

Bihar Inclusive Finance Bulletin

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PSIG PROGRAMME UPDATES

Eighth Meeting of the State Financial Inclusion Forum



With a view to promote effective coordination and synergy among various stakeholders for accelerating the process of financial inclusion in the state, the Eighth SFIF meeting was organized on 13th October, 2015 at Hotel Chanakya, Patna. The theme of the meeting was “One year of PMJDY- Improved Financial Inclusion but Challenges Ahead.” The meeting was attended by SFIF members, PSIG & DFID team as well as representatives from Scheduled Commercial Banks. The major discussion points in the meeting centered around low Aadhar penetration, confusion over the amount of Overdraft amount, high stamp duty in Bihar, internet connectivity challenges, means to incentivize banks to promote services among others. The major suggestions that came out during the meeting are; advocacy with DFS for exempting PMJDY overdraft from stamp duty; grace period for renewal of insurance premium on PMSSS, the grace period of swapping of Rupay Card should be increased to go around 90 days.

Orientation programme on Atal Pension Yojana (APY)



An orientation workshop on Atal Pension Yojana was organized on 5th October, 2015 at Hotel Chanakya, Patna with support from PFRDA. The programme was attended by different banks (Commercial, RRBs and State Cooperative Banks, RBI, NABARD), MFIs, BC organization, SHPIs, Government representatives, PFRDA, NSDL, Centum Learning etc. The lead presentation on NPS and Atal Pension Yojana was delivered by Shri Mohan Gandhi, DGM, PFRDA. representative from full form here (NSDL), Shri Sandeepan Mukherjee, focused on roles and activities of Central Recordkeeping Agency (CRA) through his presentation. PFRDA conducted a very interactive and engrossing session on the various features of APY. The participants took active part in the session by putting across a number of interesting queries. Major questions/discussion points were effectively dealt by PFRDA, NSDL and Centum Learning.

Inside the Issue

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Uttar Bihar Gramin Bank Bags Inclusive Finance India Awards, 2015



Uttar Bihar Gramin Bank, Muzaffarpur bagged Inclusive Finance India Awards, 2015 supported by NABARD for their exemplary work in space of Financial Inclusion. UBGB was declared winner in “Outreach, Growth and diversity of Financial Inclusion Space” as well as in “Financial Literacy and Demand Side Capacity Building Initiatives” at the Inclusive Finance India Summit on 9th of December at Hotel Ashok. Mr. I.M. Utreja, Chairman, Uttar Bihar Gramin Bank received the awards on behalf of the organization which was presented by Mr. Shri Vinod Rai, Visiting Senior Research Fellow, Institute of South Asian Studies, National University of Singapore (Former Comptroller and Auditor General of India).

Bihar Achievement– Inclusive Finance India, 2015

SAVE awarded under BCNM Category

SAVE (Society for Advancement of Village Economy), a Bihar based BC organization for the consecutive year bags Microfinance India Awards under the category Business Correspondent Network Manager of the year with the support of HSBC, India. The award was presented by Shri Jayant Sinha, Hon'ble Minister of State for Finance, Government of India on 8th of December, 2015 as part of the Inclusive Finance India Summit organized by ACCESS-ASSIST, New Delhi.

Other updates from Bihar

1. Soft loan fund support sanctioned to one NBFC-MFI for expanding outreach in PSIG focused states – Bihar and Uttar Pradesh
2. Financial assistance under Technology Inclusion Fund sanctioned to one NBFC-MFI for undertaking technology based initiatives.
3. Term loan sanctioned and disbursed to one NBFC-MFI for on-lending in financially underserved districts of Bihar.
4. Partnership opportunity explored with agencies for promoting Community Microfinance in Bihar.
5. One RRB supported for promoting Client Awareness, Sensitizing staff on financial Inclusion and Capacity Building of BC Agents.



