

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

11th March, 2014

Hotel Gargee Grand, Patna

Background - 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 implementing 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. Recapitulation of first meeting:

The inception meeting of Bihar State Financial Inclusion Forum (SFIF) was held on 24th January 2014 as part of which it was agreed that the Forum will work towards better convergence among various initiatives and approaches towards financial inclusion in the state and facilitate identification of policy issues in scaling up of all financial service to the poor. The Key priorities identified for the SFIF were:

- ▶ 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

ACCESS ASSIST is playing the role of the secretariat of the Forum with support from DFID and SIDBI's PSIG program. As per the consensus, the second meeting is being organized on issues and way forward in enhancing outreach of micro-pension services in Bihar. Also, as agreed in the first meeting, the first Bihar Inclusive Finance Bulletin is being released under PSIG as also the final Report on Status of Access to Finance and Way Forward in Bihar.

2. Overview of NPS-Lite scheme by Mr. Rakesh Sharma, GM, PFRDA

- a. Overview of status in Bihar
 - i. Number of pension aggregators in Bihar – 28
 - ii. Number of registered subscribers in the state – > 75,000 (as on January' 2014)
 - iii. Only 463 out of 6,400 locations (e.g. branches of banks, kiosks, Point of Sale, micro-branches etc. of aggregators and sub-aggregators) are active
- b. Recent policy efforts made by PFRDA with the Government based on feedback received from aggregators and other stakeholders include the following points:
 - i. Benefit of government contribution of Rs. 1000 per year under Swavalamban scheme is proposed to be increased to 25 years from the starting date of the scheme.
 - ii. NPS Lite is a low-cost option for people from unorganized sector to plan their retirement. The scheme generally offers 8%-9% return per annum, depending on fund performance.
 - iii. Developing a separate pension product with guaranteed return benefits in order to cater to low risk taking clients, (Swavalamban scheme does not promise fixed rate of return since funds are partly invested in market based instruments)
 - iv. Terms and conditions for withdrawal of subscriber from the NPS-Swavalamban scheme have been formulated now and will be disseminated by PFRDA soon

i to ii of above are being followed up but will take a long time for any outcomes.

PFRDA's strategies to increase outreach of NPS Lite under the current guidelines and product design are:

- a. Appoint more number of aggregators and provide required support to aggregators for increase access to NPS Lite.
- b. Tie up with Govt. departments such as Labour, Health, Women and Child Development at State level for coverage of workers such as ASHA workers, Anganwadi workers and helpers, construction labor. In Bihar, a tie up has been initiated with Health Department for covering ASHA workers.

3. Experience sharing by aggregators/sub aggregators:

Bihar has diverse models being implemented for roll out of pension services by aggregators. MFIs such as Cashpor, Saija and Bandhan are delivering pension services to their credit clients, Alankit reaches out directly to clients and has also recently entered into a tie-up with Madhya Bihar Grameen Bank (MBGB), and Sahaj E Village Ltd. works through village level entrepreneur/kiosk model. C-DOT in addition to covering its clients is the covering ASHA workers.

4. **The following issues and constraints were shared by aggregators in the discussion and Mr. Sharma responded to some of these on behalf of PFRDA:**

- a. Need for financial literacy and awareness among beneficiaries through different ways – PFRDA has standard communication materials available for use by aggregators. PFRDA also does targeted media campaigns, but this could be increased. Resources from other initiatives and agencies such as NABARD, PSIG, and FLCCs could also be leveraged for financial literacy.
- b. Capacity building of aggregators and their field level staff – Since pension is a long term investment product, front line staff members of pension aggregators need capacity building for effective communication.
- c. There is no fixed rate of return on investment, so it is difficult to communicate among beneficiaries about return
- d. Need for a state level cell/office of PFRDA to facilitate for smooth coordination and support to aggregators – PFRDA is not able to set up state/regional offices, all support is made available from its Office in Delhi. An informal state level cell can be established in partnership with the agencies like Jeevika, NABARD etc.
- e. Discrepancies in KYC documents of clients due to which applications are rejected; PFRDA should consider simplified KYC documents – PFRDA however clarified that for such a long term product in which the government is also providing contribution, diluted KYC may not be accepted, so advocacy on this issue is redundant.
- f. No clarity on process in case of migration of beneficiaries to other state or closure of any aggregator – In both these cases, PFRDA maps the clients to the closest aggregator and reassigns clients. While PFRDA will do this for all clients of the aggregator that is closing down, clients migrating to another state will need to report the change to PFRDA in order to affect the reassigning of aggregator.
- g. Unavailability of forms in Hindi or local language
- h. Delay in operational processes which affect credibility of the organization at field level.
- i. Need for a process audit of aggregators to ensure good players are allowed – PFRDA has existing mechanism for periodic audits of aggregators.
- j. Banks have limited staff in rural branches that are overburdened with core targets, so pension becomes a peripheral activity for them – Some banks have appointed sub-aggregators for field level work in order to overcome this challenge

5. **Convergence between PFRDA, Government Departments, banks and others to increase pension outreach:** Labour department has tied up with Bhawan Nirman Board to providing pension to regular workers from fund created from 1% cess which they collect from builders. This can be integrated with Swavalamban scheme and contribution can be taken from workers also to increase their corpus amount. In other states, such convergence is already being implemented. Similar partnership with ICDS for enrolling Anganwadi workers can be initiated. In Karnataka, enrollment of Anganwadi workers and helper has been done under NPS.

For financial literacy of beneficiaries, convergence with SBI can be done to use its resources at village level. Also Financial Inclusion Fund of NABARD can be used for this purpose. Dedicated

infrastructure run by community women (JEEViKA , WDC) can also be used for financial literacy. PSIG may consider investing in sharing best practices with aggregators.

6. Way Forward

Based on the discussion, following ideas for way forward were suggested:

- a. Tie ups with Department of Labour and WDC for pension coverage of their unorganized workers
- b. Use of existing mechanisms – FLCs, SHG federations, PACS, PRI leaders, farmers clubs to increase outreach of pension
- c. Advocacy with PFRDA for setting up state level cell/office
- d. More clarity on product guidelines on withdrawal, lock in period etc.
- e. Create certified professionals for communication and awareness building on pension

7. Top 3 Action Points:

- a. PSIG to explore partnerships for setting up a **State level Pension Cell** that can play the role of local point of contact for convergence, communication and information on product and process and coordination with PFRDA. NABARD and JEEViKA are possible entities to be approached for this proposition. SFIF Secretariat will follow-up with them and report observations and progress in the next SFIF meeting.
- b. Organize content based interactive workshop with aggregators for better clarity on product and process related details including learning from good practices and models from other states.
- c. Capacity building of front line staff of aggregators with the help of PFRDA – This can be done by PSIG in partnership with NABARD and other state level agencies.

8. Theme for next SFIF meeting

- a) The theme for the next meeting will be ***Performance of BCs in the State.***
- b) SFIF Secretariat will meet with various organizations working as BCs and different Banks to collect data and understand the status of services. Based on the study, Secretariat will develop background note and agenda.
- c) Next SFIF Meeting is proposed to be held in June, 2014.

ANNEXURE 1

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