

Bihar Inclusive Finance Bulletin

Published by ACCESS-ASSIST under the Poorest States Inclusive Growth (PSIG) Programme

Volume 3 | Issue 1 | June, 2015

PSIG PROGRAMME UPDATES

Sixth Meeting of the State Financial Inclusion Forum



State Financial Inclusion Forum (SFIF) was initiated under the PSIG programme which acts 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 6th meeting of SFIF had been organized at Hotel Maurya in Patna on 12th of March 2015 with a theme of **“Financial Literacy: Ensuring Outcomes and Working**

Together for Success”. Apart from SFIF members and PSIG team, the meeting was attended by representatives of Commercial Banks, Academic Institutions, UNDP and organizations like Sahaj e-Village, BASIX, EDA Rural, APMAS etc. The discussion in the meeting was centered around Financial Literacy initiatives in the state by various stakeholders which includes RBI, NABARD, Commercial Banks, RRBs among others. The excerpt includes;

Third Meeting of Pension Aggregator’s Forum, Bihar

Third meeting of Pension Aggregator’s Forum, Bihar had been organized on 24th of April, 2015, which was attended by 17 representatives of 10 aggregators (out of




13) and PSIG SIDBI and ACCESS ASSIST state team. Meeting had been hosted by Madhya Bihar Gramin Bank, one of the members of the forum. The Aggregator’s Forum sought to deliberate on suggestions that could be incorporated in the recently launched Atal Pension Yojna (APY) guidelines to further merge it with the Swavalamban Scheme and to help in its effective implementation. During the meeting, aggregators gave their suggestions and raised concerns about issues which

Consultation meeting on way forward for MUDRA

A consultation meeting for MUDRA was organized on May 10, 2015 at NABARD Regional Office, Patna. The key agenda of the meeting was to take the

process forward by discussing the various aspects of the Business Model to be adopted by MUDRA by achieved the envisaged objectives faster. The meeting was attended

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emerging technologies in financial services has broadened poor and smallholders’ access to financial services; however, it has raised systematic and operational risks. To address the risk, appropriate control system, robust MIS and digital literacy should be put in place. Financial Inclusion and Financial Literacy has to go hand in hand, a record number of bank accounts have been opened under PMJDY, but accounts are dormant as the accountholder has limited understanding of its usage and benefits. There is a need for mass awareness through IEC materials, close repetitive counseling of beneficiaries, setting up of Financial Literacy Centres at the block level, etc. There is also urgent need of capacity building of BC agents, because they are the last milestone of the system who has direct contact with beneficiaries.

needed further clarity. Major suggestions/concerns from Aggregators’ Forum included: i) calculation of the pension scheme needed more clarity; ii) Incentive patterns and role of aggregators was an area of concern; iii) provisions for exit also needed more clarity. It was suggested through the meeting that related documentation should be kept simple with an emphasis on transparency regarding government contribution and its relevance for tax payers .

by DFS Secretary and Joint Secretary, senior officials of NABARD, SIDBI, MUDRA, Commercial and Regional Rural Banks, Microfinance Institutions, and State Rural Livelihood Mission.



PSIG OTHER STATES UPDATES

Madhya Pradesh:

1. PSIG has commissioned Chaitanya to undertake a rapid assessment study on the status of SHPIs, SHG bank linkages in MP.
2. Grameen Foundation is conducting Poverty Outreach Report (POR) survey with MFIs operating in MP and has organized its initial dissemination workshop on findings of the survey in Bhopal on 27th April, 2015.
3. PSIG has launched a new scheme - Cash Collateralized Guarantee Fund (CCGF) to support the requirement of First Loss Default Guarantee (FLDG) for expansion of credit led Business Correspondent model adopted by different banks implemented through MFIs/SHPIs.
4. First *Madhya Pradesh Inclusive Finance Conference* was organized on 1st and 2nd June at Hotel Marriot, Bhopal.
5. BC model Study by PwC is carried out on existing BC models in MP in collaboration with Directorate of Institutional Finance, GoMP. The core objective is to conduct an in-depth study of the overall BC model in the state of MP and to reach an understanding of the critical success factors, policy & operational challenges for various institutions and way forward.
6. Grameen Foundation is conducting a Poverty Outreach Report (POR) Survey with MFIs operating in MP and had organized its initial dissemination workshop on findings of the survey in Bhopal on 27th April, 2015.

Uttar Pradesh:

1. 3rd meeting of UP SFIF had been organized on 11th March, 2015 on the theme of Micro Pension-APY.
2. A two day exposure visit for Regional Rural Banks (RRBs) officials had been organised on 26th & 27th May 2015 at Cashpor Micro Credit in Varanasi on their cost effective BC model.

