

3rd State Financial Inclusion Forum (SFIF) Meeting, Madhya Pradesh

Venue: Hotel Marriot, Bhopal

03rd September 2015

Background- Poorest State Inclusive Growth programme (PSIG) assisted by DFID 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 objective of this programme is to improve access to financial services (viz. saving, credit, insurance, remittance, pension, mobile banking, banking correspondent etc.) by the deprived people and to strengthen the institutional framework for channelizing financial services to them 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. Instituting multi-stakeholder 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 stakeholders in creating an enabling environment and accelerating the process of financial inclusion in the state.

Theme of the meeting was “**Strengthening Financial Literacy Centers (FLCs): Current status, Constraints and Way forward**”. The meeting was attended by representatives from Reserve Bank of India (RBI), NABARD, Commercial Banks, NGOs, Counselors of various FLCs and PSIG team. The list of participants of the meeting is enclosed in **Annexure 1**. It started with introduction of participants and September’ 15 issue of Madhya Pradesh Inclusive Finance Bulletin was also released in the meeting.

Summary of Proceedings

1. Recapitulation of previous meetings:

Executive Director, ACCESS-ASSIST recapitulated the previous two SFIF meetings and recently concluded Madhya Pradesh Inclusive Finance Summit in June ‘15, as part of which ACCESS-ASSIST is facilitating identification of policy level issues and subsequently working on building convergence among various initiatives and approaches of financial inclusion in the state. She also briefed the forum about progress of PSIG programme and highlighted about various studies and research undergone like working on BC training modules based on the outcomes of the 2nd SFIF meetings.

2. Presentation by ACCESS-ASSIST

ACCESS-ASSIST is conducting a “**Dipstick study on FLCs: status, constraints and way forward**” in 4 PSIG focus states covering 5 FLCs of different lead banks in each state (in total 20 FLCs). In order to set the context of discussion, ACCESS-ASSIST presented the forum with the early findings of the study.

- A. *Outreach-* Number of Financial Literacy (FL) camps ranged from 4-12 per month across various FLCs and the average attendance per camp was observed to be around 25 to 30. Participation of women in FL camps was observed to be region specific and village level is the most preferred location for organizing camps. However, the macro level planning for identification of locations and target group for camps was not evident. Also, there was no institutionalized system for coordination among various banks for FLC activities and majorly depended on initiative of FLC Counselors. Also, coordination with Business Correspondents (BCs) was limited.

- B. *Resources* – FLCs typically have one FLC counselor with no other support staff. Out of five FLCs visited in MP, one FLC was provided with a vehicle (others depend on own vehicle/public transport or coordinate with LDM or RSETI for travel). Although the basic infrastructure (like office space, stationary, furniture, printed material etc.) was available with all the banks, however, availability of infrastructure like computer, camera and projectors varied across banks.
- C. *Monitoring*- Documentation is maintained in terms of number of FL camps conducted per month in form of indoor & outdoor registers which is reported to respective Regional Offices along with list of beneficiaries, photographs etc. Regular records/data is maintained for number of camps in particular locations in a month. However, data is not maintained for number of camps in particular village (or location). Also, there was lack any tool/system for monitoring the behavior change of the beneficiaries
- D. *Cost* - Annual expenditure on one FLC varied from Rs. 3-7 lakhs. Major heads of expenditure are FLC counselor's salary & local travels, printed materials and miscellaneous expenditure for camps. Variations were also observed in remuneration of FLC counselors which varied from Rs. 12,000/- to Rs. 30,000/- per month.
- E. *Model FLCs/Best Practices*- Based on the field visits in 4 PSIG states; few FLC models were also highlighted based on good practices and for undertaking different approach. FLC models from Uttar Bihar Gramin Bank (Bihar), Utkal Grameen Bank (Odisha) and Syndicate Bank. (UP) were cited. Some of the major highlights from these FLCs were:
 - i. FLC UBGB, Bihar - Counselor is a permanent staff of bank and he/she is equipped with vehicle and other infrastructure support like LCD projectors etc.. BC points are being used as the sub centres of FLC.
 - ii. FLC Syndicate Bank, UP – FLC is managed by team of two (2) FLC counselor, one retired person who is senior counselor and one junior counselor. Also, financial literacy camps are being conducted on every alternate day and there is separate office for FLC.

