

4th State Financial Inclusion Forum (SFIF) Meeting, Madhya Pradesh

Venue: Hotel Marriot, Bhopal

19th February 2016

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 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 participants of the meeting is enclosed in Annexure 1.

The 4th SFIF meeting was held in 19th Feb' 2016 on the key theme "*PMJDY – Progress Till Date, Challenges and Way forward*". The meeting was attended by representatives from Reserve Bank of India (RBI), NABARD, SLBC, Commercial Banks, NGOs, MFIs and PSIG team. The list of participants of the meeting is enclosed in **Annexure 1**.

Summary of Proceedings

1. Welcome and recapitulation of previous meetings:

Executive Director, ACCESS-ASSIST welcomed the participants and recapitulated about the previous SFIF meetings 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. The meeting was formally started with introduction of participants.

2. Opening remarks by Mr. Surendra Srivastava, DGM, SIDBI

He briefed the forum about the SFIF and its objective in addressing issues of policy and advocacy in four PSIG states and the importance of discussion on relevant topics in the space of financial inclusion like PMJDY, Financial Literacy, Insurance, etc., and its benefits in the long run. Also briefed the forum the relevance of these deliberations, and how the recommendations from such meetings are highlighted and submitted to policy makers for an effective change. He emphasized that while discussing about the PMJDY, the forum should also discuss the ground level challenges and propose suggestions to address them effectively.

3. Setting the context for discussion on the key theme

A brief presentation was made by ASSIST on the key theme “PMJDY Progress till date- way forward”, wherein the progress of PMJDY so far was highlighted. Following facts were shared with the forum:

- (a) Till date 20.63 crore accounts opened in India, with 61% of rural based accounts.
- (b) In MP, over 1.8 crore accounts have been opened and is equally spread among rural and urban population.
- (c) Percentage of zero balance accounts stands at 32% in MP.
- (d) 80% account holders have access to RuPay card and Aadhar seeding is only 44.7%

4. Major discussion points – Sharing of experiences by banks

- (A) ***Low interest in Overdraft facility:*** It has been observed that account holders are not so interested in availing the overdraft facility. Given the availability of other state government led programs such as Mukhya Mantri Aarthik Kalyan Yojana along with the establishment of MUDRA scheme, the attention has been diverted away from the overdraft facility. The eligibility for overdraft in accounts is quite low since it is determined by transaction and balance in accounts. Also, the eligibility of overdraft facility keeps changing based on the balance available and level of transactions in the accounts. It was suggested that the terms and conditions for availing overdraft and eligibility should be relaxed in order for making the facility more attractive and applicable to account holders.
- (B) ***Slow progress in activation of accounts:*** Banks are undertaking measures for financial awareness in order to encourage PMJDY account holders to transact in accounts. These include camps, puppet shows and other financial literacy measures to improve awareness. However, there is slow progress in terms of activation of the existing accounts.
- (C) ***Stress on banks*** – While all banks have rolled out PMJDY in a mission mode and now working on the social security schemes, it needs to be acknowledged that banks are working under stressful conditions with limited staff in rural branches and pressure to implement schemes and programmes of the government. After JDY and the three social security schemes, crop insurance and housing schemes are the new programmes that the banks will have to deliver on, which hampers other business of the bank. In addition, maintenance of zero balance and multiple accounts adds to high costs for the banks.
- (D) ***Delivery and activation of RuPay cards and PINs and Aadhar seeding of accounts:*** In MP almost 49 banks are working in a mission mode with door to door approach in order to advance the outreach of PMJDY. While RuPay cards are being distributed to some extent, PINs are with bank branches since there is no mechanism to deliver these to account holders. Of 1.44 crore RuPay cards issued in M.P., only 65 lakhs have been activated. Example of Narmada Jhabua Gramin Bank (NJGB) was shared in which RuPay cards and PINs and Aadhar seeding facility to clients is being extended at doorstep in partnership with NGOs at a cost of Rs 5/- per account.

However RuPay cards are not being activated by account holders and therefore lapse after 90 days.

(E) *BCA viability and high attrition* – It was reported that attrition of BCAs in MP is over 30%. Less remuneration was cited as the main reason for the attrition. It was reported that delays in payments to BCAs have been addressed now that banks are directly remitting payments to agents. NICT briefed the forum about fixed remuneration being paid to BC Agents for the first 6 months from almost all the banks; it was however agreed that this time period is not enough for the BCAs to sustain and needs to be increased to 12 or 18 months. Some banks have incentives on transactions and average balance; this should be implemented by all banks.

(F) *Reinventing BC model* – Some of the participants were of the view that for sustainability and motivation of BCs, there needs to be a mechanism for successful BC agents to be absorbed as staff of bank. In the current context, BCs do not have any incentive to invest in the model and plan for long term. The Govt. of MP is suggesting that fair price shops should be on-boarded by banks as BCAs to address the viability issue. However, it needs to be considered whether fair price shops are appropriate option for BC from the perspective of risk management and trust. Also, it needs to be explored if the PDS machines can be integrated with BC function. Visioning and training of BCAs in enterprise development and business planning are critical elements that are not included in their capacity building modules.

