

State Financial Inclusion Forum (SFIF), Odisha: 2nd Meeting
21st March 2014
The New Marrison Hotel, Bhubaneswar
Summary of Proceedings

Background: Small Industries Development Bank of India (SIDBI) in partnership with Department for International Development (DFID), UK is implementing a bilateral project on access to financial services and promoting pro poor investments in India's four poor States namely Madhya Pradesh, Uttar Pradesh, Bihar and Odisha named as "Poorest State Inclusive Growth programme (PSIG)". The objective of this programme is to improve access to financial services (viz. saving, credit, insurance, remittance, pension, mobile banking, banking correspondent etc.) for poor people and to strengthen the institutional framework for channelizing financial services to help the poor to improve their income and quality of life through its multifarious initiatives. PSIG envisages reaching 10 million beneficiaries directly and indirectly through Credit and 2 million beneficiaries through diverse non-credit financial services.

ACCESS-ASSIST has been assigned by PSIG to coordinate the identified 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 PSIG focused 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 a Platform to 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. **Overview NABARD's SHG-BLP in the State** by Mr. R. K. Roy, DGM, NABARD.

2. **Action Update from the Inception Meeting**

From the inception meeting of SFIF, the state secretariat has undertaken various tasks in line with the project guidelines and the Action Points made.

- a. Updating the State Access to Finance Vision Document for Odisha. The document has been updated and shared with SFIF members. The document is now available on ACCESS ASSIST website on publications page.
- b. Meetings with key stakeholders – NABARD, OLM, SHPIs for second SFIF meeting; development of background note in consultation with the state PSIG-SIDBI team.
- c. Performance data of 15 potential SHPIs for supporting information on SHPI: CB strategy for PSIG in the state
- d. Follow-up meetings with both the public and private sector banks have been made to facilitate flow of funds to MFIs in the state.
- e. Release of First Odisha Inclusive Finance Bulletin, which captures key financial indicators and sectoral views from selected experts.

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

The key theme for the 2nd SFIF meeting was “*SHG- Bank Linkage: NABARD-NRLM/OLM Convergence and possibility of Innovations in Odisha*”. For the convergence, it is understood that a special committee known as SLBC Small Committee on SHG-Bank Linkage has been constituted by state government to review and expand bank-linkages through NRLM/OLM. Other key parameters such as Governance, Policy Making and Capacity Building are also reviewed by this Committee. The committee is being Chaired by the Commissioner–cum- Secretary, Panchayati Raj Department, Govt. of Odisha and attended by Director-Mission Shakti, MD-OSCB, Mission Director-OLM, and representatives from banks and NABARD. The mutual consultation on this very important theme is also reflected at the district level where the NABARD DDMs have been playing pivotal role of supporting the OLM’s institutionalization mechanism.

Opening remarks from NABARD:

- Performance of SHG Bank linkage programme in Odisha is below the national performance– Despite the positive growth of SHGs over the years, the average savings of the groups in the state (Rs.8000) is still below the national average (Rs.11230). The same is the case for the average credit disbursement to an SHG which is only Rs.99, 270 against the national average of Rs.1, 68,757/-. It is almost 38% below the national average- a huge gap indeed. Also it is discouraging to see that the state witnessed a consistent decline in the number and amount of loans disbursed to groups in the last three years.
- The rise of NPAs in the SHGs Portfolio has been also a key concern in the state, reached to a gross level of 328.31cr in the year 2012-13. The NPA% to the loan outstanding is very high (18.27%) in Odisha in comparison to its neighboring states of Andhra Pradesh, West Bengal, Jharkhand and Chhattisgarh. While banks are at times blamed for not lending to groups and not considering SHG lending as a value proposition, it is also a fact that there are issues regarding quality of SHGs, monitoring and management of groups by SHPIs and so on.
- Banks have not been viewing SHG bank lending as a business proposition, as a result of which the numbers and amount of loans given to SHGs has been declining since 2010-2011. This is evident from the fact that the achievement in terms of SHG-Bank Credit linkages for the current year (as on December’2013) has not been encouraging (only 20%). Out of the proposed disbursement of Rs. 1000 cr loans to 1,00,000 SHGs, the target set by the State Government, for the year 2013-14, only 32% of the target has been achieved at the end of Dec’13. (as shown in NABARD PPT; this is common target at state level for OLM and NABARD monitored by NABARD).
- In 2012-13, NABARD has initiated the SHG-2 concept with some underlying guidelines for allowing voluntary savings, creating JLGs within the group as separate entity, introduction of cash-credit mechanism, SHGs to act as Business Facilitators, technology to be used for monitoring, provision of multiple financial services etc. Simultaneously, NABARD has been supportive in the work undertaken by OLM to institutionalize the SHGs.