Odisha:

1. 6th meeting of Odisha SFIF had been organised on 20th April, 2015 on the theme of "PMJDY-Beyond opening of accounts". Quarterly Finance Bulletin with a special focus on functionality of BCs in the state was also released.
2. A roundtable on the emerging need of SHG Data reporting to credit bureaus was organized on the 20th April, 2015 in Bhubaneswar.
3. A consultation with MFI was organized to solicit their feedback on MUDRA scheme.

RECENT DEVELOPMENTS IN FINANCIAL INCLUSION SPACE

Launch of MUDRA Bank:

The Micro Units Development and Refinance Agency (MUDRA) Bank under aegis of SIDBI was launched on 8th of April, 2015 with a corpus of Rs. 20,000 crore and a credit guarantee corpus of Rs. 3,000 crore. Laying down policy guidelines for micro enterprise financing business, registration of MFI entities, accreditation /rating of MFI entities, laying down responsible financing practices to ward off over indebtedness and ensure proper client recovery, development of standardized lending to micro enterprises are major roles and responsibilities of MUDRA Bank.

Saija Finance to raise Rs. 400 crore via ECB:

Saija Finance, a microfinance company backed by the International Finance Corporation (IFC), plans to raise working capital of up to Rs. 400 crore via External Commercial Borrowings and Debentures. To fund insistent growth, the Patna based entity has got IFMR Capital to help raise Rs. 50 crore in fresh equity. It plans to raise tier II capital of \$ 3-5 million (19-32 crore) within the next six months.

Jan Dhan Se Jan Suraksha – Launch of three Social Security Schemes:

Pradhan Mantri Suraksha Bima Yojana

Under the scheme, persons having savings bank account and aged between 18 to 70 years can be insured for a sum of Rs. 2.00 lacs against accidental death on a payment of small premium of Rs.12/- per year. The coverage is available also in case of complete or partial disability. The insurance scheme is effective from 1st June to 31st May each year and is renewable.

Pradhan Mantri Jivan Jyoti Bima Yojana:

This scheme also provides an insurance

coverage at very low premium. Under the scheme any saving bank account holder aged between 18 to 50 years can be insured for a sum of Rs. 2 lacs against death on a payment of yearly premium of Rs.330/-. The insurance will be valid from 1st June to 31st May each year and is renewable.

Atal Pension Yojana:

Persons aged between 18 to 40 years not having any social security coverage are eligible under this scheme. The scheme is mainly targeted to workers of unorganized sector. After attaining the age of 60 years the contributor will get a pension between 1000 to 5000 P.M. depending upon his monthly contribution.

RBI revamps Priority Sector Lending reforms:

The Reserve Bank of India has revamped priority sector lending (PSL) norms. Now, loans to sectors such as social infrastructure, agriculture infrastructure, renewable energy and medium enterprises will also be treated as PSL.

Reserve Bank of India celebrates its 80th Foundation Day:

To mark the 80th Foundation Day of RBI, the Patna Branch of the bank on 1st April, 2015, set up an art gallery at the Bankipore Girls High School featuring paintings and depicting the banking and financial industry. The gallery was inaugurated by Shri M.K. Verma, Regional Director, RBI -Bihar and Jharkhand. Shri Verma stressed on the need of financial awareness in one's life and the importance of putting some money away for rainy days.

CM asks banks to raise Annual Credit Plan of Bihar:

Speaking at the state-level meeting of the 52nd bankers committee in Patna on 20th

of May, Hon'ble Chief Minister Shri Nitish Kumar appealed to the bank to play the role of partners in the development of the state. He enunciated the need for an increase in the annual credit plan. Admitting the CD ratio has gone up from 32% in 2005-06 to 44% in 2014, the Chief Minister said that it was still behind the national average of 76%. He also emphasized the need for opening more bank branches, particularly in rural areas for Financial Inclusion.

He said the national average puts 11,000 customers for each branch, in Bihar this number is close to 18,000 beneficiaries.

Union Minister Ravi Shankar Prasad inaugurates first postal ATM in Bihar:

Union Minister for information Technology Shri Ravi Shankar Prasad inaugurated Bihar's first postal Automatic Teller (ATM), at Patna's General Post Office (GPO) on 16th May 2015, to improve banking facility at the Indian Post Offices, particularly those in rural areas. These ATMs aim at improving the banking services provided by Indian Posts through easy and effective transaction facilities. Speaking on the occasion, Chief Post Master General Shri Abhay Shekhar Prasad said that while 1,048 of the 9,000 Post Offices in Bihar are fully computerized, efforts are on to digitally equip other Post Offices so they could operate the way they are expected to perform in the 21st century.



