

Inception Meeting of State Financial Inclusion Forum (SFIF), Bihar

24th January, 2014

Hotel Patliputra Exotica, Patna

Summary of Proceedings (draft)

Bihar, which is in the bottom five of CRISIL Financial Inclusion Index, requires cooperation amongst regulators, government agencies, financial institutions, service providers, and other stakeholders to strengthen financial inclusion efforts. Assisted by DFID, the Poorest State Inclusive Growth programme (PSIG) is working towards improving the access of financial services to low income households in 4 poorest states-viz Bihar, Madhya Pradesh, Odisha and Uttar Pradesh. The project has 3 components viz. – policy advocacy, improving access to finance and financial literacy. SIDBI has implemented agency for PSIG. *ACCESS-ASSIST* has been contracted by SIDBI to coordinate the initiatives on policy advocacy in the above four states as well as at the national level. Setting up of multi-stakeholder State Financial Inclusion Forum (SFIF) in each programme focus state has been agreed as one of the key mechanisms to achieve the objectives under the policy advocacy component. 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 list of SFIF members and other participants of the meeting is provided in **Annexure 1**.

SUMMARY OF PROCEEDINGS

1. **Overview of DFID strategy and programmes** in India by Anu Gupta, Deputy Head Private Sector, DFID India – Please refer to copy of presentation attached as **Annexure 2**.
2. **Overview of Programme Strategy and Present Status of PSIG** by Prakash Kumar, GM, SIDBI –

There are three components of PSIG programme. First is **Policy and Advocacy** which seeks collaboration of Financial Institution like RBI, micro insurance, micro pension etc. Developing a Bihar Vision document was one of the components under advocacy, for which stakeholder consultation meetings were conducted in year 2012 and 2013. The document covers a broad strategy on what needs to be done collectively to achieve the vision for financial inclusion.

Policy advocacy as well as fixing operational issues requires substantial research and studies which are being taken up as per requirements. Currently, two studies are being conducted - (1) study of BC practices in the state which will also cover best practices and (2) Finscope Survey. The Finscope Survey; would be conducted by Fin Mark Trust, an agency of international repute based in Johannesburg, South Africa. This client level survey will provide information on extent of penetration of financial services. Second component of the PSIG programme is the **Institutional Strengthening Process** which includes the capacity building of various channels of delivering financial services to the low income household viz. SHPIs/NGOs, MFIs, Banks, BCs, insurance and pension providers etc. This will take forward long term institution building process supported by SIDBI with DFID funding in the past.

The third component pertains to - **Gender Empowerment and Financial Literacy**, which will focus on awareness generation among people about financial services along with focus on economic and social empowerment of women through financial inclusion.

3. Brainstorming on priority themes and issues for PSIG in Bihar

Issues and suggestions pointed out by the SFIF members:

- **Demand generation is a critical issue** - Credit and other services are available to the target segment due to large presence of banks and agent network. However; the demand side is not fully informed and organized in order to benefit from these opportunities. Lack of financial literacy is a major issue in spite of numerous efforts towards providing financial education. These efforts need convergence and existing structures such as SHGs, BC agents etc. should be used effectively to roll out financial awareness programmes. The cooperative banks can also be considered as part of SFIF.
- **Need for convergence among different programmes and agencies**-There is the convergence gap the existing programmes and agencies working towards financial inclusion. SFIF forum and the PSIG programme can play the role of a facilitator for bringing various stakeholders together for sharing and exchange of experiences as well as identifying opportunities for convergence in order to optimize outcomes of limited development resources.
- **Customization of products in view of client needs** – While the group agreed that there has been a substantial push by the RBI, banks and government to enhance outreach of banking services, there is still a lot of room for product development and customization. For example according to Jeevika there is now demand from clients for enhancing insurance coverage under the JBY. Also financial inclusion challenges of different client segments are different and therefore require different strategies. The need for striking a balance between supporting alternative channels of access to finance and the mainstream channels was also flagged. It was mentioned that the potential and role of Cooperative Banks in enhancing financial inclusion is not getting adequate importance.
- **Issues in Business Correspondents** – While the number of BC agents and CSPs in Bihar has grown significantly, the operational issues remain to be resolved.
- **Sustaining the Self Help Groups** – It is evident that SHGs are unable to sustain in long term if the support of promoting agency is withdrawn. Effective policy is required for building in costs of support to SHGs beyond the promotion, capacity building and bank linkage stage.
- **Potential of postal department** - Postal department has well established physical infrastructure in both rural and urban areas in Bihar, and they have been operating as payment banks since decades. Hence, they are well placed to serve the poor, particularly in remote areas. One of the business objectives of India Post is “To increase financial inclusion of the unbanked population by at least 10% by the year 2013-14”.
- **Livelihoods based financial services** – Effective livelihoods interventions are the key for appropriate credit utilization by clients thereby leading to optimum impact of the loans and other financial services... It was however clarified to the group that issues of livelihoods promotion do not fall under the scope of the PSIG programme. Also financial

requirements of Producer Companies are not being taken up by the programme at this stage; this may however be reviewed at a later stage after some initial priorities are completed.

4.Objective, Scope and ways of working for State Financial Inclusion Forum

Objectives – The SFIF is being constituted as part of the mandate of the PSIG programme to ensure an appropriate policy and enabling environment for financial inclusion in the focus states of the programme. Specific objectives of the SFIF are to:

- Serve as a mechanism for deliberation on opportunities and limitations of different channels and initiatives
- Help prioritization of priority issues for PSIG programme, suggest approaches for policy advocacy and support their implementation
- Facilitate identification of opportunities for convergence and partnerships in the state to optimize investments

Composition – The members were informed regarding the details of all members that have been invited and have agreed to join the forum. The Forum is composed of a diverse set of stakeholders involved in financial inclusion covering the government programmes, banks, apex development agencies – NABARD and SIDBI, MFIs, NGOs and RRBs, and the academia. In addition, it was agreed that representatives of concerned organizations and programmes will be invited based on the themes in the agenda for respective meetings to enrich discussions and support follow-on actions points as required.