3. Summary of discussion

- a. *Is Financial Literacy CSR initiative only or business investment?* - Views from bankers were divided on this aspect. It was highlighted that initially the concept was launched as CSR activity, but it gradually started getting the benefits of business banking in the CASA and loan division. There are however no incentives for Counselors for improving CASA or loan portfolio; Financial literacy needs to be viewed as social investment and not directly linked with business outcomes. It was also highlighted that the public sector banks have incurred major cost on financial literacy in recent years, so the focus should be on providing financial literacy on savings and income generation activities, and not merely open savings account. However, few bankers insisted that financial literacy initiatives are purely CSR activities as per the bank's directive and more time would be needed to see tangible outcomes.
- b. *Financial Literacy- a continuous process*- It was highlighted that the Financial Literacy is a continuous process which is playing crucial role in building financial capabilities of clients. In current scheme of things, there is focus on promoting Government's social security schemes through these camps. However, outcomes of such camps needs to be envisioned and in future, there could be possibility of mapping of some business opportunity with these camps for long term sustenance
- c. *Training manual on Financial Literacy*- Members of the forum appreciated the quality of the existing RBI's training material and modules on financial literacy. But in today's context, the need for use of modern technology to create more effective tools, materials and delivery mechanisms for Financial Literacy was highlighted to make it an efficient channel.
- d. *Coordination with other stakeholders*- The whole initiative is based on scale and scope and needs to be approached through multi agency mode as individual approaches cannot fulfill the objectives required at macro level. In existing scenario, there is coordination with State Livelihood Mission (SRLM), BCs of the area, some Government departments, Gram Sevaks, panchayat etc., however, level of

coordination varies across banks and is dependent on the initiatives of respective FLC counselors. Hence, there could be a possibility of systematic and institutionalized coordination of these stakeholders with FLCs for mobilization of people.

- e. *Use of Mobile Vans*- There was regular use of mobile vans during the PMJDY accounts opening initiative but currently either mobile are not available or only available for basic banking transactions in areas where connectivity is not available. Hence the role of mobile vans in financial literacy is limited. However, mobile vans can play a crucial role in advertising and improving the visibility which is essential in order to attract more people.
- f. *Standardisation of FLCs*- It was highlighted that there should be standardization of number of FLCs as per the population in the area, as currently number of FLC counselors are too less to cover the mandated population. Also, there can standardization of infrastructure, resources, remuneration, printed materials etc. so that all FLCs have the minimum required resources to deliver on the mandate. There is scope and need for rating/performance assessment of FLCs in order to recognize well performing FLCs and drive better performance from others.

4. Key challenges faced by FLCs

- a. *Outreach*- FLC counselors highlighted that there is only one counselor per district who needs to cover entire district, hence coverage and follow ups camps are difficult to achieve. Also, there is requirement of presence of FLC counselors in number of meetings and other programmes organized by other Government departments which also makes it difficult for FLC counselor to focus on financial literacy promoted by banks.
- b. *Mobility of FLC counselors*- Most of FLC are not provided the vehicle of their own. They are either coordinating with LDM/RESTI for the vehicle or using their own vehicle/public transport for conducting outdoor camps.
- c. *Human resource*: Issues related to unavailability of human resource (Counselors) with right set of experiences, especially at block levels was highlighted as one of the challenges for setting up of FLCs.
- d. *Remuneration and expenses of FLC counselors*: Remuneration of FLC counselors varies across banks and ranges from Rs. 12,000/- to Rs. 30,000/- per month. Due to this huge variation in salary structure, motivation of FLC counselor may get affected. Also, the operational expenditures like communication and transport are limited to Rs 1,500/- to Rs 2,000/ per month.
- e. *Challenges specific to Regional Rural Banks (RRBs) and Cooperative Banks (CBs)*- NABARD provides support to RRBs and CBs for promotion of FLC for first year only. However, RRBs and CBs highlighted that one year support is too short and it was suggested that the grant assistance be increased from existing one (1) year to at least three (3) year period.
- f. *Availability of appropriate HR to appoint as Counselor*- Some banks, more specifically Cooperative Banks, are facing problems in identifying appropriate people for appointing as Financial Counselors at block level.
- g. *Data Management and MIS*- Base line data required for identifying low inclusion villages are not available resulting in very less or almost no macro level planning for selection of villages for conducting camps. The camps are being monitored only through numbers of camps conducted and the number of beneficiaries attended.