STATE FINANCIAL INCLUSION UPDATES: AT A GLANCE

52nd meeting of SLBC, Bihar

52nd SLBC meeting was held on 20th May, 2015. Due to sincere efforts by the banks in the state, annual credit plan achievement during FY 2014-15, has been to

Performance of Banks (SLBC Report)

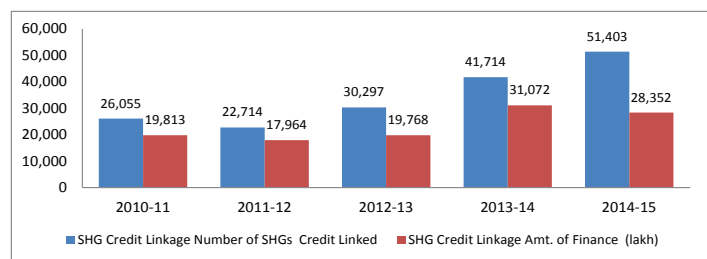
Sl. No.	Particulars	March '14 (Cr.)	March '15 (Cr.)	% age growth
1	Deposits	183,458.24	211,302.05	15.17%
2	Advances	6,6687.77	79,640.10	19.42%
3	Priority Sector Advances	48,005.69	55,481.85	15.57%
4	Share of PSA in Total Advances	25,379.65	30,652.12	20.77%
5	MSE Adv	110,42.33	13,594.02	23.10%
6	Adv. To Women SHG in Disbursement	4,444.90	5,039.84	

Source – Proceeding: 52nd meeting of SLBC

Performance of SHGs in the State

SHG plays a crucial and effective role in providing timely and adequate credit and other financial services to the vulnerable and weaker sections resulting in overall economic development of the society and banks plays a facilitating role through credit linkage.

Banks in the last FY have opened savings bank account of 116, 952 SHGs and have credit linked 51, 403 SHGs, with total bank financing of Rs. 283.52 crore. Source of the Graph: Proceeding: 52nd meeting of SLBC



Kisan Credit Card

Banks operating in the state have sanctioned loans to a total of 24.7 lakh beneficiaries (New 1 lakh and Renewal of 1.47 lakh) under KCC amounting to Rs. 20,674.42 crore during FY 2014-15. As per the RBI instructions, all KCC borrowers are to issue ATM cum debit cards. Distribution by KCC is presented in the table given below. Source: Proceeding: 52nd meeting of SLBC

Distribution of KCC

Banks	Target (No.)	Sanctioned (No.)		% Achievement	
		New	Renewal	Total	New
Comm. Banks	903,944	628,370	422,668	1,051,038	69.51%
RRBs	537,590	353,841	908,455	1,262,296	65.82%
Total	1,441,534	982,211	1,331,123	2,313,334	68.14%
Co-op. Banks	58,466	13,057	144,962	158,019	22.33%
Grand Total	15,00,000	995,268	1,476,085	2,471,353	66.35%

Source: Proceeding: 52nd meeting of SLBC

Status of PMJDY Account

As on 25th February 2015, 97 lakh accounts were opened, out of which 82.35 lakhs were issued Rupay Card, with deposits amounting to 1002.03 crores.

Status of PMJDY Account

Sl No.	Bank Type	Accounts (Rural)	Accounts (Urban)	Total Accounts	Aadhar Seeded	Aadhar Seed-ed-%	RuPay Card Issued	RuPay Card - %	Deposits (in lakhs)
1	Public Sector Banks	3,913,784	2,398,638	6,312,422	1,335,358	24.79%	5,883,951	94%	61,969.44
2	Private Sector Banks	2,819	52,643	55,462	4,569	12.15%	54,057	75.11%	418.52
3	Regional Rural Banks	3,039,735	298,927	3,338,662	25,370	1.21%	2,297,158	67%	37,815.66
	Total	6,956,338	2,750,208	9,706,546	1,365,297	14.07%	8,235,166	84.84%	100,203.62

Source – www.pmjdy.gov.in

MFI Updates

As on 31st March, 2015, MFI in Pan India basis provided a microcredit to over 30.50 million clients with an increase of 29% over FY 2013-14. Bihar ranks 6th in terms of Gross Loan Portfolio, Rs. 27.23 bn is the net GLP, a growth rate of 75% vis-à-vis last year data; it accounted for a total of 7% of total GLP for this financial year and 7% of the total customers too exists in the state. Bihar has a total concentration of 19 MFIs, with total branches operational being 723. Bihar too ranks 6th in terms of amount disburse, the state has shown a disbursement of Rs. 41.15 billion, an increase of 125% as compared to FY 2013-14.