UPDATES FROM OTHER PSIG STATES

Uttar Pradesh

1. **Quarterly Bulletin:** 2nd Issue of Quarterly Inclusive Finance bulletin of this financial released in September, 2015.
2. **5th State Financial Inclusion Forum Meeting:** Fifth meeting of SFIF, was organized on 14th October on the theme **Strengthening of FLCs: Issues, Constraints & Way Forward.**
3. Regional Lenders Forum meet with lenders, investors, MFIs and credit bureau participation organised on 14th Oct in Lucknow.

Madhya Pradesh

1. **3rd SFIF Meeting:** The 3rd SFIF meeting was held on 3rd September 2015 on the theme “**Strengthening Financial Literacy Centers (FLCs): Current status, Constraints and Way forward**” and quarterly bulletin was released.
2. **State level APY Workshop:** MP conducted its 1st State Level APY workshop on 2nd Nov’ 2015 in association with PFRDA in Bhopal. The workshop had a participation of 37 mid to senior level officials from Apex institutions.
3. **District Level APY Orientation programme:** MP also conducted a District level APY orientation programme at Damoh district on 3rd Nov’ 2015. District level Workshop received a great response from various stakeholders and had participation of total 75 officials from GO-NGO-Banks among others.

Odisha

1. **Bank Exposure visit to Sambandh Finserve Pvt Ltd:** The 3rd Bank-MFI Exposure visit was organized on the 11th of September 2015. 17 senior bankers from 11 public sector banks participated in the event.
2. **Workshop with BCNMs:** A workshop on understanding the prevailing challenges of Business Correspondents was organized in Bhubaneswar on 16th October 2015. A number of BCs/BCAs/CSPs participated in the meeting and shared their operational, financial as well as technological issues while delivering banking services at the designated locations in the state.
3. **Odisha SFIF Conclave:** The Conclave was organized as part of the SFIF initiatives under the PSIG program on 4th of November 2015. The event witnessed a full house participation of as many as 100 participants from variety of sectors. It was inaugurated by Mr. U. N. Behera, IAS, Development Commissioner-cum-ACS, Govt 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.
4. **Regional Lenders’ Meet:** The meeting of lenders, other investors, industry bodies and MFIs was organized on 5th November 2015.

RECENT DEVELOPMENTS IN THE FINANCIAL INCLUSION SPACE

Conclusion of Inclusive Finance India Summit, 2015



12th Inclusive Finance India Summit was organized by ACCESS-ASSIST at Hotel Ashok, New Delhi on 8th and 9th of December. It witnessed participation of numerous stakeholders and speakers from different sectors working in the field of financial inclusion. The event was inaugurated by Shri S.S. Mundra, Deputy Governor, Reserve Bank of India and Smt. Usha Ananthasubramanian, Managing Director and CEO, Punjab National Bank. The concluding award presentation ceremonies during the Inclusive Finance India Summit was graced by the presence of Shri Jayant Sinha, Hon'ble Minister of State for Finance, Government of India; Shri. Hemant Contractor, Chairman, Pension Fund Regulatory and Development Authority (PFRDA) and Shri Vinod Rai, Visiting Senior Research Fellow, Institute of South Asian Studies, National University of Singapore (Former Comptroller and Auditor General of India). The dignitaries shared insights on the overall financial inclusion agenda in the country along with action points for the same.

State Level Workshop For Senior Deputy Collector-Banking and Deputy Superintendent of Police



A newly commissioned post-Senior Deputy Collector – Banking and Deputy Superintendent of Police was organised on 23rd of December, 2015. The major themes covered under the workshop were on PMJDY, presented by ACCESS-ASSIST, NBFC and various other forms of financial institutions presented by RBI and SEBI; role of various financial institutions was mentored by Institutional Finance, Finance Dept, GoB and State Level Bankers' Committee.

