

Madhya Pradesh Inclusive Finance Bulletin

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PSIG PROGRAMME UPDATES

3rd State Financial Inclusion Forum Meeting (SFIF)



The 3rd meeting of SFIF in Madhya Pradesh was organised at Hotel Marriott in Bhopal on 3rd September 2015. The key theme for the meeting was **“Strengthening Financial Literacy Centers (FLCs): Current status, Constraints and Way forward”**.

The meeting was attended by representatives from RBI, NABARD, Commercial Banks, NGOs and Counsellors of various FLCs and PSIG team. During the meeting ACCESS ASSIST also presented before the forum the outcomes of the **“Dipstick study**

on FLCs: status, constraints and way forward” conducted in 4 PSIG focus states covering 5 FLCs of different lead banks in each state (in total 22 FLCs). The objectives of the study was to understand and document the current status of FLCs run by Lead District Banks and Regional Rural Banks vis a vis the FLC guidelines of RBI. Some of the major findings of the study are:

- Out of the total sample around 20.87% of respondents were aware about existence of FLC.
- 9.89% respondents recognized that the camp was organized by FLC whereas around 29.67% thought the same was organized by Commercial Bank and 17.52% thought by RRBs, BCA (20.87%) and others (7.69%).
- 18.68% respondents had attended two activities and 3.29% had attended more than two activities.

State level Atal Pension Yojana (APY) workshop

Under the PSIG Programme, an orientation workshop on “Atal Pension Yojana” was organised in Bhopal on the 2nd November 2015. The broad objectives of the workshop were:

- Familiarize the participants with APY – Features, Eligibility, Operational process & practices to be followed and Performed by Central Recordkeeping Agency (CRA), Process flow of enrollment to be followed by banks, etc.
- Stimulate queries on various aspects of the product
- To obtain feedback on additional clarification/ Information required by the stakeholders in order to communicate with subscribers.



The workshop also featured presentation on National Pension Scheme (NPS) and APY by Pension Fund Regulatory Development Authority (PFRDA) and Centum Training Institute (a partner agency of PFRDA for conducting APY orientation programme).

The workshop was attended by various officials from PSU Banks, Private Banks, RRBs & Cooperative Banks, government departments, NGOs and some MFIs.

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- 16.48% respondents received information about the camps through the Financial Counselor, 7.69% from the base branch, 51.64% from BCA (21.97% from people representatives).
- 34.06% of respondents have enrolled with or availed at least one financial product after attending the camps - BSBDA (54.84%), insurance (45.16%) and pension scheme (12.90%), credit (22.58%).

In the presentation it was also highlighted that till date majority of the APY subscribers who have enrolled are in the bracket of Rs 5000/- monthly pension scheme based on the available data. PFRDA representatives hence the participants to solicit their support in offering the pension scheme to the unorganized workforce associated with them. An interactive session was also held at the end of the session with the participants to discuss their experiences and issues to stipulate possible solutions. Further, individual bankers also shared certain technical suggestions about NPS and APY which were taken into account by PFRDA representatives.

District level APY workshop

Under the PSIG Programme, a District level APY orientation workshop was organised in Damoh district on 3rd November, 2015 at Zila Panchayat office. Damoh district having low APY enrollments (with only 674 enrollments till date) was strategically chosen in consultation with SBI. The workshop featured a presentation on APY by Shri Subhash Deshpandey, Trainer, Centum Training Institute (a partner agency of PFRDA for conducting APY orientation programme). The workshop was attended by various stakeholders such as senior Government officials like CEO-ZP, Damoh (Upper Collector), and officials from SRLM, Dept. of Social Justice, Dept. of Women & Child Development, Labour Dept. and professors from Govt

PG colleges. Also branch level and field functionaries of various Banks (Public Sector Banks/ Private Banks/ Cooperative Banks/ RRBs), Corporate BCs, FLC counselor, NGOs and field BC Agents participated in the workshop.



The workshop was designed primarily to enhance understanding of the product to relevant field level stakeholders

and to discuss its features with clarity to increase its outreach.