MFI Updates

Particulars	FY 13-14	FY 14-15	% change
MFI count	19	19	0%
Gross Loan Portfolio (glp)	15.56 bn	27.23 bn	75%
Clients	1, 725, 668	2, 134, 493	23.7%
Branches	624	723	15.86%
Employees	4, 166	5, 045	21.09%
Loan Amount disbursed annually	18.32 bn	41.15 bn	124.62%
Average loan disbursed (per account)	16, 051	17, 285	7.69%

Source – MFIN Micrometer May, 2015

Agriculture Insurance updates

8.9 lakhs farmers have been covered under WBCIS Kharif 2014, 3, 91, 249 farmers have been extended the benefit of crop insurance coverage under MNAIS Kharif 2014 and 8.9 lakhs farmers have been covered under NAIS Rabi 2014-15. Thus around 21.70 lakhs farmers have been provided the crop insurance cover, the sum insured being Rs. 5,339.07 crore and the area covered being 26.54 lakhs hectares by Agriculture Insurance Company of India Ltd. As per information received from 3 insurance companies, a total of 2.6 lakhs farmers have been provided crop insurance, the sum assured being Rs. 5,551.38 crore and the area covered being 27.08 hectare.

CLIENTS SPEAK

Arohan

“Arohan has given me new hopes”, said Ragini Devi, an Arohan client for last two years. Ragini Devi, a resident of Digha area of Patna had recently availed a second loan of Rs. 30,000 from Arohan to expand her family business of animal husbandry. She has been an expert in the business for the past 10 years and is mostly involved in importing hybrid breed of dogs to neighboring cities like Varanasi, Kolkata, etc. According to her, a bulk credit is required during the initial purchase of dogs to set out the business every session. Failing to get her loan sanctioned from the bank, Ragini Devi resorted to Arohan in the



time of need.

“I got the loan of Rs. 15, 000 from Arohan and was able to get a net profit of Rs. 10, 000 out of it. With this enthusiasm I took second cycle loan”, said Ragini Devi. Arohan has been helping numerous beneficiaries like Ragini Devi to promote Financial Inclusion.

Srei – Sahaj - Financial Inclusion through BC operation: A caselet from Gaya, Bihar

Srei-Sahaj is currently working as a Corporate BC for Bank of Baroda in Tikari Block of Gaya district. The BC has been actively operational in the main market of Tekari block and primarily attracts daily wage clients. Sujit Kumar, Business Correspondent Agent for Siyanandpur expresses “Our efficient service delivery mechanism help us attract customers; we do not ask customers to remain in queue for long hours and try and complete the transaction as soon as possible.



We also provide other financial products like pension and insurance, the service yet to be provided by other CSPs of different banks in our area.” Mohammad Tamim, a customer of Bhetariya CSP told “I am satisfied with the services which is being provided till

now I plan to open a pension account through my CSP. Though I have an account in a neighbouring BoB branch, I prefer to transact from the CSP account as it is less time consuming. Further in the case of an emergency, my CSP can provide help without delay. It is more like a bank at my doorstep.”

Integrating water with Financial Inclusion – Dhan Foundation

Dhan initiated its operation in the year 2009 in Gaya district of Bihar. With a vision of integrated development approach, the organization was able to make watershed based interventions, benefiting, 3, 200 acres of land by forming 7 Ahar-Pyne systems and drinking water pond associations called “Oorani”. The organization targeted small, marginal, and landless farmers by forming men SHGs. This initiative of the organization was able to form 54 Microfinance groups exclusively with men and was able to mobilize around 20 lakhs from banks and NBFCs, for microfinance activity. The interventions through integrating watershed management and microfinance activity had a positive impact among the villagers. Nagina Manjhi, a member of Maa Jagdambe Vayalagam in Deosarna village in Tankuppa block has started a ferry shop by taking a loan of Rs. 15, 000. “I received hassle free loan from my group and initiated a small business which otherwise was not possible. Without the initiative I would have been compelled to work as agricultural laborer in other’s land for which I receive not more than 100 rupees per day, which was not sufficient to meet my family’s needs. I am happy that I took the loan and now I am able to earn on an average Rs. 175 per day which is a regular income.” said Nagina Manjhi. Similarly Kapil Yadav, a farmer and President of Bagulwa Dasain Ahar Pyne Vayalagam expressed “ I took a loan of Rs. 20, 000 from my SHG and invested the amount in petty shop. Within 10 months I repaid the loan with EMI of Rs. 2, 000. I am now able to earn Rs. 150-Rs. 200 per day from the shop and am looking forward to advance the business.”

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 feedback and queries please contact: Aparna Shukla (aparna@accessassist.org) Tushar Krishna (tushar@accessassist.org)