Over 19 crore A/Cs opened under Jan Dhan Yojana



Banks have opened around 19.21 crore accounts under the PMJDY with more than Rs. 26, 819 crore deposits. The RuPay Card has been issued to 16.51 crore customers. The ministry statement also noted that zero balance accounts in PMJDY have declined from 76% in September 2014 to 36.5% in November, 2015. The Gross enrollment under PMSBY is 9.16 crore, while under PMJJBY it is 2.86 crore. 10.35 lakhs subscribers have enrolled in the Atal pension yojana as well.

Rs. 2,000 Crore fund to push Financial Inclusion



RBI announced a merger of two funds to create a new Financial Inclusion Fund with corpus of Rs. 2, 000 crore to support 'developmental and promotional activities' for expanding the reach of banking services. The single fund named as "Financial Inclusion Fund" is the merger of both the Financial Inclusion Fund and Financial Inclusion Technology Fund. RBI has finalised the new scope of activities and guidelines for utilization of new FIF. The new FIF will be administered by the reconstituted Advisory Board constituted by government and maintained by NABARD. "The objectives of the FIF shall be to support 'developmental and promotional activities' including creation of FI infrastructure across the country, capacity building of stakeholders, and awareness creation to address demand side issues, with a view to secure greater financial inclusion," the guidelines stated. Enhanced investment in Green Information communication too will be covered under this fund. FIF will provide funding support in terms of setting up and operational cost for running Financial Inclusion and Literacy Centres. Institutions eligible for the fund are banks and NABARD. Banks can work for seeking support from the FIF with NGOs SHGs, and farmer's clubs, among others.

Government eases conditions regarding Insurance Claims on RuPay Cards

Government has extended RuPay card usage condition to 90 days for individual claims under an in-built accident insurance cover in case of RuPay classic card holders with effect from November 25, 2015. However claim intimation of RuPay Classic cards in case of accidents before November 24, 2015 will not be eligible to claim benefits under the 90 days usage condition.

Inauguration of Saras Mela, 2015



Saras Mela organized by JEEViKA has been inaugurated on 20th of December, 2015. This 14 day programme

brings SHG members from different parts of country together to create a pan India platform for marketing of handicrafts and handloom products. The programme also covers different themes of financial inclusion. Magic programme organized by MBGB on Financial Literacy was one of the most attractive themes. Stalls of different banks and corporate BCs too have been useful in terms of information sharing on various FI topics.

STATE FI STATUS AT A GLANCE: WHAT NUMBERS SPEAK?

Pradhan Mantri Jan Dhan Yojana (PMJDY)

Under PMJDY, 1.51 crore accounts have been opened in Bihar till 9th December, 2015 through different banking channels which includes B & M branches/USB/CSP/Kiosks, etc. 71% of total accounts are opened in rural areas, 15.77% of total accounts is seeded with Aadhar, while zero balance accounts have been reduced to 33.37%. The enrollment data under three social security schemes as on 15-12-2015 is;

PMJDY Progress as on 09/12/2015		
	Percentage w.r.t total A/Cs	
Rural Accounts	10710510	71.11%
Urban Accounts	4350202	28.88%
Total Accounts	15060712	
Deposit (in crore)	2069.38	
Aadhar Seeded	2374421	15.77%
Zero balance A/C	5026207	33.37

Source: www.pmjdy.gov.in

Pradhan Mantri Mudra Yojana (PMMY)

PMMY, an ambitious programme of Central Government initiated deepening amounting 3214 crore while total disbursement till date is 3061 crore. Out of total sanctioned loan, 89.61% has been sanctioned under Shishu loan amounting to Rs. 1332 crore. On Pan-India basis, a total of 10893541 loans were sanctioned with sanctioned amount of 58797.46 crore.

Status of RRBs on OD: For Bihar Gramin Bank, a total of 434151 A/Cs were opened in which 71 accounts were eligible for OD facility and 24 A/Cs availed OD facility amounting to Rs. 96000. For Madhya Bihar Gramin Bank a total of 1348071 A/Cs were opened, out of which 6928 accounts are eligible for OD facility, but no A/Cs have availed OD facility. For Uttar Bihar Gramin Bank having OD facility for SB account, has sanctioned OD to 1 74 558 account amounting to Rs 3.95 crore.