Opening Remarks from OLM

- Ensuring adequate and timely credit linkage for groups has been considered as an important achievement in the SHG-Bank Linkage Program. Besides NPAs other factors like inadequate staff in the banks, increasing workload, lack of regular monitoring, poor quality of the groups and low level of business proposition in the SHG lending etc, indirectly keep bankers not to take up

aggressively SHG-Bank linkage program. The Odisha Livelihood Mission (OLM) in collaboration with other key stakeholders including Mission Shakti, NABARD, and other Banks etc. has taken a strategic decision to bring all SHGs in the state under the fold of OLM and facilitate effective linkages for them.

- Operating as a registered society the Odisha Livelihood Missions is functioning since 2006 under the Panchayati Raj Department, Government of Odisha. Currently it is implementing NRLM, TRIPTI, ORMAS, O-AABY, Aajeevika Skill and Mahila Kisan Sashaktikaran Pariyojana (MKSP) in the state. Building the institutions of poor through social mobilization, financial & economic inclusions have been one of the core mandates of OLM.
- The support systems from OLM includes extending the Revolving Fund (RF)/Pro-Poor Inclusion Fund (PPIF), Community Investment Support Fund (CIF): MIP based linkage through Federation, Bank Linkage, Interest Subvention (effective rate: 2%), Capacity Building & Monitoring etc. Here, the OLM started validating the existing SHGs with an intensive approach. Understanding the importance of financial literacy, the OLM is creating Bank Mitras/Bima Mitras to help the community to understand the implications of having various financial products/services. To get the optimum benefit of interest subvention scheme from the Govt. the OLM is encouraging SHGs to inculcate a habit of on-time repayment of bank loans within the group.

Specific issues and barriers to SHG-BLP as suggested by the SFIF members are summarized below:

- Lack of unified reporting system/MIS: Since the status and quality of SHGs across the state was unclear, OLM is undertaking a state wise exercise for 'validating SHGs' i.e. ascertaining that the SHG exists and is active. OLM has validated 2.8 lakh SHGs through this exercise. However, the status of remaining SHGs still needs to be validated and inactive/non-existent SHGs should be removed from the MIS. The OLM database of validated SHGs can serve as a unified MIS for tracking SHG progress in the state.
- Consistent Rise of NPAs in SHG Portfolio of Banks: It has been a growing concern among all involved stakeholders, particularly the Banks, where the NPA from SHGs coming out to be 23.4% (CBs), 9.8% (RRBs) & 23.4% (COOPs). The reasons for the NPAs that came out from the presentation and discussion are:
 - Lack of credit-monitoring from the Banks: Banks consider SBLP as an obligation rather than a viable business option.
 - There are very few good SHPIs who truly involve themselves right from credit linkage of SHGs to the repayment of the same. Most other SHPIs found out to be following the exit strategy soon after promoting and credit linking them with the banks, major reason being that they do not have resources for continued support to SHGs for the long term.

One interesting point came out from the discussion was that the NPAs of SHGs promoted by RRBs or other successful models are lower than that of the Banks. Also the experiences on the community based recovery mechanism as practiced and shared by the SHPIs (invitees) were found quite productive in reducing the NPAs. This is because of the monitoring and direct engagement of the organizations involved with the SHGs which result in minimal NPAs in their account.

- Reporting of SHG Member data to Credit Bureaus: It is known that the member data of SHG members is not reported to the Credit Bureaus. There was a consensus that if individual credit history of SHG members could be shared with Credit Bureau, that would help the financial institutions in understanding the true financial status of an SHG, creditworthiness of individual member etc. in an analytical manner.

Specific and suggestive actionable points for successful expansion of the SHG-BLP in the state, coming out of the discussion are:

- Cadre of Human Resources: Strengthening and capacity building of SHPI staff so that they can help sensitizing the SHGs in curbing rising NPAs.
- Provision of credit plus services like insurance, pension and remittance to the credit-linked groups in the State.
- Role of a Credit Bureau: Banks may be encouraged to start sharing the individual SHG members' credit history and OLM can also pilot reporting to Credit Bureau.
- ICT usage: Successful technological innovations can serve the last mile in an effective way. One of the examples in the state is the Mobile banking pilot done by DFID for NREGS payments.

