

Odisha Inclusive Finance Bulletin

Volume 1, Issue 1, February, 2014

Published by ACCESS-ASSIST under the Poorest States Inclusive Growth Program

State Financial Inclusion Forum in Odisha set up under the PSIG Program

December 18th, 2013, witnessed the inception of the State Financial Inclusion Forum (SFIF) at the SIDBI international training center here at Bhubaneswar. The forum comprised of heads of apex bodies from financial institutions and senior representatives of stakeholders from development as well as academia will meet quarterly and discuss critical issues concerning Financial Inclusion in the state.

The discussion at the inception meeting centered around sharing of the A2F

Vision Document, enhancing financial inclusion through various channels, viability issues of BC model, capacity building of SHG Promoting Institutions in the state and ways to influence policy makers through the PSIG programme.



Members of the SFIF at inception meeting

Roundtable on Accelerating Financial Inclusion in State



Accelerating Inclusive finance, first state thematic workshop

The first thematic workshop in the state under the PSIG program was held on 19th December, 2013. The prominent participants comprised of many heads of MFIs, senior bankers and senior analysts from credit bureaus as well as credit rating agencies. Some of the dignitaries that graced the event were: Mr. S. P. Singh, Convener-SLBC; Ms. V. Vijaya, DGM, NABARD; and others.

Inaugurating the one day event, Mr. P. K. Jena, the RBI Regional Director enlightened the audience on the practical issues prevailing in the micro finance sector. He said that the A.P crisis may have been an impediment to fund flow in the sector, but the larger MFIs are still able to attract funds which means that the

sector is still thriving. The smaller MFIs should learn from this and restructure their practices in order to attract more investments into their portfolio. Tracking repayment, checking multiple/repeat financing and monitoring fund flow to clients in a coordinated manner are critical issues for both banks and MFIs. For supporting financial inclusion in the state, there is an urgent need to establish good institutional structures like SHG cooperatives/federations which can only be successful through structured approaches by the MFIs/NGOs.

There were a few very interesting sessions on the credit worthiness of MFIs and innovative financing models, which triggered a well responsive interactive discussion involving all the participants. A set of Recommendations on NBFC-MFI guidelines of RBI were submitted to the RBI regional office for appropriate policy action.

Report on Status of Financial Inclusion and the Way Forward in Odisha



This report prepared under the PSIG program by ACCESS ASSIST provides the status of access to financial services to the low income and poor through various channels, models and institutional structures, assesses the gap in demand and supply of services, highlights key issues and impediments faced by different models and presents broad strategies for convergence and scaling up.

The report recommends that focused and improved monitoring arrangements, close co-ordination among the stakeholders and replication of best practices are the need of the hour. The report was developed through participatory process of individual meetings and group consultations with various state level stakeholders in order to capture their concerns and challenges and seek views on way forward.

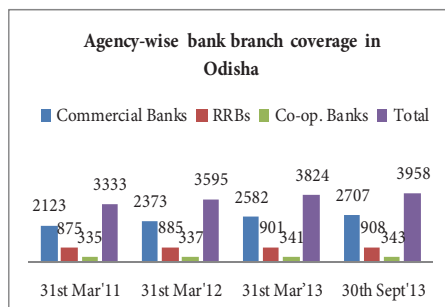
Odisha Financial Inclusion Update

Bank Coverage in Odisha

As reflected in the alongside diagram, and the table below, there has been very marginal growth in the number of bank branches over the last one year. Comparing the data between 2012 and 2013, there seems to be an increase of 26% in the number of semi-urban branches and 13% in the number of rural bank branches in the state.

Region-wise bank branches in

Population Group	No of Branches		
	31 March 2012	31 March 2013	30 Sept. 2013
Rural	1820 (54%)	2055 (54%)	2162 (55%)
Semi-Urban	809 (25%)	1021 (27%)	1041 (26%)
Urban	717 (21%)	748 (19%)	755 (19%)
Total	3346	3824	3958