Enrolment data under three Social Security Schemes as on 15/12/2015				
Bank Name	PMSBY	PMJJBY	APY	Total
PSB	2934785	894267	61358	3890410
RRB	1696115	386762	71369	2154246
Private	47696	21822	1949	71467
Co-op	466	144	0	610
Total	4679062	1302995	134676	6116733

Source: SLBC, Bihar

JEEViKA Updates



JEEViKA in the recent past has emerged as a major stakeholder in poverty eradication in the state. As on August, 2015 4,07,251 SHGs were promoted; while till September, 2015, 271,377 A/Cs were opened. While 1,48,722 SHGs were credit linked (1st and 2nd Cycle) amounting to Rs. 809.49 crore.

MFI UPDATES

Key Highlights – Pan India

- MFIs provided microcredit to over 2.63 crore clients, an increase of 28% over Q2 FY 2014-15.
- MFIs now cover 30 states/union territories.
- The aggregate gross loan portfolio (glp) of MFIs stood at Rs 36,660 Cr (excluding non performing portfolio i.e. PAR > 180 days in Andhra Pradesh). This represents a yoy growth of 76% over Q2 fy14-15
- Average loan amount disbursed per account stands at Rs. 16, 738. The figure for Q2 FY 14-15 was Rs. 14, 590.
- Total number of loans disbursed by MFIs grew by 44% in Q2 FY 15-16 compared with Q2 FY 14-15.

- PAR figures remain under 1% for Q2 FY 15-16.
- Insurance (credit life) to over 2.3 crore clients with sum assured of Rs. 38, 970 Cr was extended through MFI network

Key Highlights Bihar

- Bihar stood 8th among clientele outreach (15.02 lakhs, 6% of total client outreach); the highest being in Tamil Nadu (49.00 lakhs). It also ranked 5th in terms of MFI count, the highest being in MP with 27 NBFC-MFIs.
- Bihar stood 8th in terms of GLP (5%), with total glp accounted for Rs. 1, 963 crore. The state wise GLP growth rate for Q2 FY 15-16 over Q1 FY 15-16 is 16%.

- Bihar stood 8th in terms of loan amount disbursed during Q2 FY 15-16.
- Saija, the only home grown NBFC-MFI shows third highest growth rate (96%) among medium MFIs, a change from Q2 FY 15-16 over Q2 FY 14-15.

Progress of NBFC-MFI in Bihar as on 30th September, 2015

Particular	Q1 FY 15-16	Q2 FY 15-16	% Increase
MFI Count	19	18	(5.26%)
GLP (Rs. Cr)	1689	1963	16.22%
Clients (Lakhs)	13.47	15.02	11.51%
Loan amount Disbursement (Rs. Cr, quarterly)	647	854	32%

Source: MFIN Micrometer, Issue 15

EXCERPTS FROM THE FIELD: Mudra Card-IDBI and Saija Finance

Highlights

- Saija through its branches does the Microfinance operations
- Total loan disburse at branch to microfinance clients are marked as portfolio of IDBI bank
- All the files logged for loan disbursement are done from own fund and maximum within next day the cash is reimbursed back in Saija's pool account
- Total interest charge for the term loan applied by a client is @ 24% per annum on reducing balance
- Interest break up in share is IDBI-13% and Saija- 11%.
- FLDG is 5% given by Saija
- No processing charge is collected against the loan from clients
- All the clients are insured by LIC against loan and is done by BC
- A client can avail maximum of Rs. 50, 000 loan
- IDBI can be the second lender(as per RBI norm of Micro finance lending)
- Rural & Urban house hold income is applicable as per RBI norm of microfinance lending

Industrial Development Bank of India (IDBI) and MUDRA to distribute Loan in order to provide low cost funds to meet the working capital needs of micro-entrepreneurs, thus freeing them from very high interest rates charged by local moneylenders, which pushes small business owners into debt traps. The debit card being used shall act as a catalyst in improving the income and savings potential of the target recipients. SFPL is currently working as BC of IDBI in Bihar Sharif and Hazaribagh, however it sanctioned to operate 10-12 branches in different districts of Bihar and Jharkhand as Business Correspondents. The Mudra Loan will be disbursed under the Saija Loan product SMR (Saija Mahila Rin) and SKR (Saija Karobar Rin).