5. Views of RBI representatives

- a) Level of motivation of Counselor is critical and financial literacy process should not be seen as an obligation by the bank or the regulators rather it should be taken up as inclusive growth measure.
- b) FLC activities can also be reviewed yearly by various other stakeholders like SIDBI, NABARD, etc. to increase the effectiveness. Required steps can be taken for streamlining the functioning and seeking required support from regulators and Government to address the existing issues and challenges.

- c) Workload for the Lead Bank is an issue and hence there is a need of convergence among the FLCs of various RRBs/ CBs and Commercial banks.
- d) Contract and remuneration of counselors are governed by individual banks and needs to be addressed by concerned banks. RBI cannot prescribe these details.

6. Support from NABARD

- a) NABARD is actively involved in promoting FLCs, for which grant assistance is provided to RRBs and CBs for setting up FLCs at District and Block level respectively. Up to maximum of Rs. 5 Lakh grant support (80% of the cost for RRB and 90% of the cost for CB) is provided for each FLC for a period of 1 year only, which comprises of capital and operational expenditure. Till date 15 CBs and all the 3 RRBs have taken up this grant facility for setting up FLCs in Blocks and Districts.
- b) NABARD is also providing grant assistance for independent camps organized by FLCs up to Rs. 15,000/- per camp. Such camps are to be organized on full day basis ranging from 3 to 4 hours. For specific programmes and camps higher amount can also be sanctioned on case to case basis.

7. Sharing of other Financial Literacy models

- a. *Samhita Community Development Services*
 - i. Samhita had initiated a financial literacy programme in the year 2009 with 10,000 women (dealing with credit) in Bhopal slums.
 - ii. Financial literacy training is provided through pictorial representations and majorly focuses on household budgeting, savings (RD & FD) etc.
 - iii. Refresher training workshops are conducted for borrowers before and after taking the credit. Audit team verifies the awareness level of the trainees before the loan is given. A four (4) day training schedule is followed providing basic banking information.
- b. *Sahayog Microfinance*
 - i. Sahayog has implemented “Badhat programme” – on providing business literacy with support from SIDBI. Here a long term vision is provided to the client and based on that activities are planned to achieve the goals. Programme focuses on book keeping for providing the understanding of expenditure and savings cycle.
 - ii. Three (3) day training schedule is followed for the programme– 1st phase (classroom training), 2nd and 3rd phase (follow up, identification and understanding the intention, willingness and practices of the clients and business plan preparation)
 - iii. Currently this programme has been rolled out on pilot phase with a target to cover 250 beneficiaries for a basic bank linkage

Both organizations welcomed the suggestions for coordination with FLC in the respective districts for resolving issues like mobilization of target groups, outreach etc.

8. Way forward and suggestions

- a. *Use of Technology in delivering Financial Literacy*- In line with digital revolution in the country, more emphasis should be laid on use of technology and innovative tools (like Tabs, Smartphones, Mobile Apps etc.) for building and delivering financial literacy.
- b. *Use of existing institutions*- Existing structures like use of SHGs/ Farmer Groups/NGOs/ MFIs/ SHPIs etc. may be involved in Financial Literacy campaign to increase the outreach and to achieve better service delivery to larger masses. In order to achieve this, mapping of areas could be done where MFIs and NGOs are actively present for preparing the action plan for collaboration with the respective FLCs in the area
- c. *Innovative Approaches for content development and delivery*- Innovation driven models may be explored in order to address client needs and making the whole concept of Financial Literacy more

interesting and attractive. Institutions like NABARD may look at development of appropriate pedagogy (through TOTs etc) to help standardize the approach and delivery. On delivery side, it was suggested that Five to Six (5-6) key messages may be highlighted in financial literacy materials issued by RBI.