The valedictory address was delivered by CEO Zila Panchayat, Damoh District and Lead District Manager (LDM), State Bank of India Shri B. L. Rai. Both emphasized the benefits of the product and highlighted on how small investments can be beneficial for the customers in the years to come. It was highlighted that banks' ownership and responsibility is critical for enrollment and requested the participants to increase the enrollments. The LDM appreciated the effort and stated that such meetings would help in stakeholder engagements which would ultimately lead to more tangible outcomes.



OTHER PSIG STATES UPDATES

Odisha -

- Bank Exposure visit to Sambandh Finserve Pvt. Ltd: The 3rd Bank-MFI Exposure visit was organized on the 11th of September 2015 where bankers interacted with SHG members and Senior Management of Sambandh at their Head Office.
- As a follow-up action point from the 6th SFIF meeting, a workshop on understanding the prevailing challenges of Business Correspondents was organized in Bhubaneswar on 16th October 2015.
- Odisha SFIF Conclave: The Conclave was organized under the PSIG program on 4th of November 2015. The event was inaugurated by Mr. U. N. Behera, IAS, Development Commissioner-cum-ACS, and Government of Odisha, accompanied by Mr. S. K. Kale, CGM-NABARD, Mr. S. Ramakrishnan, CGM-SIDBI and Mr. B. P. Samantaray, GM & SLBC Convener-UCO Bank. 7th issue of the Odisha IF bulletin was released at the conclave and shared with all the dignitaries.
- Regional Lenders' Meet: The meeting of lenders, other investors, industry bodies and MFIs was organized on the 5th November 2015

Uttar Pradesh -

- 5th SFIF Meeting- Fifth meeting of SFIF, Uttar Pradesh was organized on 14th October. Key theme of the meeting was Strengthening of FLCs: Issues, Constraints & Way Forward. Apart from SFIF members, representative from different FLC & LDM's were also present. SEBI also shared their initiatives on Financial Literacy.
- Quarterly Inclusive Finance Bulletin - 2nd issue of the Quarterly Inclusive Finance bulletin of this financial year has been released in September, 2015 with updates from the sector.
- Regional Lenders' Forum meet with lenders, investors, MFIs and credit bureau participation was organised on 14th Oct in Lucknow.

Bihar-

- Bankers Exposure Visit to MFI - 2nd bankers Exposure visit has been organized on 4th September 2015. Representatives from 8 banks attended the exposure visit to Arohan. They visited branch and groups of Arohan and had firsthand experience on MFI's activities.
- APY Orientation Programme - An orientation programme on Atal Pension Yojana has been organized on 5th October in association with PFRDA and Centum Learning. Bankers, MFIs, KVIB, Government Departments were major participants of this programme.
- SFIF meeting - Eighth meeting of SFIF, Bihar was organized on 13th October. Key theme of the meeting was PMJDY - Implementation and challenges ahead. Apart from SFIF members, representative from different banks were also participated.
- Quarterly Inclusive Finance Bulletin-2nd finance bulletin of this financial year has been released in September, 2015.

STATE FINANCIAL STATUS AT A GLANCE: WHAT NUMBERS SPEAK?

Coverage under Social Security Schemes (SSS)

Enrollments under three SSS Schemes i.e. Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY), Pradhan Mantri Bima Suraksha Yojana (PMBSY) and Atal Pension Yojana (APY) are progressing at good rate in the state. As on Sept'15, there have been more than 80 Lakhs and 20 Lakh enrollments under PMSBY and PMJJBY respectively. For Atal Pension Yojana (APY), there have been more than 42 thousand enrollments showing a threefold increase since the last SLBC data in June'15. Overall the total enrollments under these three SSS schemes stand at 1.01 crores in Sept'15 as against the target of 2.92 Cores.

Coverage under SSS Schemes				
	Enroll-ment as on 16.06.15	Enroll-ment as on 30.09.15	Incremen-tal enroll-ments	% In-crease
PMSBY	5,666,306	8,039,153	2,372,847	41.88%
PMJJBY	1,698,036	2,055,322	357,286	21.20%
APY	17,554	42,702	25,148	143.26%
Total	7,381,896	10,137,177	2,755,281	37.32%

Source: SLBC 157 and 158 agenda

Microfinance in the State

Microfinance sector has grown steadily in the state. Gross Loan Portfolio stands at Rs. 2800 crores showing an increase of more than 12% since the last quarter. Total number of MFI clients has increased by about 10% and now stand at 22.2 Lakhs. Loan amount disbursed has grown substantially at 36% and currently stands at almost Rs. 1300 crores. Also, the numbers of loans disbursed have grown by 28% to reach 6.48 Lakh loans. There has been increase in branches by 10% and employees by 15%, indicating that MFIs are in expansion mode in the state of MP.