No processing fee is collected against the loan from the clients; all the clients are insured by LIC against loan and is done by SFPL.

Loan chart (standard) for disbursement of Mudra Loan

Loan Amount (Rs.)	15, 000	20, 000	25, 000	30, 000
Loan term (year)	1 years	2 years	2 years	2 years
No. of installments (Bi-weekly)	26	52	52	52
Rate of interest (Diminishing)	24% per annum	24% per annum	24% per annum	24% per annum
Total interest (Rs.) for the loan tenure	1924	5199	6534	7789
Loan processing fees (percentage)	0% of loan amount	0% of loan amount	0% of loan amount	0% of loan amount

Mudra Card at a glance:

It is co-branded as IDBI RuPay Debit Card with M/s Mudra. The card is valid for 5 years; however, the validity of cash credit limit is 12 months and is renewable after expiry. The clients will be able to use the card after 12 months only if renewal of the limit is sanctioned by the banks. The transaction limit of the card is Rs. 25, 000; however the client will be able to operate within the available amount in the account. Limit sanctioned to the client i.e. Rs. 5, 000, 7, 000 and 10, 000 as per recommendations from the BC & sanctioned by IDBI bank, which is actually 20% of term loan applied by client. The CC limit can be minimum of Rs. 5, 000 and maximum of Rs. 10, 000. The cost of cards is Rs. 85/- p.a. for first year; no changes are applicable. Applicable rate of interest is at 10% on daily basis. Only clients involved in non-farm activities are eligible for Mudra Card.

Major Processes involved:

The process is initiated with survey of locality in order to understand the pattern, geography and experience of other MFIs. The other stage includes village level meeting which includes, checking of clients with credit bureaus, compulsory group training, group

recognition test; filling up of personal information form (PIF), No-frill account opening of customers with IDBI and filing up of other forms. It takes around 10-18 days from loan CGT (compulsory group training) to final loan disbursement to clients. For Mudra card, it takes 10-15 days to receive Mudra Card (which is sent by post) and later on the client can get their PIN by meeting IDBI officials directly at the branch.

Feedback from clients:

Client- 1: Sarita Devi

Sarita Devi, age 40 years, is a permanent resident of Murarpur in Nalanda district. She is the recipient of Mudra Loan in which she took a term loan of 25, 000 from Mudra- IDBI – Saija partnership. She also received Mudra debit card from where she took 5, 000 on cash credit. She took the loan for expanding her dairy based activity by purchasing cow and then selling it to nearby customer, while Rs. 5, 000 for

emergency purpose for purchase of fodder. She took Rs. 5, 000 in the month of September, as is now planning to repay a small portion for first time in IDBI bank.

Client -2: Kumari Aradhana Sinha

Aradhana Sinha, a resident of Pawa village in Bihar Sharif, has expanded her cosmetic business in the market of Bihar Sharif, which is run by her husband. She took a loan of Rs. 25, 000 on 22nd of July, 2015 and Mudra Card, having limit of Rs. 5, 000. She withdrew Rs. 5, 000 on 14th of September to spend on further investment on products as per demand. As on date she is repaying the term loan amount timely, while, she is yet to deposit the amount as a repayment for Mudra Card.

The partnership between Saija-IDBI-MUDRA will definitely help increase job creation and strengthen the economy.

About us:

The **Poorest States Inclusive Growth Programme (PSIG)**: The DFID supported 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.



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