

BC SAKHI: WOMEN EMPOWERMENT AND FINANCIAL INCLUSION – PAPER III



Introduction

Empowering women through financial inclusion has been a key focus for governments across the world, and India is no exception. The "Business Correspondent Sakhi" (BC Sakhi) initiative is a notable effort by the Indian government to strengthen rural banking services while simultaneously creating livelihood opportunities for women. Launched under the nationwide women empowerment program, the BC Sakhi initiative has been instrumental in driving financial inclusion, particularly in underserved rural regions.

By recruiting and training women from self-help groups (SHGs) as business correspondents, the program has not only provided essential banking services at the doorstep of rural families but also offered an avenue for women to contribute to their households and communities economically.

The BC Sakhi Initiative: An Overview

The BC Sakhi initiative was officially launched in May 2020 as part of the National Rural Livelihood Mission (NRLM). The primary objective of this program is to offer banking and financial services in unbanked and under-banked rural regions of India by utilizing women from SHGs. These women, referred to as BC Sakhis, act as business correspondents for various banks, including the State Bank of India (SBI), Union Bank of India, and the Bank of Baroda.

Since its inception, the program has seen significant success. By September 2023, nearly 36,000 BC Sakhis were operational in the state of Uttar Pradesh alone, conducting financial transactions worth ₹27,000 crore and earning ₹75 crore in commissions over a span of four and a half years. These women act as the bridge between formal financial institutions and rural populations, extending banking services such as cash deposits, withdrawals, loans, and remittances, directly at the doorsteps of villagers.

Uttar Pradesh leads the nation in the number of BC Sakhis, followed by Madhya Pradesh and Rajasthan, with 19,000 and 10,000 BC Sakhis, respectively. This initiative provides livelihood opportunities for rural women and plays a crucial role in advancing financial literacy and reducing the gap between formal banking services and the rural economy.

The Role of BC Sakhis in Women Empowerment

Women empowerment is a multifaceted process, encompassing social, political, and economic dimensions. Economic empowerment, in particular, forms the backbone of self-sufficiency and financial independence. The BC Sakhi initiative empowers women economically by providing them with a source of income through banking commissions while also developing their skills in financial services and entrepreneurship.

Women selected as BC Sakhis undergo extensive training and certification, equipping them with the knowledge and skills required to operate digital devices, perform financial transactions, and offer financial advice. Many BC Sakhis come from SHGs that have been established to support women in rural areas by providing credit, financial literacy, and business development

opportunities. With the additional role of a BC Sakhi, these women not only uplift their own economic standing but also serve as role models within their communities.

Moreover, the program prioritizes the recruitment of women from families of ex-servicemen, bankers, and teachers, recognizing that these individuals often come with a background of discipline, financial understanding, and community leadership. The inclusion of literate women in rural India as business correspondents ensures that banking services are made accessible to people who previously had limited or no access to formal financial institutions.

Financial Inclusion and Women Empowerment

Financial inclusion refers to providing individuals and communities, especially those who are marginalized, access to useful and affordable financial products and services, such as savings, credit, insurance, and remittances. In India, women in rural areas have historically been excluded from formal banking systems. This exclusion not only limits their ability to save and invest but also impedes their overall financial independence and decision-making capacity within the household.

The BC Sakhi initiative is pivotal in addressing these challenges by ensuring that women are not merely beneficiaries of financial inclusion but active participants in driving the financial system forward. Women acting as business correspondents help to:

1. **Reduce the Gender Gap in Financial Services:** By appointing women as BC Sakhis, the initiative breaks down barriers that rural women face when accessing banking services. Women are more likely to approach female business correspondents for banking assistance, which fosters trust and encourages greater financial participation.
2. **Promote Financial Literacy:** BC Sakhis serve as educators within their communities, teaching villagers—especially women—about the importance of saving, budgeting, and accessing credit. This knowledge empowers rural women to make informed financial decisions for their families.
3. **Improve Loan Repayment Rates:** The government has credited the BC Sakhi initiative for lowering non-performing assets (NPAs) among women SHGs compared to the overall NPAs of public-sector banks. Women who receive loans through SHGs are more likely to

repay them on time, ensuring the sustainability of the program and further access to credit.

