



Inception Meeting of State Financial Inclusion Forum (SFIF), U.P.
Banker Institute of Rural Development (BIRD), Lucknow
26th August 2014

Summary of Proceedings

Assisted by DFID, the Poorest States Inclusive Growth programme(PSIG)has been promoting sustained efforts to facilitate a better environment for inclusive growth in four poorer states-viz Bihar, Madhya Pradesh, Odisha and UP through enhanced private investment and better access to financial services. SIDBI is the principal project implementing agency for PSIG and ACCESS-ASSIST has been assigned to manage 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 and help strengthen effective coordination and synergy among all stakeholders in creating an enabling environment and 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. **Welcome note** by Ms. Radhika Agashe, ED and Mr. Vipin Sharma, Managing Trustee, ACCESS-ASSIST and brief introductions by all participants
2. **Overview of DFID strategy and programmes** in India by Ms. Ragini Chaudhary, Private Sector Development Advisor, DFID India – Please refer to copy of presentation attached as **Annexure 2**.
3. **Overview of Programme Strategy and Present Status of PSIG** by Mr. Prakash Kumar, GM, SIDBI – Please refer to copy of presentation attached as **Annexure 3**.
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

The members including Ms Supriya Pattnaik, Regional Director, RBI; Mr Mr Sampath Kumar, CEO, RGMVP; Mr Adarsh Kumar, Mission Director, UPSRLM; and representatives from LIC, Sonata Microfinance welcomed and supported the idea of a forum of this nature at state level. It was however cautioned that the form should synergise with existing mechanisms such as the SLBC, and its sub-committee on Financial Inclusion; committees/forums promoted by NRLM etc. so as not to duplicate efforts. The members agreed that the SFIF can strive to support the mainstream mechanisms by taking up issues that do not get adequate attention and space in these forums.

Composition – The proposed membership of the UP State Financial Inclusion Forum consists of a diverse set of stakeholders involved in financial inclusion covering the RBI, government programmes, banks, apex development agencies, financial services providers, research and academia, NGOs etc. The list of invited members is attached as **Annexure 4**.

It was suggested that a member from a private bank may be invited to join the SFIF. Other suggestions were technology companies such as Visa; UPMFI network; BC federation; a general insurance company etc.. However, in the interest of keeping the SFIF membership to around 15, it was agreed that representatives of these organizations will be invited based on the themes in the agenda for respective meetings as special invitees to enrich discussions and support follow-on action points as required.

Scope - The State Financial Inclusion Forum will act a mechanism for candid and open discussions on the 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 all financial services - credit, savings, insurance, pensions and remittances , and through all channels including direct banking as well as agent banking and SHG linkage, MFI channel and community based models such as Cooperatives and SHG federations, insurance and pension through corporate aggregators; MTOs etc. The SFIF will 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 UP 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.
- SFIF will draw up a list of priority issues and suggestions for deliberation under the forum.
- 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. Brainstorming on priority themes and issues for PSIG in U.P.