Scope - The State Financial Inclusion Forum will act a mechanism for candid and open discussions on opportunities and limitations of different channels and intervention for access to finance, leading to prioritization of policy issues for PSIG programme as well as identification of opportunities for fostering collaborations. The scope will include the following channels and services:

- Agent banking – BC/BF models
- MFI channel
- SHG bank linkage model
- Direct banking
- Community based models - Cooperatives/SHG federations
- All financial services – Credit, savings, insurance, pensions and remittances

The SFIF could identify priorities within these based on state context and level of significance of issues

Frequency of meetings – The SFIF will meet quarterly.

Proposed ways of working –

- ACCESS ASSIST Bihar team will work as the secretariat for the SFIF
- The Secretariat will present an update on the status of progress on financial inclusion based on availability of most recent data from various sources in the form of SFIF bulletin in every meeting.
- Each meeting will delve into one specific theme that would be identified in the previous meeting

- A sub-group from among the SFIF members may be constituted to lead on the action points arising from the discussions and decisions of the meeting. ASSIST and SIDBI-PSIG will work with this sub-group on the action points and report progress in the next meeting.

The members of the forum agreed with the proposed scope and ways of working for the forum. It was clarified that while the Forum will not have any authority/power to enforce or influence the private as well as government agencies, the Forum will utilize its sectoral clout to make joint stakeholder representations to respective authorities to push for action and influence decision making.

5. Access to Finance Vision for Bihar

A state Access to Finance Vision document for all four focus states including U.P. has been developed as part of the programme. (Copy of the report is attached as **Annexure 3**) The document will be shared with SFIF members for feedback and suggestions.

6. Key Priorities for Way Forward

Based on the issues prevalent and status of FI in the state, the following key priorities are set for the state and for the Forum:

- Issues in Pension services need to be resolved through documentation and advocacy with PFRDA as a top priority
- Documentation on status and performance of BCs in the state
- Convergence of products and services through common delivery channels
- Studies tracing recovery of SHGs to demonstrate potential of the channel
- Enhancing capacities of conducting appraisal among state level and regional bank representatives in order to increase flow of funds to MFIs

7. Themes and action points for next meeting

Policy and operational issues in Micro-pension (NPS-Lite) scheme will be the key theme. This will be done based on documented experiences of C-DOT and Jeevika in rolling out the scheme. The senior officials from PFRDA will be invited to the next meeting for discussion with state level stakeholders, which will include other pension aggregators, in addition to the SFIF members.

It was also agreed that the findings of the BC study will be share with SFIF when completed. Also the strategy of PSIG towards financial literacy and awareness will be share in the Forum meeting.

8. Date for next SFIF meeting

Next meeting will be conducted on 11th March, 2014 and it is proposed that it should be conducted in Jeevika Office.

9. Vote of Thanks and Concluding Remarks

The Vote of Thanks for proposed by Ms. Sonmani Chuadhary, State Director, PSIG-SIDBI. The meeting was concluded with the hope that the SFIF will serve as an effective platform for fostering convergence and innovations, and for stakeholders for working collectively towards better policy and enabling environment for financial inclusion in the state.

Annexure-1

List of Participants

SFIF Members		
Sl. No	Name & Designation	Institution
1	Mr. Rakesh Sharma, CGM	SBI
2	Mr. Ranjit Kr. Das, CGM	NABARD
3	Mr. A K Bhatia, Chairman	MBGB
4	Mr. A S Shekhawat, Chairman	BGB
5	Ms. S R Sinha, CMD	SAIJA Finance
6	Dr. P P Ghosh, Director	ADRI
7	Mr. Avinash Kumar, Senior Faculty	The Livelihood School
8	Mr. Neelesh Sinha, Programme Coordinator	RGVN
9	Dr. Shantwana Bharti, State Resource Person	BMSS
10	Mr. Mukesh C. Sharan, Project Coordinator - FI	Jeevika
11.	Mr. Narsingh Mahto, Asst. Director	Postal Dept.
12.	Mr. S Acharya, Asst. Secretary	LIC
13.	Mr. Ejaz Ahmed, Programme Manager	WDC
Other Participants		
14	Ms. Anu Gupta, Deputy Head, Private Sector	DFID India
15	Ms. Ragini Chaudhary, Advisor	DFID India
16	Mr. Vipin Sharma, CEO	ACCESS Development Services
17	Mr. Prakash Kumar, GM	SIDBI
18	Mr. Sharad Jha, DGM	NABARD
19	Mr. R K Gupta, DGM	SBI
20	Mr. Satish Kr. Singh, AGM	SBI (SLBC)
21	Ms. Radhika Agashe, Executive Director	ACCESS-ASSIST
22	Mr. L K Mahapatra, DGM	SIDBI
23	Mr. Kuberan Selvaraj, State Project Coordinator	IFC
24	Mr. Nikhil Verma	SAIJA Finance
25	Mr. Jiban Kr. Jha, Project Manager	Jeevika
26	Mr. S K Jha, AAO	LIC
27	Ms. Sanju Singh, Managing Trustee	Tathagat Educational Development Foundation
28	Mr. Pramod Kumar, Officer	MBGB
29	Ms. Sonmani Chaudhary, State Director	SIDBI
30	Ms. Rita Jha, Manager	SIDBI
31	Ms. Aparna Shukla , Manager	ACCESS-ASSIST
32	Mr. Tushar Krishna	ACCESS-ASSIST