

**Fifth Meeting of State Financial Inclusion Forum (SFIF), Uttar Pradesh**

**14<sup>th</sup> October, 2015**

**Bankers Institute of Rural Development (BIRD), Lucknow**



**Organized Under the aegis of:**

**Poorest States Inclusive Growth (PSIG) programme**



## **5<sup>th</sup> State Financial Inclusion Forum (SFIF) Meeting, Uttar Pradesh**

**Key Theme: “Strengthening of Financial Literacy Centers (FLCs) Issues, Constraints & Way forward”**

**Date: 14<sup>th</sup> October 2015, Time: 10:30 AM – 2.30 PM Venue:**

**Bankers Institute of Rural Development (BIRD), Lucknow**

### **Proceedings of the meeting (draft)**

SIDBI in partnership with Department for International Development (DFID), UK, is implementing a bilateral project titled “Poorest States Inclusive Growth (PSIG)” programme. The programme aims at to facilitate better access to financial services by the poor and to promote pro-poor investments in India’s four poor states viz. Uttar Pradesh, Bihar, Odhisa, and Madhya Pradesh. The key mandate of the programme as earlier said is to improve access to both financial as well as non-financial services (savings, credit, insurance, pension, remittance, mobile banking etc) for poor people and to strengthen the institutional framework so as to help the poor in improving their income and quality of life through multifarious initiatives.

While SIDBI is the implementing agency for PSIG, ACCESS-ASSIST has been assigned as Secretariat 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 PSIG 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 Fifth meeting of the UP-SFIF was organized on 14<sup>th</sup> October at Bankers Institute of Rural Development (BIRD), Lucknow on the important sub-theme of strengthening and improving effectiveness of Financial Literacy Centres of banks

Financial Literacy Centres serve as an important mechanism to advance the agenda of financial inclusion by providing information and literacy to people on various financial services and products. Based on the guidelines of RBI in 2012, Financial Literacy Centres were established across the country by Commercial Banks, RRBs & Cooperative Banks in urban, semi-urban and rural areas. Altogether 1,181 FLCs are said to be made operational in the country as on March 2015, as compared to 942 as on March, 2014. During the period from April 2014 to March 2015 altogether 84,089 activities were conducted in which 52, 38,358 persons participated. In UP, currently total 75 FLCs are running and out of this only 9 are operating in rural areas and rest in the semi-urban/urban areas (*source SLBC report*).

### **SUMMARY OF PROCEEDINGS**

Besides RBI, NABARD, BIRD, SLBC, UPSRLM, key officials from Microsave, MFIN, SEBI, Cooperative Banks, Commercial Banks, RRBs & MFIs etc participated in the meeting. The list of participants is provided in **Annexure1**.

- 1. Dipstick Study on strengthening Financial Literacy Centers:** Under the mandate of PSIG, Access Assist had conducted a “Dipstick Study on Financial Literacy Centers- Status, Constraints and Way forward” in June 2015 to improve the current body of knowledge around the status of the FLC model in PSIG states and provide recommendations to improve its effectiveness. Total 22 FLCs surveyed with interview of 22 bankers and conducted 91 FLC’s clients’ interview in four PSIG states. The study covered, outreach and activities of FLCs, materials and modules used, infrastructure available, human resources, costs and funding structure for FLCs, mechanisms for monitoring and review, challenges faced by FLCs.

## Major findings from the study-

**Lack of standardisation of Remuneration:** One of the major findings was vast difference in the remuneration of financial literacy counselors which varies from Rs 8000 to Rs. 20000 across banks and does not take into account the rank of the retired bank official.

**Inadequate interest from other banks:** According to the survey banks (other than Lead Bank and RRBs that have FLCs in the district) are reluctant to take support from the existing FLCs which ultimately restrict the potential outreach of the FL initiative.

**Number of Staff:** FLCs also shared issues related to lack of staff, as a retired official they need one more person as assistant to help them in coordinating with infrastructure & camp arrangements at village level.