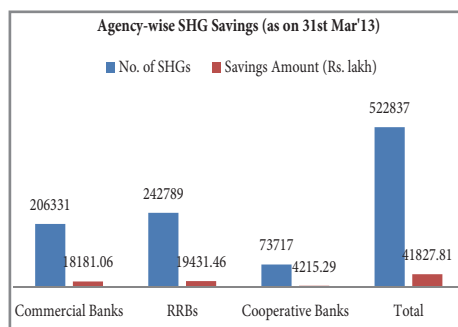


Status of Basic Savings Bank Deposit Accounts in the State as on December 2013

As reflected from the above table, the Pvt Banks are way behind Public Sector and Regional Rural Banks in opening Basic Savings and Bank Deposit Accounts (BSBDA). Only 0.9% of the total BSBDA have been provided with Over Draft (OD) facility totaling to a meager Rs. 91.5 millions. It is interesting to see that the number of BSBDA opened through BCs and branches are 52% and 48% respectively, but the amount outstanding (from the BSBDA through BCs) is only 12% in comparison to 87% (from the BSBDA through branches).

		Public Sect. Bank (mn.)	Pvt. Sect. Bank (mn.)	RRBs (mn.)	Total (mn.)
BSBDA through Branches	No.	3.17	0.097	1.55	4.8
BSBDA through Branches	Amount	3862.7	56.1	2081.89	6000.7
BSBDA Outstanding through BCs	No.	3.11	2.02	0.11	5.2
BSBDA Outstanding through BCs	Amount	772.4	13.07	68.9	854.3
BSBDA (Bank as a whole)	No.	6.28	2.11	1.67	10
BSBDA (Bank as a whole)	Amount	4635.1	69.17	2150.79	6855
OD Facility Availed in BSBDA	No.	0.09	0	0	0.09
OD Facility Availed in BSBDA	Amount	91.5	0	0	91.5

SHG Savings and Loan Disbursement



The first graph alongside represents the amount of savings mobilized among SHGs by various banks in the state. Performance of the RRBs is encouraging in achieving savings linkage

for the SHGs, this may be because of their close operations in the rural pockets. RRBs have also been successful in mobilizing higher amounts among other banks. Commercial banks too have shown reasonably good progress in this regard.

The second graph shows the amount of loans disbursed to SHGs by Commercial Banks (Public & Pvt.), RRBs and Cooperative Banks during the year 2012-13. Here the Commercial Banks lead with an average of Rs. 1.38 lakh disbursed where as RRBs disburse

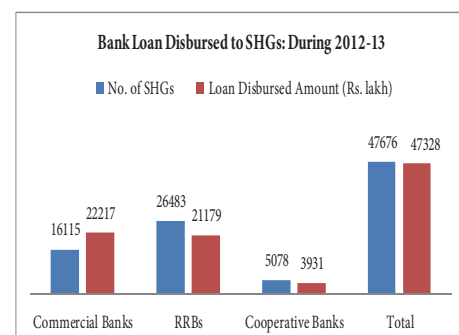
Coverage of MFIs in Odisha

(as on Sept, 2013)

Name of MFI/ NBF	No. of Borrowers	Amount of Loan O/S (Rs. Crore)	No. Districts Covered
AMPL	112107	63.03	19
Mahashakti	5010	5.07	5
SMSL	14942	13.92	3
Sambandh	18331	16.32	2
GU	58212	43.25	8
SMCS	30055	26.77	15
Adhikar	30834	28.99	15
Dhanei KGFS	48709	25.9	1
Ujjivan	30499	28.1	7
Asmitha	130854	102.2	22
Suryadoya	15510	18.18	5
L&T MF	106000	69.6	12
Spandana	178210	121.93	25
SKS	5,88,494	340.5	27
BSFL	NA	NA	NA

The table above tries to capture district-wise penetration, portfolio outstanding and active borrowers among MFIs in the state. In the aftermath of the AP crisis the number of active MFIs in the state has reduced from 22 to 17. The portfolio growth also declined from Rs.9,529mn. in 2012 to Rs.6,320mn in 2013. Flow of funds for the sector was also not encouraging especially for the smaller MFIs.

about Rs. 0.80 lakh per SHG. Although the RRBs promoted a larger number of MFIs, their average loan disbursement was proportionately smaller.



Interviews with sector experts . . .

Dhanei-KGFS Experiences From the Field



Mr. Manas Pani, Head, Dhanei KGFS: on marketing linkages of SHG produce and diversifying the financial services portfolio for the poor.

