

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

18th September, 2014

Hotel Maurya, 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 is the implementing agency for PSIG.

ACCESS-ASSIST has been assigned 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 fourth meeting of the Bihar SFIF was organized on 18th September 2014 in Patna. The list of SFIF members and other participants of the meeting is provided in **Annexure 1**.

SUMMARY OF PROCEEDINGS

The main focus theme of this meeting was the *Pradhan Mantri Jan Dhan Yojana*. Apart from SFIF members and PSIG team, meeting was attended by representatives of a few commercial banks and MFIs. Meeting was formally started with introduction of participants.

1. Opening remarks by Ms. Ragini Chaudhary, DFID: The recently launched Financial Inclusion initiative of the Government, the Pradhan Mantri Jan Dhan Yojana (JDY) has already made significant progress across the country in terms of opening of accounts. The programme is much more comprehensive than the earlier financial inclusion plan and is expected to achieve great outcomes. However, there are some details of this programme that still need to be worked out in order for it to be fully rolled out, and the roles of different stakeholders in addition to banks in making this successful is also critical. It is important for the state level financial inclusion forum to look at potential for convergence, and also point out operational and policy issues that could be formally communicated through PSIG programme to the Department of Financial Services as feedback from the field.

2. Update on PSIG in Bihar by Mr. Prakash Kumar, SIDBI: said that SIDBI with the help of Finmark Trust is going to conduct a Finscope Survey. This will be a client level survey to measure uptake of financial services and understand client perception about the financial services. SIDBI is focusing on intensive work on Access to Finance, including all financial services. Towards this direction, SIDBI is looking possibility to how PSIG can help Bihar Gramin Bank in strengthening their Financial Inclusion services.

Also, SIDBI has entered in a MoU with Sahaj to support their 500 Village Level Entrepreneurs (VLEs) to provide financial inclusion services to around 6 lakhs beneficiaries in Bihar. SIDBI has also partnered with SAIJA to conduct Financial Literacy programme in Bihar.

3. Action taken report by ACCESS ASSIST (SFIF secretariat): A brief action taken report on follow-ups actions of previous SFIF meetings was presented, as summarized below:

- a. Tie ups with Department of Labour & Resource and ICDS for pension coverage of their unorganized workers and Anganwadi workers respectively.

Action taken: ASSIST facilitated the preliminary meetings of PFRDA with two Government Departments - Social Welfare and Labour Resource) on 11th August 2014. Both the departments have agreed to roll out NPS lite/Swavalamban pension scheme as optional scheme for their beneficiaries.

- b. Formation of Informal Association of Pension aggregators

Action taken: Pension aggregators Forum of Bihar was formed with consent of 11 aggregators, following meetings by ASSIST with various aggregators at state level. First meeting of this forum was held on 2nd September 2014 in which 8 out of 11 aggregators participated. During the meeting operational and policy level issues were discussed. Few of the issues are –

Policy Level Issues:

- Government push is very much needed to make this scheme popular.
- Support from state government departments is essential to implement the scheme through convergence with such departments.
- At district level Financial Literacy Centers of Lead Banks, micro pension should also be included while providing training and counseling to community, BCAs, Bankers etc.
- Incentive of aggregators should be revised.
- PFRDA should generate Registration letter to Collection Center (CC) to provide these centers credibility.

Operational Issues:

- Lack of advertisement of Swavalamban scheme in local language and insufficient supply of promotional materials.
- Delay in receiving documents like PRAN, statement of transaction, advertisement materials etc.
- PFRDA should generate a list of authorized/credible aggregators. Local branches of banks should display name of aggregator of any particular area to build trust among people.
- Clarity on exit/withdrawal clause is missing.
- Subscriber form is rejected without informing the reason. Reasons should be clearly communicated to aggregators to avoid same mistake in other forms.

- c. E-group of SFIF members and monthly updates on activities taken under PSIG

Action taken: Updates on activities taken under PSIG were shared with SFIF members in the month of August through a monthly newsletter. It is decided that between two meetings of SFIF one update on activities will be shared with SFIF members.

A stakeholder roundtable on micro-insurance was organized under PSIG on 14th February 2014. As a follow up action of the roundtable, different organizations and MFIs were contacted to discuss the issues in implementing micro-insurance through MFIs. A brief note is being prepared by consolidating observations of interactions in Bihar and Odisha, which will be shared with IRDA.

4. Overview of Pradhan Mantri Jan Dhan Yojana (PMJDY): A brief presentation was given by ASSIST about features and provision of this scheme –

Key features of PMJDY –

- Universal access to banking facilities
- Basic banking accounts with overdraft facility & RuPay debit card
- Financial literacy
- Credit guarantee fund
- Micro-insurance
- Unorganized sector pension scheme

Phases –

First Phase (15th Aug 2014 to 14th Aug, 2015)

- Universal access to banking facilities for all households across the country
- To cover all households with at least one Basic Banking Account with RuPay Debit card having inbuilt accidental insurance cover of Rs.1 lakh.
- An overdraft facility upto Rs.5000 to Aadhar enabled accounts after satisfactory operation/credit history for 6 months.
- Financial literacy programme upto village level.
- Expansion of Direct Benefit Transfer under various Government Schemes through bank accounts of the beneficiaries.
- The issuance of Kisan Credit Card (KCC) as RuPay Kisan Card.