**Monetary incentive to BCAs:** BCAs are considered to be an important mechanism to mobilize the community. The base branch and Financial Counselor mainly use the BCAs for community mobilization and follow-ups, the remuneration for this activity is negligible; they show reluctance to go to village to mobilize the community. Monetary support could be provided for this service.

**Lack of infrastructure availability:** At many places there is a lack of adequate infrastructure facilities available for the FLCs to function such as separate office premises, availability of vehicle, computer and projector etc.

**Resistance from local money lender:** FLCs also faced problems from the local money lenders. The local lenders having an existence in the villages often misguide the clients and create problems in the operations of the FLCs.

Some good examples of FLCs such as Uttar Bihar Grameen Bank and Syndicate Bank FLC, Mathura etc. found in the study were also shared (**Presentation attached**).

## Major Recommendations:

- **Standardization of resources and performance assessment:** Overall, there is need for standardization of resources allocated by banks for FLCs, including number of human resource and their remuneration, infrastructure such as separate office, equipments (projector, computer etc.), vehicle and petrol expenses, that are required for delivery of FL with desired effectiveness and scale. Accordingly, standardization of MIS and standard rating system for performance assessment of FLCs should be developed, which will enable analysis of data on outcomes of FLC activities and also recognition of good performance of FLCs. This is important also for motivation of well performing FL Counselors, since they are mostly persons from outside of banking structures.
- **Delivery methods and convergence among stakeholders:** Innovative and new strategies of delivery (in addition to standard camp method) may be adopted to make FLCs more effective in delivering outcomes. Towards this, FLC scope and ways of FLCs to benefit from the body of work done and materials developed through various initiatives in the sector so far needs to be explored and institutionalized. Potential roles for NGOs/CBOs/MFIs to align with and support FLCs. Coordination among various stakeholders (NABARD, RBI, Banks) and convergence of programmes run by different agencies will be useful. The NRLM platform can be used for higher outreach of programme which is being conducted. Though SHGs are focused on credits, savings and bank linkages, the programme can broaden the knowledge of members in other services and about institutions.
- **Location of FLCs:** Extension of Financial Literacy Centre at Block level: Block level sub-centre could be created for achieving larger outreach and deeper penetration of FL initiatives

## 2. Key Discussion points:

### Issues:

- **Visibility of FLCs** – FLCs do not have much visibility and significance in the area of operation due to which local bankers as well as people do not recognize these institutions as important mechanisms.

- Non uniformity in remuneration to FLC Counselors across banks even to counselors of same profile of experience was pointed out as a major motivational issue.
- Retention of FLC Counselor – mostly RRBs and Cooperative banks FLC Counselors are not retained due to less remuneration, lack of training & motivation aspect.
- Lack of amenities and technology – FLCs are not equipped with basic technology and infrastructure to promote financial literacy activities.
- Roles & Responsibility – FLC Counselors are not able to differentiate their roles & responsibilities as separate from bank staff especially in cases in which FLC are located in bank office premises and are dependent on branch's infrastructure. They are treated as an additional resource available for the branch to undertake routine work along with some financial literacy camps.
- Funding support from Banks & other financial institutions – RRBs and Cooperative Banks receive financial support from NABARD for the first year for setting up FLCs. It was pointed out that this support should be extended to second year, and some mechanism of financial support to other commercial banks for setting up and running FLCs should be developed.
- Private Banks should also be mandated to undertake financial literacy activities at the ground level. This will increase the efforts towards financial literacy and also bring some new ideas and models of implementing Financial literacy centers. Lack of system in grading and assessment of FLCs as well as standard mechanism for capacity building of Financial counselors.