(G) *Enrolment in social security schemes* – Enrolments in insurance schemes MP is 90 lakhs so far. However, update of APY is low and it is difficult to convince the target group to enroll for APY. It was suggested that identification of target group for APY should be reconsidered and communicated effectively to bankers. Contribution of BCs to enrolments in APY is negligible; BCs need more financial literacy and sensitization on social security schemes particularly APY.

(H) *Financial literacy and communication*- With relevance to the PMJDY mission, NABARD also highlighted its role on financial literacy and informed the forum about the financial awareness programmes conducted in association with NGOs, Banks, BCs, Kiosk, etc. Also emphasized that, since the mode of delivery is critical in financial awareness, proper target groups with right delivery mechanism is essential in achieving the objective. Promotional communication regarding government programmes in media such as television and radio often misguide and raise expectations of people. For example, publicity regarding entitlements linked to PMJDY was overhyped and created mis-information on overdraft and insurance benefits leading to multiple accounts. Media publicity should also clearly communicate the eligibility criteria for availing the entitlements. **In the current context, emphasis on transactions and balance in accounts should be done through mass media.**

5. Presentation by PwC on “Compilation of drilled down studies on existing BC models in MP”

PwC with support of PSIG has conducted a study on BCs in the state of MP to understand the status of BCAs, study existing BC models in the state, highlight issues and challenges, document successful case studies and reasons for success, and focused on PMJDY phase II implementation. The PwC team presented before the forum the following preliminary findings of their study.

- ❖ Less amount of business generation is in rural areas as compared to urban areas.
- ❖ Internet connectivity is the main problem for the BC's to operate.
- ❖ BCAs have been provided training; induction and on job trainings. But both dealing with very basic information.
- ❖ Financial literacy among the clients found to be very less which could be a reason in less banking facilities availed through BC agents.
- ❖ Many operational and technical issues prevalent at bank level for BC agents resulting in hindrances in smooth functioning.
- ❖ Less remuneration and attrition of BCAs is a major problem for the sustainability of the model itself.

6. Suggestions and Way Forward

- Pilot project can be developed for effective delivery mechanism of RuPay card, PINs and Aadhar seeding at single contact point through liasioning with NGOs/ BCs/ Banks, etc.,. The pilot can be initiated through convergence of relevant stakeholders.
- Advocacy on strengthening agent banking system to make the BC model sustainable and effective in longer run.
- Enterprise development and business planning training module for BC agents can be developed through PSIG programme and shared with training institutions, BCNMs and banks.

7. Vote of Thanks:

Finally the Vote of Thanks was conveyed by Shri Sudhir Kumar, SIDBI to all the members present. The meeting was concluded with the hope that the related practices will be continued in the SFIF meetings to come, which will serve as an effective platform for fostering convergence and innovations, working collectively towards creating and enabling apposite environment for financial inclusion in the state.



Annexure – List of Participants

Sno.	Name	Organization	Designation
1	Shri Sudhir Kumar	SIDBI	State Director - PSIG
2	Shri Mohd. Adil	SIDBI	Manager - PSIG
3	Shri D K Rautela	BCCB	Project Manager, Financial Inclusion
4	Shri Prashant Shrivastava	BCCB	FLC Counselor
5	Shri G P Upadhyay	Narmada Jhabua Grameen Bank	Chief Manager, IT & FI
6	Shri D K Jain	Punjab National Bank	Chief Manager
7	Shri S K Mahapatra	RBI	AGM
8	Shri Surendra Shrivastava	SIDBI	DGM
9	Shri V K Tripathi	SLBC	General Manager
10	Smti Praseeda Kunam	Samhitha	CEO
11	Shri Piyush Kumar Prasoon	Samhitha	

12	Smti Madhu Arora	SBI	Chief Manager
13	Shri Lalit Mohan Negi	NABARD	AGM
14	Shri Joydeep Sen	PWC	
15	Shri Aditya Prakash	PWC	
16	Smt Sunita Yadav	Priyasakhi Mahila Sangh	Member
17	Smt Bharti Kushwah	Pratigya Samanvit Vikas Sakh Sahakarita Maryadit	Secretary
18	Shri Vinod D Madnani	IDBI	Regional Coordinator
19	Shri Raghvendra Shukla	Union Bank of India	Sr. Manager – FI
20	Shri Lalit Mohan Negi	NABARD	AGM
21	Shri Mahendra Gupta	NICT	Chief Technology Officer
22	Shri Makrand Bhagwat	NICT	
23	Shri Kapil Pagnis	Access Development Services	Associate Vice President
24	Shri Darayes Parakh	IDBI	Regional Coordinator
25	Shri B. S. Rajput	Bank of India	
26	Smt Radhika Agashe	ACCESS-ASSIST	Executive Director
27	Shri Sayantani Mukherjee	ACCESS-ASSIST	
28	Shri Amit Das	ACCESS-ASSIST	Sr Project Coordinator