Microfinance in the State			
Particulars	Q2, FY 2015-16	Q1, FY 2015-16	% Change
GLP (Rs. Crores)	2,794.5	2,456.5	12.1%
Clients (Lakhs)	22.2	20.0	9.9%
Branches	876.0	783.0	10.6%
Employees	6,764.0	5,754.0	14.9%
Loan Amount Disbursed (Rs. Crores, Quarterly)	1,297.4	824.2	36.5%
Loans Disbursed (Quarterly)	648,593.0	465,078.0	28.3%
Average Loan disbursed per account (Rs.)	20,003.0	17,723.0	11.4%

(Source: MFIN Micrometer, Sept issue)

Bank Branch Expansion

Bank branch expansion seems to have saturated in the state after the period of steady increase. From March'15 till Sept'15, bank branches have almost remained unchanged for all categories of banks. As per SLBC's branch expansion plan for current financial year, 317 more branches needs to be opened till 31st March'16. Expansion of ATMs has shown an increase of about 300 ATMs in last 6 months. Out of this, maximum increase has been for commercial banks and some for private banks.

Bank Branch and ATMs in the state				
	Total Branches till 30.09.15	Total Branches till 31.03.15	Total ATMs till 30.09.15	Total ATMs till 31.03.15
Commercial Banks	2,927	2,950	3,823	3,559
SBI Group	1,090	1,087	3,727	3,717
Private Banks	559	5,61	1,053	1,073
RRBs	1,249	1,234	2	2
Cooperatives	1,121	1,121	1	1
Total	6,946	6,953	8,606	8,352

Source: SLBC 157 and 158 agenda

Progress under Pradhan Mantri Mudra Yojana (PMMY)

Since the launch of PMMY, more than 5.5 million loans amounting to Rs. 2658 crores have been sanctioned in the state, out of which Rs. 2320 crores have been disbursed. For Sishu loan, Rs. 955 crores have been sanctioned for more than 5 lakh loans, showing average loan size of about Rs. 19,000. For Kishore loan, Rs. 949 crores have been sanctioned for more than 43 thousand loans, showing average loan size of about Rs. 2.2 Lakhs. Similarly for Tarun loan, Rs. 754 crores have been sanctioned for 9700 loans, showing average loan size of about Rs 7.77 Lakhs. MFIs are in expansion mode in the state of MP.

Progress under PMMY			
	No of Sanc-tions	Sanctioned Amount (In Rs. Crore)	Disbursed Amount (In Rs. Crore)
Sishu (Loans upto Rs. 50,000/-)	505,393	955.00	840.86
Kishore (Loans from Rs. 50,001 to Rs. 5.00 Lakh)	43,130	949.47	820.47
Tarun (Loans from Rs. 5.00 to Rs. 10.00 Lakh)	9,700	754.32	659.26
Total	558,223	2,658.79	2,320.59

Source: PMMY website (data as on 11.12.15)

RECENT DEVELOPMENTS IN FINANCIAL INCLUSION SPACE

RBI merged two funds to push financial inclusion with a corpus of Rs 2,000 crore fund

RBI announced merger of two funds to create a new Financial Inclusion Fund with a corpus of Rs 2,000 crore to support 'developmental and promotional activities' for expanding reach of banking services. After completion of initial five years, RBI said it has now been decided to merge both the Financial Inclusion Fund and Financial Inclusion Technology Fund into a single Fund -- Financial Inclusion Fund (FIF). The overall corpus of the new FIF will be Rs 2,000 crore. Contribution to FIF would be from the 'interest differential' in excess of 0.5 per cent on RIDF (Rural Infrastructure Development Fund) and STCRC (Short-Term Cooperative Rural Credit) deposits on account of shortfall in priority sector lending kept with NABARD by banks.