- d. *“Cost-Benefit analysis” of FLCs*- Focusing on “Cost-Benefit analysis” of FLCs and bringing in improvements in order to widen its approach, outreach and benefits. Emphasis should also laid on supplementing the impacts and outcomes of these FLCs vis-a-vis cost incurred as substantial resources are being invested.
- e. *Two counselors per FLC*- It was highlighted that syndicate banks model from UP (of appointing 2 FLC counselors, one retired banker as senior counselor and one junior counselor) is a good combination for right mix of passion and knowledge and hence can be used in other places.
- f. *Capacity building and Motivation of Financial counselor*- Financial counselors should be provided with forums for sharing experiences, and there should be mechanisms for recognition of the work of well performing FCs. Capacity building of Financial counselor through standard TOTs should also be conducted.

9. Action points for SFIF Secretariat and PSIG

- a. Map operational areas of MFIs and SHPIs with FLCs in order to explore convergence among NGO/MFIs/SHPIs/SRLM and FLCs promoted by banks. Facilitate convergence through meetings based on the mapping to develop more institutionalized mechanisms for coordination of FLCs with other local stakeholders
- b. PSIG may explore possibility of demonstration of model FLC in consultation with NABARD, RBI, banks, State Government.
- c. Study on outcomes of FLCs may be taken up in future.
- d. Discussion with RBI/NABARD central offices regarding Advocacy for development of standard MIS software and a suitable mechanism for rating of FLCs.
- e. Organize national consultation with banks on the gaps identified in this meeting in partnership with DFIBT-NABARD. This will include advocacy with banks for providing basic standard resources and facilities for all FLCs.

10. Vote of Thanks

Finally the Vote of Thanks was conveyed by General Manager, SIDBI to all the members and delegates present for the meeting. Need for prospective discussion in the SFIF meetings was highlighted, which would serve as an effective platform for fostering convergence and innovations.



Annexure 1: List of participants

Name	Designation	Organization
Shri Praveen Kumar	Business Coordinator	Sahayog Microfinance
Shri Sudhir Kumar	State Director, PSIG, MP	SIDBI
Shri Mohd. Adil	Manager, PSIG, MP	SIDBI
Shri A.U Parmar	FLC Counselor, Neemuch	State Bank of India
Shri B.S Rajput	Chief Manager (AFD & FI)	Bank of India
Shri R.C Verma	FLC Counselor, Datia	Punjab National Bank
Shri. M.K Bantaloo	Director, RSETI, Jhabua	Bank of Baroda
Shri Prashant Shrivastava	FLC Counselor	Bhopal Co-operative Central Bank
Shri Lalit Mohan Negi	Assistant General Manager	NABARD
Shri K.R Suresh	Deputy General Manager	NABARD
Shri Rajesh Jai Kanth	Deputy General Manager, FIDD	Reserve Bank of India
Shri Deepak Kumar Chaudhary	Assistant General Manager, FIDD	Reserve Bank of India
Shri. Surendra Shrivastava	Deputy General Manager, PSIG	SIDBI
Shri U.C Gaur	General Manager, PSIG	SIDBI
Smt. Ragini Chaudhary	Private Sector Dev. Advisor	DFID-UK
Smt. Praseeda Kunam	CEO	Samhita
Shri. Vipin Sharma	CEO	ACCESS-ASSIST
Shri. Vijay Kumar Jain	FLC Counselor, Bhopal	Bank of India
Shri. A.K. Upadhyay	Director, Financial Literacy & Credit Counseling Centres Society	State Bank of India
Shri. D.K Rautela	Nodal Officer, Financial Literacy programme	Bhopal Co-operative Central Bank
Shri. M.K Sharma	Assistant General Manager	State Bank of India
Shri I.J Jaggi	Director, Financial Literacy & Credit Counseling Centres Society	State Bank of India
Shri. Tushar Kanungo	Assistant Manager, PSLD	Union Bank of India
Shri. S.K Birani	Chief Manager	Bank of Baroda
Shri. Raghavendra Shukla	Senior Manager	Union Bank of India
Shri. Rajneesh	Lead District Manager, Bhopal	Bank of India
Shri. Santosh Kumar Sharma	Deputy General Manager	Allahabad Bank
Shri S Bhatnagar	Chief Manager	Narmada Jhabua Gramin Bank
Smt. Radhika Agashe	Executive Director	ACCESS-ASSIST
Shri Dhruv Mittal	Manager, PSIG	ACCESS-ASSIST
Shri. Amit Das	Senior Coordinator	ACCESS-ASSIST