4. Capacity Building of SHPIs

Capacity building support to SHPIs is required for improving SBLP effectiveness. Convergence of resources through various programmes towards this end can be facilitated by PSIG.

5. Potential for Convergence among stakeholders

The SFIF also came out with a view to make the SLBC Small Committee on SHGs and the District level forums of OLM more inclusive and suggested to include some local SHPIs and Cooperatives in the District level forum.

Key Priorities:

Based on the deliberations, a few key priorities were identified and action plan on that prepared through discussion with DFID and SIDBI, as under: Detailed Action Points are given in **Annex-2**

6. Theme for the Next Meeting

- The next SFIF meeting is scheduled to be held in the month of June 2014. It is proposed to take up any one of the following issues as the Theme for the next SFIF meeting :
 - i. Micro Insurance OR
 - ii. HR Issues in MFIs and SHPIs.
- SFIF secretariat to meet with various stakeholders and develop a background note and agenda based on the information and feedback received.

Annexure-1**List of Participants**

Sl. No	Name & Designation of SFIF Member	Representing Institution	Present
1	Mr. P. K. Biswal, Director	Institutional Finance, Govt. Of Odisha	Member
2	Mr. S. K. Kale, Chief General Manager	NABARD	Mr. R. K. Roy, DGM and Ms. Sunanda Ramachandra, AGM
3	Dr. Haribandhu Panda, Pro-Vice Chancellor	Centurion University of Technology and Management	Member
4	Ms. Supriya Pattanayak, State Representative	DFID India	Member
5	Mr. S Ramakrishnan, GM/Regional Head	SIDBI	Member
6	Mr. Manas Pani, Head	Dhanei- KGFS	Member
7	Mission Director	Odisha Livelihood Mission (OLM)	Mr. Subrat Biswal, Project Manager-Microfinance and Mr. Dibakar Moharana, Project Executive-Bank Linkages
8	Ms. Nayana Mohanty, CEO	Swayanshree Mahila Samabaya Ltd	Member
9	Mr. Ambika Prasad Nanda, State Program Officer	UNDP India	Member
10	Mr. Jagadananda, Chair, Sa-Dhan and Member Secretary, CYSD	Centre for Youth and Social Development (CYSD)	Ms. Seema Gupta, Program Manager
11	Mr. Govinda Pattnaik, MD & CEO	Annapurna Microfinance Pvt. Ltd	Mr. Dibyajyoti Pattnaik, Director
SFIF Members (Absent)			
12	Mr. S. P. Singh, Convenor, SLBC		
13	Mr. Baghrai Majhi, Sr. Divisional Manager, LIC of India		
14	Dr. H. K. Pradhan, Professor, XLRI Jamshedpur		

Other Invitees & Delegates		
Other Guests & Invitees		
Special Invitees		
1	Mr. S. P. Mishra, Sr. Manager	Canara Bank
2	Mr. Gyana Ranjan Dash	DHAN Foundation - SHPI
3	Mr. Ranjan Mohapatra, Executive Director	SHRISTI-SHPI
Other Delegates		
1	Ms. Ragini Chaudhary, Advisor	DFID India
2	Mr. Surendra Srivastava, DGM-PSIG	SIDBI
3	Mr. Subhranshu S Acharya, DGM	SIDBI
4	Mr. Srikant Das, State Director-PSIG	SIDBI
5	Mr. Pravanjan Mohapatra, PSIG	SIDBI
6	Mr. Srinivas B., Manager-PSIG	SIDBI
7	Mr. Satyanarayan Routray	SHRISTI-SHPI
8	Mr. Karthik K	Odisha Livelihood Mission(OLM)
9	Mr. Vipin Sharma, CEO	Access Development Services
10	Ms. Radhika Agashe, Executive Director	Access-Assist
11	Mr. Amulya Mohanty, Vice President	Access Development Services
12	Mr. Narendra Nayak, Associate Director	Access-Assist
13	Mr. Arjun Pagal, Sr. Project Coordinator	Access-Assist
14	Mr. Rashmi Ranjan Swain, Finance Officer	Access Development Services