(Source - Economic Times Oct' 2015)

DBT, RuPay Critical for 'Meaningful' Financial Inclusion

The PMJDY is arguably one of the major initiatives of the Narendra Modi-led government. While successive governments have in the past tried to cover the unbanked section of the population, the PMJDY has actually managed to make significant headway and that too at breathtaking speed. But, "unless the Direct Benefit Transfer (DBT) programme and the usage of RuPay cards pick up steam, there is every danger that these well-intentioned accounts opened with such enthusiasm might remain operative" says M S Sriram, professor at IIM Bangalore, in the Inclusive Finance India Report 2015, Sriram argues PMJDY's success, unlike past programmes, is because it took "the issue of inclusion from a supply side

- passive architecture-building project to the next level - the saturation of the demand side by adopting both push and pull strategies." The programme also received a boost with the Reserve Bank of India (RBI) accepting eKYC. In the past, a big constraint on enhancing financial inclusion was identification. In the absence of documents, the poor were simply unable to open accounts.

Financial inclusion: Banks open over 19 crore accounts under PM Narendra Modi's Jan Dhan Yojana

Banks have opened 19.21 crore accounts under the government's ambitious financial inclusion scheme PMJDY with deposit of more than Rs 26,819 crore, the finance ministry has said. The ministry said RuPay cards have been issued to 16.51 crore customers and that two lakh accounts are opened every day. The PMJDY, which also entails a life insurance cover of Rs 30,000 and an accident insurance cover of Rs 1 lakh, has benefited several subscribers as 1,336 claims of life cover and 333 claims of accident insurance cover have been paid till November 2015. The ministry statement also noted that zero balance accounts in PMJDY have declined from 76 per cent in September 2014 to 36.5 per cent in November 2015. As on November 2015, the gross enrolment under PMSBY is 9.16 crore, while that under PMJJBY is 2.86 crore," the finance ministry said, adding that 10.35 lakh subscribers have enrolled in the pension scheme.

(Source - Economic Times Dec'2015)

Use of Aadhar card to help in financial inclusion: Raghuram Rajan

The Supreme Court permitted voluntary use of Aadhar card for schemes like MGNREGA, all types of pension schemes, PM's Jan Dhan Yojana and EPF. While modifying its earlier

order restricting use of Aadhar for PDF and LPG only, the apex court ruled that Aadhar card scheme would be purely voluntary and not mandatory till the matter is decided by the court. RBI Governor Raghuram Rajan welcomed Supreme Court ruling on use of Aadhar card in more schemes and said it will help in financial inclusion drive and providing easy access to loans. "The Supreme Court ruling on Aadhar card will be quite helpful, making us use it in banking services. It will make easier for financial inclusion," Rajan told reporters. With an UIDAI number, a person will be able to open a bank account as it will work as an identification document and will help in easier access to loans, he added.

India will lead the world in digital financial inclusion: Bill Gates

Microsoft founder Bill Gates said that in a couple of years India will lead the way in digital financial inclusion. Speaking at a panel discussion on Transforming India through digital financial inclusion, Gates, in association with NASSCOM, said they were helping the government implement its projects in sector. "The results will be magical once critical mass is achieved." Minister of State for Finance Jayant Sinha said the idea was to create a plug-and-play platform for the apps - essentially the direct benefits given to citizens. He said the Indian model is different from the acclaimed Kenya model as it was based on open architecture and allows interoperability. "We have made it channel neutral. Whenever the ultimate transactions happens is where the commission is paid out. And there is also the Right incentive for consumer choice," the minister said. He said while 90 per cent of NREGA payments are already going through bank accounts, the government was now working on health insurance and crop insurance.

'Financial Inclusion Schemes will Ensure Growth Opportunities'

ICICI Bank chief Chanda Kochhar said government's financial inclusion schemes will bring millions of people into the mainstream and ensure

inclusive growth opportunities. Kochhar said ICICI Bank has been pursuing the financial inclusion agenda since last decade when it started lending to under-banked customer segment through MFIs. Speaking at the NHRDN National Conference, she said the rapidly changing landscape in India will give immense opportunities

to 'Architect the Curve', to be at the forefront of change and influence the world not just at an economic level but also at the social level. Also Stressing on increasing participation of women in the workforce, she said accessing this talent pool is essential for sustainable growth.

