



Financial Inclusion and Women Business Correspondents

This editorial is based on “[Financial inclusion faces hurdles](#)” which was published in the Hindu Business Line on 08/02/2023. It talks about the rationale for the enhanced engagement of female BCs as well as challenges that make this profession unviable for them in the current ecosystem.

For Prelims: Financial Inclusion, Business Correspondents, Pradhan Mantri Jan Dhan Yojana, Digital Identity (Aadhaar), National Centre for Financial Education (NCFE), Centre for Financial Literacy (CFL) Project, Expansion of financial services in Rural and Semi-Urban Areas, Promotion of Digital Payments, Gram Panchayat.

For Mains: Inclusive Growth, Banking Sector & NBFCs.

Business Correspondents (BCs) are the **vital cog for the financial inclusion strategy of every bank**, with over **95% of banking outlets in rural regions being operated by them**. Critically relevant for women customers, **BCs have been able to conduct banking transactions**, from the convenience of their homes (or nearby their homes), cutting down the transportation cost, time and hesitancy barriers.

BCs are intermediaries who offer financial services on behalf of financial institutions, such as banks and microfinance organizations, in areas where it is difficult or costly to set up traditional branches. **BCs use various delivery channels**, including mobile technology, to bring financial services to the doorsteps of underbanked populations.

Many people, especially those in rural and underprivileged areas, face significant barriers to accessing financial services. This is where **Business Correspondents (BCs) come into play**.

Despite the proliferation of BCs, **the representation of female BCs is dismally low** and the available figures suggest that **they form less than 10% of the total BC network**. In the current ecosystem, **there are still some challenges that make this profession unviable for them** and require urgent attention to increase financial inclusion.

What are the Challenges with Women BCs?

- **Lack of Financial Inclusion:**
 - Many WBCs **face difficulties in accessing financial services** and credit to grow their businesses due to their lower socio-economic status and lack of collateral.
- **Digital Illiteracy:**
 - A **large number of WBCs are not familiar with digital technology** and lack the necessary skills to use digital financial services effectively.
- **Minimum Qualification:**

- Minimum qualification is **another hurdle that hinders the onboarding of female BCs**, especially in underserved rural areas.
- The current BC/Business Facilitator certification mandated by the RBI from the Indian Institute of Banking and Finance provides a **10th pass as the minimum qualification to appear for the examination**.
 - However, many banks have made this onerous by **keeping their minimum qualification as 12th pass**.
- **Societal Attitudes:**
 - WBCs often face societal attitudes that view women as homemakers and not as entrepreneurs, which can limit their opportunities to grow their businesses.
- **Lack of Support from Government and Financial Institutions:**
 - WBCs often **lack support from government and financial institutions**, which makes it difficult for them to access the resources they need to grow their businesses.
- **Safety Concerns:**
 - Many WBCs **operate in rural areas where there is a high risk of violence and crime**, which can limit their mobility and put them in danger when they are out conducting transactions.
- **Limited Financial Support:**
 - There is limited additional financial support provided by Business Correspondent Network Managers or the banks to address the socio-economic hurdles such as mobility and safety faced by a female BC.

What are the Other Challenges with Financial Inclusion in India?

- **Lack of Awareness:**
 - Many individuals and small businesses in rural and remote areas are unaware of the financial services available to them and their benefits.
- **Digital Literacy:**
 - With the rise of digital financial services, there is a need for digital literacy and access to technology, which is still lacking in many parts of India.
- **Infrastructure:**
 - Inadequate physical infrastructure such as roads, telecommunication network and power supply hampers the reach of financial services to remote and rural areas.
- **Cost:**
 - The cost of providing financial services in remote and rural areas is higher due to the lack of infrastructure, which makes it uneconomical for financial institutions.
- **Trust:**
 - Building trust among unbanked populations is a major challenge, as many individuals are distrustful of formal financial institutions due to a lack of experience or previous negative experiences.

How can Women BCs help in Deepening Financial Inclusion?