Second Phase (15th Aug, 2015 to 14th Aug, 2018)

- Overdraft facility up to 5000/- after six months of satisfactory operation / history of accounts.
- Creation of Credit Guarantee Fund coverage of defaults in A/Cs with overdraft limit up to 5,000.
- Providing micro –insurance to the people.
- Unorganized sector Pension schemes like Swavalamban through the Business Correspondents.

Discussion –

- **Lack of staff at bank branches** – Almost each bank is facing scarcity of staffs, especially in rural branches. So achieve target under PMJDY, Banking Correspondent has vital role to play. Because to reach all unbanked villages, this channel will be more efficient. But there is need to strengthen this channel and make it more functional.
- **Still a number game** – there is need to keep eye on numbers which banks are achieving in opening account, but there is also need to focus on quality of services and how to make these accounts more active.
- **Lack of availability of technology at ground level** – PMJDY is talking about providing RuPay card to account holders, but at village level or in remote areas there is lack of technology

infrastructure such as ATMs and card enabled merchant outlets. To make this more useful for people, government should first develop the required infrastructure.

- **Difficulty in identifying unbanked people** - Before opening the account, survey should be done to identify persons without bank account. Otherwise there are chances to cover those people who already have bank accounts and some unbanked people may still be left out.
- **Lack of clarity in scheme regarding who is covered in PMJDY** – There is a lack of clarity among bank staff about the scheme regarding facilities to be provided on household basis especially regarding overdraft facility and insurance cover.
- **Mis-information about the scheme- While the scheme has been publicized very well, the understanding about the scheme is not consistent with the intent. There is confusion about insurance coverage amount, type of insurance – accidental or health, over draft etc. Many people think that bank account will give them 1, 00,000 or 5,000 as advertised for insurance coverage and overdraft facility.**
- **Operation/transaction of accounts opened is a challenge** - Account opening is not a challenge, but the operation of account is a very big challenge. There is a need to develop infrastructure to welcome the customers to withdraw their savings and hence increase the transaction. The JDY also includes BC in a larger scale. But for BC to be a successful implementer there is lack of continuous GPRS availability in the remote areas, connectivity remains a challenge.
- **Financial literacy should be first step; not opening accounts** – Before implementation of PMJDY, there is need to initiate Financial Literacy programmes at village level, and then only people will understand about the basic concept of services like insurance, debit card etc.
- **Insurance** – The details of terms and conditions and claims settlement system for insurance are very important and needs more clarity among BCs as well as account holders. The infrastructure for claims settlement needs to be developed at ground level. –
- **KYC norms different for account opening and insurance policies**
- **Rupay Card is Adhar enabled and hence in States which do not have Adhar roll out the implementation will be a challenge.**

Role of stakeholders -

- **Microfinance Institutions:** MFIs can help banks in credit appraisal and recovery for OD accounts. MFIs can also facilitate larger loans (more than 5000) for income generation activity.
- **Dept. of Post:** DoPs has 127,000 rural branches in India and 8793 in Bihar, most of which are running in losses. DoPs has been using the concept of BCs for a long time by deploying Dak Sewaks in villages. The infrastructure of DoPs can be utilized for JDY such that the model is viable for the Department and also contributes to the outreach of the JDY.
- **Scaling up of JEEViKA's Total Financial Inclusion concept** - JEEViKA has adopted Total Financial Inclusion as a pilot which covers most aspects of PMJDY (*Financial literacy, account, pension, insurance, overdraft, credit*). This need to be scaled up through JDY through a patient and intensive approach as adopted by JEEViKA.

Suggestions –

- **Concentrated efforts on awareness creation about the schemes**
- **FAQs developed for all components of the scheme**
- **Local bodies/panchayats to be involved in identification of HHs –** Banks have responsibility to open the accounts. Responsibility of identification of unbanked households should be that of the government. Government should involve local bodies/panchayats to identify the households and it can be done in camp mode. BC can also be incentivized to do household survey and identify the right people for account opening.
- **Call centre facilitated by SLBC; managed by pvt. Organization –** Call centers can be set up for tackling of the problems of JDY account holders through SLBC. But the issue is, it is under the monitoring of SLBC or government and run by the private institution. So, there is need to check is efficiency in providing solution for Financial Inclusion.
Credit bureau checks for advances/overdrafts – Integration of microfinance credit bureaus and CIBIL will be useful for credit checks for JDY overdrafts/advances.

Suggestions on studies –

- –A study on correlation of cash retention limits of BCs with their performance could be useful

ANNEXURE 1

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