Challenges to marketing linkages of SHG produce can be clubbed under 3 major heads; Capability, Market and Infrastructure. This can be tackled by developing Standard Operating Procedures for a standardized production process of a

few commonly produced SHG products in the state that have good market potential. Value addition to the products with a unique identity (branding) can help them compete in the open market. Additionally there is a need to build a cluster of SHGs engaged in similar activities in a particular region; thereby a network will be created. The whole network can then be provided with backward and forward linkages to enable them to realise economies of scale and expand their markets.

There are supply and demand side barriers. Supply side barriers include non-availability of appropriate products, physical barriers stemming from distance to access point to avail services and documentation issues (KYC). Demand side barriers are financial literacy and financial capability. Offering bank accounts linked with Aadhaar Card to all eligible persons (as suggested by Dr. Nachiket Mor Committee) holds a very good opportunity for reaching the unreached. Furthermore, huge proliferation of mobile users in the

country provides excellent opportunity for providing technology enabled solutions for financial inclusion based on the Aadhaar platform.

For a balanced economic growth the poor undoubtedly needs multiple financial products. For example, pension, as an add-on product benefits the end-user by creating a much needed corpus for the retirement needs. In India, there was no other social security scheme or "Pension" product for the unorganised sector till the advent of "NPS". This scheme helps to create long term savings for the individual to cater to his/her old age requirements instead of being solely dependent on the cash flow of family members. A successful KGFS model has been a testimony towards providing a basket of financial services to the poor.

I would reckon that "all eligible individuals, i.e., those in the age group of 18 – 55 should open NPS accounts and make contribution every year."

Human Resource Challenge in Financial Inclusion



Mr. Haribandhu Panda, Pro-VC, CUTM

What are the HR issues affecting Financial Inclusion in the state and what are your suggestions to create efficient human resources for the sector as a whole?

Most of the people of Odisha, including educated urban dwellers, require varying degrees of intervention to improve the level of financial literacy. Financial inclusion in the state, i.e. linking people to the organised financial system, calls for improvement in quality, spread and deepening of services. Unfortunately, the single most important barrier appears to be lack of manpower with right domain knowledge, skill and attitude. Most of the people involved in the job are not professionally qualified. At best, they are given training on rudimentary skills. There is no comprehensive program

to address the manpower issue that such a program requires.

For visible development at the ground level, there is a need to develop professionals who can facilitate financial and business development services, while being embedded in the community. They will be better change agents and can become socio-economic entrepreneurs for an equitable society and sustainable development. Universities and other academic institutions can be roped in to develop model curriculum, impart training, facilitate assessment and certification by the Banking and Insurance

Sector, Skill Development Councils, and support continuous skill development through industry integrated programs.

National and state level institutions including SIDBI, Commercial Banks, Insurance companies, MFIs must work in synchronisation with financial, technical and organisational support to achieve the desired target. Without such systemic intervention for integrated development of financial professionals at the local level and their career progression, the on-going program of financial inclusion will remain ineffective and not reach the desired objective of economic empowerment of citizens at the bottom of the pyramid.

Events organized Under PSIG, SIDBI at Bhubaneswar

Name of the workshop / Training Programs	Particulars	Venue & Date
Financial Inclusion through Micro Pension	Organized by Swayamshree Micro Credit Services and sponsored under PSIG (A SIDBI-DFID) Project.	CYSD Training Hall, Bhubaneswar Date: 26th Sep.2013
Leaders for the Field Program	Organized by Grameen Foundation and sponsored under PSIG (A SIDBI - DFID) Project	SIDBI MSME International Training Centre, Bhubaneswar. This is a 3 month program with 2 contact sessions in between. The two contact session was held on November 28 & 29, 2013 and the second contact session was held on February 5 & 6, 2014
Training programme on Gender Empowerment for Senior executives of MFIs	Organized by PSIG, SIDBI	SIDBI MSME International Training Centre, Bhubaneswar. January 31 – February 1, 2014



Mr Jagadananda, Chair, Sa-Dhan

What measures are being facilitated by Sa-Dhan to expand/deepen financial inclusion through its member organizations?