- **Rapport:** They are capable of building a rapport with diverse customer groups and promoting demand-driven incremental revenue while promoting small savings schemes and social security offerings.
- **Transparency:** The higher number of women agents can increase system transparency. Women BC agents have more patience and are more willing to address queries or explain product features.
- **Encourage Other Females:** Female customers are willing to share their family's financial issues and needs more openly with female BC agents leading to a better understanding of product sell.
- **Performance:** On the performance front, female BC agents bring similar or more business and might serve more of the underserved. They are more likely to serve customers in remote areas, the elderly, and other underserved sections of the population, according to customer perspectives. They are less susceptible to malpractices and are less prone to commit fraudulent acts towards customers.

What are the Related Steps taken?

- **One Gram Panchayat One BC Sakhi:**
 - It was initiated by the Ministry of Rural Development as an **ambitious plan to increase these numbers and deploy at least one BC Sakhi** in every [Gram Panchayat](#) by the end of 2023-24.
 - Studies indicate that **female BCs show higher profitability, wider cross-selling of financial products and lower attrition rates.**
 - During the lockdown, [Self-Help Group \(SHG\)](#) members engaged as BC Sakhis (female banker friend) played a crucial role in creating awareness and enabling access to [Pradhan Mantri Garib Kalyan Yojana](#) cash transfers and other [Direct Benefit Transfers](#) at the doorstep as well as reducing the rush of the beneficiaries at bank branches.
- **Other Schemes:**
 - [Pradhan Mantri Jan Dhan Yojana](#)
 - [Digital Identity \(Aadhaar\)](#)
 - [National Centre for Financial Education \(NCFE\)](#)
 - [Centre for Financial Literacy \(CFL\) Project](#)

What should be the Way Forward?

- **Designing Gendered Recruitment Strategy to attract BCs:**
 - By designing a gendered recruitment strategy to attract more women BCs , including **setting specific targets for their staff and corporate BCs**, and training and incentivising corporate BCs to identify potential women candidates can help overcome the structural barriers that women face.
 - The key is to **reduce entry barriers by taking favourable actions** such as providing equipment and rental support (rather than requiring women to make upfront capital investments), adding incentives such as an initial stipend for the first year, solving mobility issues, offering flexible hours of operation and providing protection to women BCs and their families, on the lines of health insurance, etc. which will encourage more women to opt in.
 - Finally, creating a supportive environment for women BCs through training, mentoring, ensuring ongoing support (through dedicated officials) and creating women agent communities, will then help them thrive long term.
- **Expansion of Digital Infrastructure:**
 - The Indian government and financial institutions can **focus on expanding digital infrastructure, such as broadband connectivity and mobile phone penetration**, to reach remote and underdeveloped areas.
 - This will enable people to access financial services from the comfort of their homes.
- **Promotion of Digital Literacy:**
 - **Promoting digital literacy among the population** particularly among those who are less educated and live in rural areas **is also needed.**
 - This can be achieved through **various initiatives, such as financial literacy programs and awareness campaigns.**
- **Provision of Affordable Financial Products:**
 - Financial institutions can **provide affordable financial products that cater to the specific needs of low-income groups**, such as small loans, microinsurance, and savings accounts with low minimum balances.
- **Collaboration between the Public and Private Sectors:**
 - To increase financial inclusion, it is **important for the public and private sectors to collaborate and work towards a common goal.** The government can create a favorable regulatory environment, while financial institutions can provide the necessary financial services.
- **Focus on Women's Financial Empowerment:**
 - Women are often left out of the traditional banking system, and they **need to be specifically targeted to increase financial inclusion.**
 - This can be achieved by providing women with access to financial services, promoting their participation in the labor force, and addressing the gender-based barriers that prevent

them from accessing financial services.

Drishti Mains Question

How can Women Business Correspondents help in deepening financial inclusion in India. Comment.

UPSC Civil Services Examination, Previous Year Questions (PYQs)

Mains

Q. Pradhan Mantri Jan Dhan Yojana (PMJDY) is necessary for bringing unbanked to the institutional finance fold. Do you agree with this for financial inclusion of the poorer section of the Indian society? Give arguments to justify your opinion. **(2016)**

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