4. **Foster Economic Development:** By ensuring that rural families have access to credit, savings, and insurance, the initiative encourages entrepreneurship and small business development in rural areas, thereby contributing to local economic growth.

Importance of Women Empowerment in India

Empowering women, especially in rural India, has profound implications for the country's overall development. Women constitute almost half of India's population, yet their participation in the workforce, particularly in rural areas, has been limited by socio-economic factors such as lack of education, gender discrimination, and limited access to financial resources. Women's empowerment is crucial not only for achieving gender equality but also for fostering economic development, reducing poverty, and improving social indicators such as health and education.

Programs like the BC Sakhi initiative contribute significantly to empowering women by providing them with livelihood opportunities and integrating them into the financial mainstream. Empowered women are better equipped to contribute to their families' economic well-being, invest in their children's education, and participate in community decision-making.

Government Schemes for Women Empowerment in India

In addition to the BC Sakhi initiative, the Indian government has launched several other programs aimed at empowering women. Some of the notable schemes include:

1. **Pradhan Mantri Mudra Yojana (PMMY):** This scheme provides collateral-free loans to small businesses, with women entrepreneurs receiving priority. Since its launch, a significant portion of loans under this scheme has been disbursed to women-led enterprises.
2. **Beti Bachao Beti Padhao:** This campaign aims to address the declining child sex ratio and promote the education and well-being of the girl child.

3. **Mahila E-Haat:** Launched under the Ministry of Women and Child Development, this initiative provides women entrepreneurs with an online platform to market and sell their products.
4. **National Rural Livelihood Mission (NRLM):** This mission promotes the formation of SHGs to enhance women's participation in income-generating activities. Under NRLM, the government has prioritized financial literacy and institutional finance for women.

Conclusion

The BC Sakhi initiative exemplifies how targeted government programs can serve the dual purpose of empowering women and driving financial inclusion in underserved areas. By integrating rural women into the financial ecosystem as business correspondents, the initiative not only provides much-needed banking services in rural areas but also enhances the economic and social status of women.

The success of the BC Sakhi program highlights the importance of women empowerment in India's broader development agenda. Empowering women through financial inclusion, education, and livelihood opportunities creates ripple effects that benefit families, communities, and the nation as a whole. As the Indian government continues to roll out schemes like the BC Sakhi initiative, the dream of a financially inclusive, gender-equal India becomes more attainable with every step forward.

Mains Practice Question

Discuss the role of the BC Sakhi initiative in promoting financial inclusion and women empowerment in rural India. Highlight how this initiative addresses key challenges faced by women in accessing financial services and how it contributes to overall economic development in the country. (250 words)

Answer Guidelines:

1. **Introduction (2-3 sentences):**
 - Provide a brief overview of the BC Sakhi initiative, mentioning its launch under the National Rural Livelihood Mission (NRLM) and its role in rural financial inclusion.

2. Role in Financial Inclusion (4-5 sentences):

- Explain how BC Sakhis, who are trained SHG members, provide doorstep banking services, ensuring access to essential financial products such as savings, credit, and remittances.
- Mention how this reduces the dependency on physical bank branches, especially in unbanked and under-banked regions.

3. Empowerment of Women (4-5 sentences):

- Highlight the economic empowerment of rural women by offering them livelihood opportunities as banking correspondents.
- Discuss how the initiative improves financial literacy and allows women to contribute financially to their households and communities, thus enhancing their social standing.

4. Addressing Challenges (3-4 sentences):

- Describe the barriers women in rural areas face in accessing financial services, such as lack of formal banking knowledge and trust issues with formal institutions.
- Explain how BC Sakhis bridge these gaps, offering financial literacy and creating trust through their community presence.

5. Economic Development (3-4 sentences):

- Mention how BC Sakhis play a role in fostering entrepreneurship and small business growth by ensuring access to credit and savings.
- Connect this to the larger economic development goals of rural India.

6. Conclusion (2-3 sentences):

- Sum up by reinforcing the importance of the BC Sakhi initiative as a dual force driving both women empowerment and rural financial inclusion.