As the leading association in India with over 250 members comprising diverse models of community development financing, Sa-Dhan has actively engaged in promoting financial inclusion. We have facilitated the Ministry of Finance to promote financial inclusion in difficult areas like LWE areas, through promotion and linkages of SHGs with the help of anchor NGOs and lead banks. Our association with the RBI for facilitating regulatory environment for MFIs resulted in new Priority sector guideline on bank lending to MFIs, new category of NBFC MFI, relaxations and dispensation in prudential norms that helped the MFIs to operate under an enabling environment. Further, our policy advocacy efforts facilitated the Micro Finance Institutions (Development and Regulation) (MFIDR) Bill 2012, besides the SRO guidelines to promote self regulation in microfinance. Additionally our interventions have helped the setting up of an exclusive women's bank in the country and a dedicated SHG fund of Rs 500 Crs. We have presented to the Union budget for a dedicated equity fund for microfinance that resulted in creation of India Microfinance Equity Fund (IMEF) with a present corpus of Rs 300 Crs.

How do you see the microfinance sector responding to the new issues and challenges and reviving itself after the AP crisis, especially in Odisha?

The Bharat Microfinance Report 2013 shows that microfinance institutions are slowly growing again, attracting more funds, deepening beyond the South and becoming prudent. During the last year, there was a 2.7 % growth in client outreach and 6.8 % in loan portfolios. We also see MFIs pruning branches and staff as part of cost cutting efforts. As public sector bank funding reduces, the private banks have been significantly raising their commitments to the sector. While larger MFIs have been spreading their presence across more states and avoiding concentration risk, smaller ones are still very state centric.

The establishment of credit bureaus and their wide spread usage, with over 100 Mn clients data being captured is a very welcome sign. In Odisha, the microfinance growth is so far negative compared to pre-crisis period. The client base is about 10 lakhs compared to 16 lakhs in Y 2010 (similarly, MFI loan outstanding is Rs.632 crore in 2013 compared to Rs.1200 crore in 2010).

How has Sa-Dhan been promoting Responsible Finance among its member organizations to institutionalize the processes in the sector?

Sa-Dhan was actively involved in developing a unified microfinance Code of conduct as well as a Code of Conduct Assessment (COCA) tool for the entire sector, which has been used for assessment of our members across states. We stress on four main variables used to assess the Code of Conduct, namely client protection, client education, data sharing, Grievance redressal. Other variables presented by Sa-Dhan are on Integrity & Ethical Behaviour, Transparency, Recruitment and Governance. The Association has also been doing advocacy with RBI to recognise Self Regulatory Organizations (SRO) for MFIs so that the responsible

finance process is institutionalised among the MFIs and in the sector.

As a Networking organization, how does Sa-Dhan help educate MFIs and enable them for appropriate compliances (under RBI directives) by them-both at the institutional and operational levels?

Sa-Dhan has organised numerous regional workshops with MFIs to help them understand the compliance requirements through training and capacity building of members with help from RBI and renowned Chartered accountants. We also help our members pay attention to the major concern areas discovered during the validation process. Further, we have developed and disseminated standard operational, internal audit, credit manuals and standard loan documentation process and formats which are compliant with RBI norms.

How far has Sa-dhan, through its sector building initiatives, been able to strengthen the convergence part within its network?

In addition to state/regional level conclaves, Sa-Dhan annually organises a large scale, high impact national conference on microfinance that provides a platform for all the stakeholders to brainstorm, discourse on convergence/partnership and recommend policy changes.

With financial assistance from international partners and SIDBI (Small Industries Development Bank of India) under the Poorest States inclusive growth (PSIG) project, Sa-Dhan initiated a Sectoral credibility building exercise. With additional support from PSIG and International Finance Corporation (IFC), brand building and visibility of the sector was improved in media. Number of policy brief, thematic Flyers were developed and circulated to all stakeholders. A comprehensive MFI directory of India was also created.



The DFID assisted PSIG programme is being currently implemented by SIDBI in 4 poorer states viz. Bihar, Madhya Pradesh, Odisha and Uttar Pradesh. The program is envisaged to benefit the poor and vulnerable people, especially women by providing financial access to 12 million poor people, thereby helping in enhancement of their income and employment opportunities in the above four states including Odisha. ACCESS-ASSIST is managing the policy component of the program.

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