INTERVIEW WITH FINANCIAL COUNSELOR-SBI, NEEMUCH



**Shri A. U. Parmar, Counselor,
Financial Literacy Centre, State Bank
of India, Neemuch**

Financial inclusion is a practice to expand the reach of financial services to unbanked areas – what is the role of FLCs in achieving this goal.

Financial inclusion is of vital importance and given the circumstances prevalent in our country the need for providing financial services to unbanked areas is essential. There are always varied opinions about the importance and need for financial inclusion in India. But we cannot have a huge segment of our society excluded from the formal financial ecosystem. Hence, it is imperative to have initiatives like financial inclusion in practice which enables us to expand the reach of financial services to the population residing in unbanked areas.

In realizing the objective of achieving "financially inclusive growth", the biggest challenge is improving financial literacy so that borrowers could take informed decisions. Our extensive financial literacy

programmes through FLC's overcome this problem by reaching thousands of customers and small entrepreneurs. Financial counselling through face-to-face interaction with interested individuals is provided at these centres. Financial education imparted includes importance of responsible borrowing, financial planning and information about various financial products and services. Besides, debt counselling is provided for amelioration of debt-related distress of any individual.

What kind of activities is the FLC involved in and how is the existence and role of FLC made known to target beneficiaries?

The FLC has a complete framework to work towards attaining the goal of Financial Inclusion. The Financial Literacy Centres are engaged in spreading awareness through various channels. The major activities undertaken by the centers are mini camps at village level in BC points, gram sabhas, conducting Nukkad Nataks, mega camps at district and block levels, etc. with an objective to aware rural mass more about the banking facilities available through various effective channels and also provide handholding support to make them enable to avail the services for their benefit.

Since these unbanked areas are situated in scattered locations and there are geographical imbalances, support from parallel organizations is sought

for in spreading the information before and after the camps. Several tie ups are done with institutions like District Administration, RSETI, local NGOS, rural bank branches and other available financial institutions to reach to the last mile and make the services effective. Other channels like print advertisements, radio announcements, use of pamphlets, etc. also considered to target larger groups to make these initiatives successful.



What is your perception of the quality of activities of FLCs and what are your suggestions to make these more effective?

There is an issue of a demand supply mismatch at grassroot level. GOI through its various machineries has been trying to strengthen the supply side by creating a favorable policy environment, while the demand side has been lagging behind. These gaps can be addressed through financial literacy which is so critical because of the large chunk of poor population with diverse socio-cultural backgrounds. But the need of the hour is to have adequate infrastructure, enough resources, and

required support to maintain high quality deliverables. Also given the geographical bandwidth allocated to the particular FLC, infrastructure support becomes critical to increase the reach till last mile.

Your views on ICT based literacy techniques in making the outcomes of financial literacy more effective?

Information and Communication Technology (ICT) is one of the effective tools in today's era for imparting financial literacy to the vulnerable groups having non-formal education. Our FLC is also involved in delivering literacy through ICT

based projectors, videos, etc., in association with local NGOs and other government departments. It can be emphasized that effectiveness through these literacy techniques are more and also generate interests among the participants. Also locally relevant and acceptable curriculum with sensitivity to individual learner's options and interest is considered while delivering the ICT based literacy.

Any other issues, challenges or way forward which you may like to address in Financial Inclusion space in terms of FLC.

Financial Literacy is a very important

adjunct for promoting Financial Inclusion in the state. As already mentioned, ICT based techniques will be critical in the near future in delivering the literacy services at low cost making it beneficial for both banks and the target groups. There are factors like lack of regular income, poverty, illiteracy and also the lack of reach being major obstacles in financial inclusion but solutions from ICT and other methods are being used in a big way to provide financial services to the poor. And FLCs will continue to endeavor by delivering its services through available means to reach the last mile.



About us:

The Poorest States Inclusive Growth Programme (PSIG): The DFID supported Poorest States Inclusive Growth (PSIG) programme, implemented by SIDBI, aims to increase access of financial services to 12 million low income clients in the 4 State of UP, MP, Bihar and Odisha. This £30m, 7-year project has three distinct outputs – policy advocacy, capacity building and financial literacy & women empowerment. ACCESS-ASSIST is managing the policy component of the programme.



*For sending contributions & queries please contact:
Dhruv Mittal (dhruv@accessassist.org and Amit Das (amit@accessassist.org)*