

# MP Inclusive Finance Bulletin

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## Inception Meeting of the State Financial Inclusion Forum (SFIF) in MP

Under the PSIG programme, the SFIF is expected to act as an exchange and deliberation forum to promote effective coordination and synergy among various stakeholders for accelerating the process of financial inclusion in the state.

The SFIF held its inception meeting on 12th Nov, 2014 in Bhopal. GM, SIDBI, briefed the forum about the vision, objectives, key activities and roadmap of

the PSIG programme, both at state and national level.

Suggestions were made by Shri L.M. Belwal, CEO; SRLM in partnering with PSIG programme in areas of strengthening of BCs, capacity building support to Community based FIs etc.

It was discussed that banks have and are deploying huge number of BCs in the

field but the capacity building input being provided to the BCs while appointing them is inadequate. Also, there are issues related to formal training in business generation, client dealing etc. Capacity building of BCAs would thus be taken up as one of the key themes in second SFIF meeting. It was informed that SIDBI, under PSIG is also undertaking a drill down study on BCs in the state.

## Activities under PSIG Programme in MP

**Narmada Jhabua Grameen Bank under PSIG support organized a “Mega Workshop for Business Correspondent Agents (BCAs)” at Dewas on 2nd January, 2015:** Inaugurated by District Collector, Shri. Ashutosh Awasthi, the event was attended by 20 BCAs and important stakeholders from District Level State Government Officials, SIDBI-PSIG, NABARD, NGOs, Corporate BCs and

Bank Staff. The event focused on capacity building of BCAs and the crucial role they play in delivering banking services to the last mile.

**Finmark Trust, South Africa organized a “Kick-off workshop Finscope India study” at Bhopal on 12th of January, 2015:** The key objective of FinScope survey is to track and measure levels of

access to, and use of financial services by all bankable adults, across income ranges and other demographics, and making this information available to key stakeholders as policy-makers, regulators, and financial service providers. It has been conducted in 18 countries. The FinScope India study will cover 16,000 interviews across Bihar, Odisha, Madhya Pradesh and Uttar Pradesh.

## Updates from the Financial Inclusion Sector

**Financial Education & Awareness from RBI:** The RBI recently released guidelines on Criteria for Institutions, who can seek Financial Assistance from the Depositor Education and Awareness Fund. It aims to grant financial assistance to institutions/organizations/associations for taking up various activities relating to promoting bank depositors education and awareness.

**Largest Funding:** Ujjivan has been able to raise Rs. 600 crore funding from UK's Commonwealth Development Corporation, PE investors CX Partners, Newquest and from a unit of Bajaj Group; making it the single largest funding in the microfinance sector. Furthermore, Mannapuram Finance, a South based gold loan company is acquiring 85% stake in Ashirvad Microfinance. The sector seems to be reviving again with CRISIL estimating the assets of Indian microfinance industry would reach a whopping Rs. 45000 crore by FY 2016!

**LPG subsidy to be provided in bank account from 1st Jan'15:** The GoI has decided to transfer cash subsidies for LPG to bank accounts w.e.f from 1st Jan'2015.

According to the scheme, consumers will have to either link their Aadhaar number into their bank accounts and their LPG consumer ID or, they will have to link their bank accounts directly with their 17-digit LPG ID to receive subsidy on LPG.

**National Rural livelihoods Mission (NRLM) – Aajeevika – Interest Subvention Scheme:** The RBI declared a scheme of interest subvention on credit to women SHG's in 150 districts through a circular dated December 9th 2014. The scheme allows all women SHGs an interest subvention on credit up to 3 lakhs at 7% per annum. These SHGs will be provided an additional of 3% on timely repayment of loans.

**Swavalamban - A mission:** Only 12 per cent of the working population is covered under a formal pension system therefore a target of opening of 70 accounts per branch has been allocated to banks, amounting to a total target of 56 lakh Swavalamban accounts for the 2014-15.

The Swavalamban scheme has been made an integral part of Pradhan Mantri Jan Dhan Yojana (PMJDY).

**Rashtriya Mahila Kosh:** The GoI has announced revamping of the Rashtriya Mahila Kosh (RMK), the signature credit scheme of the UPA government that was used as the basis for extending loans at minimal rates. The RMK will no longer extend loans to SHGs, rather, women will be taught to make investments, market their skills and products and manage enterprises.

**Bhoomi Heen Kissan:** GoI has proposed encouraging financing of Joint Farming Groups during the financial year. The Hon'ble Finance Minister of India has specifically mentioned financing of Joint Farming Group for “Bhoomi Heen Kissan” with the help of NABARD. NABARD has been assigned the responsibility of monitoring financing of 5 lakh Joint Farming Groups.