- **Lack of sustainable livelihoods activities for SHG members** -Lack of livelihoods opportunities was raised as an issue plaguing the SHG movement in the State. NABARD shared its experience of SBLP in the state and its contribution towards livelihoods creation in the remotest areas. It was, however, clarified by the PSIG team that while quality of SHGs, flow of loans to groups and delivery of a range of financial services to SHG members for enterprises/livelihoods is core part of PSIG scope, discussion on livelihoods sub-sectors is outside the purview of the programme as well as SFIF. **Issue of savings account opening for SHGs**- Opening SHGs bank account is still a Herculean task for SHPIs because every bank has its own a/c opening application procedure and even required documents and bank charges are different. Advocacy efforts can be made in UP for standardization of SHG related application forms and processes across banks, as has been done in Bihar through the Jeevika programme. It was agreed that Jeevika model can be studied under SFIF and further advocacy for such successful model can be taken up to the SLBC.
- **Issues in Business Correspondent (BC)s** – While the number of BC agents and CSPs in UP has grown significantly, the operational issues remain to be resolved. This issue can be taken up in the forum for further deliberation and concrete actions. A state level study may also be undertaken
- **Need for insurance products (life/non-life insurance)**- Members also built consensus over need for increasing the outreach of various micro insurance products for unbanked population in the state. UPSRLM and RGVMP shared their experience and need for livestock insurance for poor farmer families whose major livelihoods are dairy/goat rearing. LIC supported the idea of micro-insurance products to be discussed in the forum.
- **Impact of credit history (old defaults) on financial inclusion of women:** There are several instances of women SHG members not being able to avail loans due to their family members being defaulters. This is a major issue in the state where SHG member is not a defaulter but is penalized for old defaults by other household members. This issue can be addressed by the forum as it is important from the perspective of women empowerment and FI. It was suggested that a study may be initiated on this issue as a starting point.
- **Credit data of SHGs/SHG members on credit bureaus** - Another issue raised by Sonata was about lack of availability of data on the financial penetration level in the state. Even, credit bureau data does not fulfill the purpose. Different sources claim different data on untapped

villages in different districts. It is still unclear to MFIs which villages are still untouched by other MFIs which ultimately creates hindrance in targeting the right population for FI.

6. Access to Finance and Way Forward document for U.P.- A study on Status of Access to Finance in all four focus states including U.P. has been conducted as part of the programme. (Copy of the report for UP is attached as **Annexure 5**). The data in the report is being updated as per the current year. Feedback and suggestions are solicited from the SFIF members on the report.

7. Themes and action points for next meeting-Policy and operational issues in Micro- insurance will be the key theme. This will be done based on documented experiences of the nodal agency for general insurance in the state. HDFC or ICICI insurance companies will be invited to receive their experience with the scheme/programmes in the state and what are those areas in which PSIG/SFIF can be involved and further pursued. The senior officials from IRDA, LIC, general insurance companies, related NGOs, etc working in the state will be invited to the next meeting for discussion with state level stakeholders, in addition to the SFIF members.

In addition, SFIF secretariat will circulate a note on the experience of standardization of SHG application forms in Bihar in the next meeting.

8. Date for next SFIF meeting

Next meeting will be conducted in Sept/early October, 2014.

9. Vote of Thanks and Concluding Remarks-The Vote of Thanks for proposed by Mr. Utpal Kr. Chakraborty, 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.

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Annexure 1: List of participants

Name	Organisation
Ms. Supriya Pattnaik	Regional Director, RBI
Mr. S. K. Verma	DGM, RBI
Mr. K K Gupta	CGM, NABARD and Director, BIRD
Mr. Adarsh Singh (IAS)	Mission director, UPSRLM
Mr. D. P. Gupta	GM, Baroda U.P Grameen Bank
Mr. Sharad Shrivastva	ZM, LIC Kanpur
Mr. Alok Maitra	Dy. Manager, LIC
Mr. K.L. Agrawal	Regional manager (micro insurance), LIC
Mr. Sampath Kumar	CEO, RGMVP
Dr. P.L. Yadav	Sr. Programme Consultant, RGMVP
Mr. Anup K. Singh	MD, Sonata
Mr. Abhay Singh	MD, Sonata
Mr. B. B. Singh	CFO, Cashpor
Ms. Ragini Chaudhary	Private Sector Dev. Advisor, DFID
Mr. Prakash Kumar	GM, SIDBI
Mr. Utpal Kumar Chakraborty	SD, SIDBI
Mr. Amar Gupta	AM, SIDBI
Mr. Vipin Sharma	Managing Trustee, ASSIST
Ms. Radhika Agashe	Exe. Director, ASSIST
Ms. Shipra Singh	Sr. Manager, ASSIST
Mr. Sumeet Singh	Sr. Coordinator, ASSIST