>0.05%</td>
<td>0.05%</td>
<td>0.40%</td>
</tr>
<tr>
<td>SHG formation</td>
<td>INR 300.00</td>
<td>INR 3.00</td>
<td>INR 29.70</td>
<td>INR 29.70</td>
<td>INR 237.60</td>
</tr>
<tr>
<td>Nurturing</td>
<td>INR 300.00</td>
<td>INR 3.00</td>
<td>INR 29.70</td>
<td>INR 29.70</td>
<td>INR 237.60</td>
</tr>
<tr>
<td>Credit linkage</td>
<td>INR 400.00</td>
<td>INR 4.00</td>
<td>INR 39.60</td>
<td>INR 39.60</td>
<td>INR 316.80</td>
</tr>
<tr>
<td>Recovery of loans (written-off/doubt-</td>
<td>10.00%</td>
<td>0.10%</td>
<td>0.99%</td>
<td>0.99%</td>
<td>7.92%</td>
</tr>
<tr>
<td>ful)</td>
<td>3.00%</td>
<td>0.03%</td>
<td>0.30%</td>
<td>0.30%</td>
<td>2.30%</td>
</tr>
<tr>
<td>Monitoring loans (Per month per ac-</td>
<td>INR 5.00</td>
<td>INR 0.05</td>
<td>INR 0.50</td>
<td>INR 0.50</td>
<td>INR 3.96</td>
</tr>
<tr>
<td>account)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>