**RBI releases Names of Applicants of Small Finance Banks and Payments Banks:** The Reserve Bank of India on February 4th, 2015 released the names of applicants of small finance banks and payment banks, stating it received, in its Central Office, 72 applications for small finance banks and 41 applications for payments banks.

## Financial Inclusion Updates - MP

### Highlights from SLBC meeting held on 24th Dec'14

#### National Rural Livelihoods Mission (NRLM)

1. Performance under NRLM was 71% (Sanction) over submission of cases. It was observed that there were some misconceptions about these schemes in respect of procedural matters. It was suggested to reiterate the detailed guidelines of the scheme along with the procedure of interest subvention under NRLM/SRLM to all the banks by the Department.
2. Department informed that the Target of Rs. 500 Crores is for disbursement

including the disbursement of further instalments in old cases.

3. All banks were advised to ensure that cases sponsored should be entertained irrespective of the target.
4. All cases sponsored should be disposed-off swiftly.

#### Pradhan Mantri Jan Dhan Yojana

1. Passbooks and RuPay Cards were to be issued to all customers by 26 January 2015
2. The SSA; which is currently covered through mobile Vans, was to be

converted to fix BCA by 26th January 2015.

3. Although issuance of Aadhaar in the state is about 66% but seeding is very low. Since MDBTL will be rolled out in the country from 01.01.2015, it should be accelerated and banks should participate in the camps organized by Oil Marketing Companies.
4. On the matter of "SWAVLAMBAN" a proposal was made that State Government may decide a nodal Department/Agency for monitoring the implementation of the scheme

### Status of PMJDY in MP

- a. **Household coverage report:** Madhya Pradesh has been divided into 18,410 Sub Sector Areas (SSAs) having approximately 1.47 crore households. The second pillar of PMJDY mission document envisages providing basic bank accounts (Basic Saving Bank Deposit Account – BSBDA) to all

adult citizens starting with coverage of all households. The State has already achieved 100% coverage in terms of households.

- b. **Bank category wise account opening status:** More than 97 Lakh accounts have been opened in the state and 86

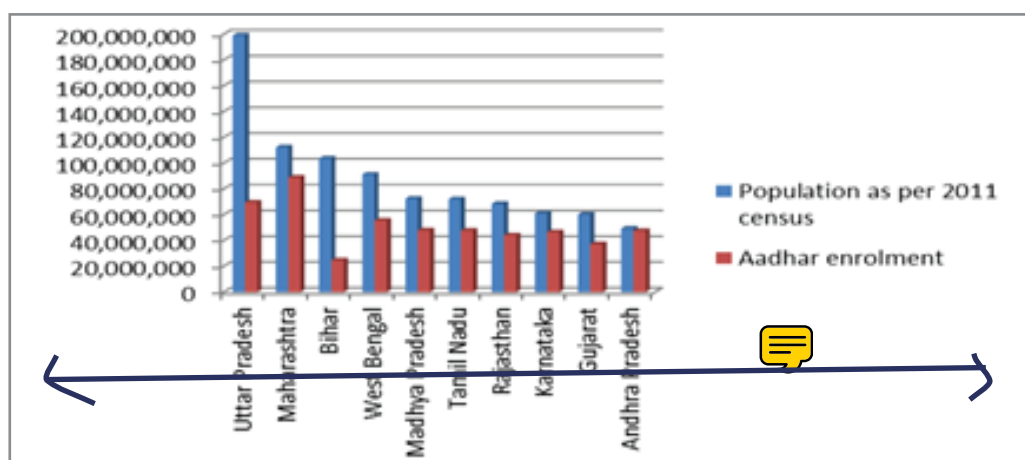
Lakhs RuPay cards have been issued. Out of this, Public sector banks have covered more than 85% of these accounts. About 35% of accounts have been seeded with Aadhar number. Also, it is seen that savings of more than Rs. 343 crores have been mobilized in these accounts

**Bank category wise status of Account opening, Aadhar seeding, issue of RuPay card and Deposits**  
(As on 09.02.2015)

Bank Name	Accounts Rural	Accounts Urban	Total Accounts	Aadhar Seeded	Aadhar Seeded-%	Rupay-Card Issued	Rupay Card-%	Deposits in Lacs
Private Bank	90,762	81,301	1,72,063	30,462	17.7	1,68,622	98	709.25
Public Sector Bank	38,04,783	44,75,697	82,80,480	32,84,252	39.66	74,47,482	89.94	27237.92
Regional Rural Bank	9,49,889	3,11,075	12,60,964	1,24,495	9.87	9,85,085	78.12	6402.36
Total	4,845,434	4,868,073	9,713,507	3,439,209	35	8,601,189	89	34,350

Source: www.pmjdy.gov.in

- c. **Aadhar enrolment status:** With respect to enrolment of Aadhar number, the state has achieved 66% (7.79 Cr.) enrolment as against the national percentage of 60.26%(72.95 Cr.). In comparison to other states (10 most populated), Aadhar enrolment percentage in Madhya Pradesh is only behind Maharashtra, Andhra Pradesh and Karnataka.



#### PM Narendra Modi lauds Madhya Pradesh's financial inclusion model

Prime Minister Shri Narendra Modi has lauded the successful implementation of "Samriddhi" model of financial inclusion in Madhya Pradesh for making available

banking facility to maximum number of people. Chief Minister Shri Shivraj Singh Chouhan in a presentation on the "Samriddhi" informed that at the time of introduction of the "Samriddhi" in 2011-12, Madhya Pradesh had 14,767 villages without a bank branch within a radius

of 5 kms. So far, 2400 ultra-small bank branches have been opened in the state and identical numbers of Bank-Mitras have been appointed. A total of 77 lakh accounts have been opened under the scheme. Rs. 1023 crore has been transacted through 91 lakh transactions.

## SHG-Bank Linkage in MP

The SHG Bank Linkage Programme (SBLP), having completed two decades since its roll out in 1992, is entering a new phase. It is being adopted as an integral mechanism to deliver benefits under various poverty reduction programmes of the government. The current challenges that the SHG programme faces includes the need to give impetus to the pace, focus on quality, enable mechanisms to stem the delinquency levels and more importantly,

to bring convergence among plans and strategies of key stakeholders.

The NPA of three major categories of Banks has increased in current quarter which indicates the reason behind comparatively lesser increase in loans disbursed as compare to opening of SHGs saving accounts (which is quite high). Also, RRB's NPA has increased by about 45%. Reason being, the increase in NPA

of MGGB which has increased to Rs 323 lakh in this quarter from Rs. 27 lakh in last quarter. In opening of SHG's saving accounts, RRBs have achieved about 75% more as compared to the previous quarter. Private Banks are showing interest in opening SHGs' bank accounts as well as disbursement of loan. In the previous quarter they had disbursed the maximum amount across categories.

### Status of SHGs in MP (As on 30.09.2014)

Types of Banks	Saving A/C opened		Loan disbursed		Balance Outstanding		NPA Amount	
	Up to June'14	Up to Sep'14	Up to June'14	Up to Sep'14	Up to June'14	Up to Sep'14	Up to June'14	Up to Sep'14
Commercial Banks	5512	6678	2976	3461	15341	17001	1726	1764
SBI group	3956	5068	2189	2435	4791	5102	669	715
Private Banks	1476	1467	3259	3259	3245	3245	27	27
RRBs	1376	2410	961	1125	3246	1939	656	952
Cooperatives	17340	17340	0	0	725	725	245	245

## Performance of MFIs in state for Q3 FY 14-15

With 24 MFIs in the state, the total client outreach as of 31st December, 2014 stands at 1.88 million, an increase of about 20% over Q3 FY 13-14. Aggregate Gross Loan Portfolio (GLP) has grown by more than 48% and, the numbers of branches and employees for MFIs have increased by more than 21% and 29% respectively in Q3 FY 14-15. Also, the loans disbursed have increased by 51%.

Particulars	Q3 FY 13-14	Q3 FY 14-15	YoY change (%) (In Q3 FY 14-15 over Q3 FY 13-14)
GLP (Rs. bn.)	13.11	19.43	48.2%
Clients (mn)	1.57	1.88	19.7%
Branches	619	754	21.8%
Employees	3,980	5,138	29.1%
Loan Amount Disbursed (Rs. bn., quarterly)	5.7	8.34	46.3%
Loans disbursed (quarterly)	333,099	504,590	51.5%
Average loan disbursed per account (Rs)	15,219	16,523	8.6%

## Updates from other PSIG States

### Odisha –

- 5th State Financial Inclusion Forum meeting organized on 29th January, 2015, focusing on, “*Financial Inclusion through BC Model*”. The meeting was attended by bankers, BCs and RBI representatives.
- To revive SHGs under BMASS- A joint meeting of Utkal Grameen Bank, PSIG, and senior BMASS officials was organized in Berhampur on 28th January, 2015.
- Second bankers' exposure visit organized under the aegis of PSIG-SIDBI on 15th November 2014, hosted by Mahashakti Foundation. 14 Senior Bankers from 11 Public Sector Banks participated in the visit.

### Bihar –

- Second meeting of Aggregator's Forum of Bihar organized on 28th November 2014 at CDOT.
- JEEViKA took initiative to standardize bank forms (account opening and credit linkage) for SHGs.
- A short study conducted by the state team of ASSIST on the BC commission structure of banks in Bihar.

### Uttar Pradesh –

- Exposure visit of bankers to Margdarshak Microfinance organized on 27th October 2014. 10 public sector banks including RBI participated in the event.
- Second meeting of the SFIF organized on 26th November 2014 focusing on “*Expanding Financial Inclusion through Microinsurance*”. Apart from SFIF members; insurance companies and MFIs participated in the meeting

## Tejaswini Rural Women Empowerment Programme

The Tejaswini programme aims at empowering poor women to make use of economic, social and political opportunities for their improved well-being. It supports around 12,442 SHGs in MP and thus facilitates social and economic empowerment of around 1,65,976 women. Regular meetings of the SHGs, savings and lending are an important part of this

empowerment. The programme aims to develop SHG based apex institutions in line with the demand of the SHGs. At the same time, the village level committees (VLCs) operate through the location offices. The programme has made substantial progress in terms of mobilization of SHGs, VLCs and federations, convergence and SHG lending improvement. It has mobilized 12,442

SHGs as against the target of 12,000. In addition, 2617 VLCs have been established. There has been a spurt in bank linkage during the last 3-4 months with active support from the district administration. However, bank linkage remains below expectation. In total, the programme has credit linked only 2627, 21% of the total number of SHGs mobilized compared to 18.5% reported during last year.

### Interview with Sector Expert



Deputy Programme Manager, Tejaswini

**The programme has made substantial progress in terms of mobilization of SHGs, VLCs**

**and Federations, convergence and SHG lending; bank lending however remains low. What could be the reason behind this? Is it a demand or supply side issue?**

There are both demand side and supply side issues. If you look at from demand side, over the project period of last 7-8 years, demand has been because SHG savings have increased to Rs. 12,885 and the cumulative internal lending has been 1.5 times of the saving mobilized. Up to 80-90% of the SHG members' consumption needs are fulfilled through internal loan and as far as the livelihood activities are concerned. Here, 15% revolving fund is given by the department and the rest 85% is expected to come through bank linkages, convergence of different department within the State Government and contribution from beneficiaries. Low credit linkages are due to inadequate support from banks. Nevertheless when the livelihood projects get implemented, we believe that the credit linkages shall be increased substantially.

**You said that 85% of fund will be mobilized with the support of National Banks and other stakeholders. Do you think there is a need for MFIs and private**

**banks to lend to SHGs and Federation under Tejaswini?**

There is a need of Banks to support and lend to SHGs with in the ambit of 85%. However, only the support provided by Nationalized Banks and other State departments may not be adequate for the implementation of the programme. Private Banks bring in the advantage of more process oriented approach along with more human resource at field level. State Government has to decide on the inclusion of Private Banks or MFI in Tejaswini.

**Mahila Arthik Vikas Mahamandal (MAVIM) has worked out a collaborative arrangement with ICICI bank to deliver credit to SHGs. ICICI has approved INR 400 million during 2012-13 to SHGs promoted by MAVIM where 14% interest is charged of which 2% is returned to the federations. Do you think a strategy on similar lines can be replicated in MP?**

We know that the MAVIM model has multiple stakeholders' in this project, and private banks like ICICI Bank have played a significant role. So, if the things are changed at the policy level, we assure that Private Banks/MFIs would also be our partner in facilitating and providing funding to our Federations.

**As per the plan outlay, 4.78 crore was disbursed, Rs 3.27 crore is pending and Rs. 0.43 crore was rejected. In your point of view, what are the reasons for approx 50% disbursement that are pending? Is**

**standardized training of SHGs or field staff needed, or this is only due to delay at banks' side in sanctioning the credit?**

Many proposals of SHGs are pending at banks. Once these proposals are sanctioned, there will be more clarity. We are doing our best in following up with banks at our level to solve these issues. We are also providing training and capacity building support to them. Training to SHGs and Federation on proposal writing would reduce the rejection of the proposal. In future Tejaswini may also look forward to train federation leaders and staff in preparation of bankable proposals.

**Any other issues or challenges which you may like to address in Financial Inclusion space in perspective of Tejaswini programme?**

As said previously, since Tejaswini largely focuses on a cluster based livelihood model wherein 15% revolving fund to SHGs is provided by the department, one of the immediate challenges is to facilitate the remaining 85% credit. Although federations and SHGs are independent to partner with banks or MFIs, this needs to be done in coherence with Tejaswini as the federations/SHGs also need some handholding support. We look forward to more partners to fill our expectation and provide loans to Federations in Tejaswini Programme with the support from the PSIG programme.



**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 States 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.

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