#### Suggestions:

- Content of financial literacy: The scope of financial literacy should be enhanced to integrate gender issues as well.
- Recommendation to be sent to RBI to look into uniformity in operations of FLCs, for example, mechanism of cost sharing should be worked out, uniformity in remuneration, HR policies etc.
  - Expansion of FLCs at block level or one FLC on 2-3 blocks with the provision of two persons as Human Resource with a well-equipped vehicle.
  - Maintain minimum and uniform remuneration to FLCs as per their rank basis.
  - District level FLC should coordinate with block level FLCs. Bankers also proposed that FLC Counselors' appointment to be done through central or HO level for quality assurance instead at regional level.
  - The banks should make financial literacy an integral part of their business plan and the performance metrics should be published similar to other metrics related to bank performance.
  - Strong monitoring mechanism should be at place to cross check the outcomes of FLCs and helping FLC Counselors on set objectives. Informal feedback mechanism from branch to FLCs on outcomes of financial literacy initiatives on the business performance could be created.
- Continuing funding support from NABARD to RRBs & Cooperatives and make it comfortable for FLCs to conduct FL programme by giving advance amount to FLCs so the funding issue will not become constrain to RRBs & Cooperatives. Special support from NABARD & PSIG for unserved/underserved areas and to develop infrastructure of FLCs.
- SEBI had shown willingness to work with FLC Counselors & organise more awareness programmes in the field. SEBI is already has 100 resource people in UP for financial literacy awareness programme.
- Role of local NGOs/SHPs, community institutions should be leveraged.
- Promotion and advocacy is required for attracting private banks investments in opening Financial Literacy centers. This is crucial for growth and scaling up of the FL channel.
- Branding of FLC is a very vital part of the system which needs to be adapted by all the banks so that public can relate a FLC with all Banks. ID card, visiting card, common logo, and standardized financial literacy material could help create FLC brand image in rural areas.
- Training and capacity building: Capacity building & training of Financial Counselor was recommended by all the forum members. Adequate training for counselor's capacity building will help them to groom them, increase their knowledge & will also build their interpersonal skills which will add to the trust of the clients.

- Exposure visit of counselors to the well-established FLCs to understand the strategies and operations management by the counselors in the state or outside the state. Members requested PSIG to organize such event in UP.
- The training infrastructure of Bankers Institute of Rural Development (BIRD) available at Lucknow can be utilized for capacity building and training initiatives of all FLC Counselors.
- Invest in technology and innovations in outreach of FL utilize CAB & BIRD for organizing training & thematic retreats and develop content as public goods. Materials on FLC training and case studies of other initiatives to be shared with BIRD to create a knowledge repository of resource related to financial literacy

### 3. Action to be taken

The meeting concluded with following action points which could be pursued under PSIG by the SFIF Secretariat:

- To look into possibilities of organizing exposure visit for FLC counselors.
- Share the recommendations of FLC study and the SFIF meeting with stakeholders viz RBI & NABARD to advocate for changes in policy.
- To advocate for building a mechanism to raise the issues of FLCs in the SLBC meetings and recognition of FLCs counselors' role in Financial Literacy in the State. FLCs are playing an important role and can further play a major role in the context of KCC, micro-pension, micro-insurance & Jan Dhan Yojna in the State.
- Undertake policy advocacy for training and capacity building of FLC Counselors with support of BIRD, NABARD, RBI & PSIG.
- Initiate a pilot in collaboration with NABARD, District Cooperative bank Rampur & PSIG on the basis of Uttar Bihar Grameen Bank, Bihar
- Start a study on the impact of FLC work in all four states.

### 4. Next Meeting

Next meeting of SFIF will be organized in the month of February, 2016.

### 5. Vote of Thanks

The vote of thanks was proposed by Shri U. C. Gaur, General Manager, PSIG-SIDBI. He thanked all the SFIF participants & presenters for their wholehearted participation and providing suggestions. He emphasized to take up the issues discussed with regulatory authorities to work on strategies and come up with solutions.

**ANNEXURE 1**

<b>Sno</b>	<b>Name</b>	<b>Designation</b>	<b>Organization</b>
1	Zishan Mohd	FLC Counselor	Rampur Cooperative Bank
2	Aftab Khan	FLC Counselor	Rampur Cooperative Bank
3	Amit Chaturvedi	FLC Counselor	Syndicate Bank- Mathura
4	R K Sharma	FLC Counselor	Syndicate Bank- Mathura
5	Ashutosh Tripathi	DGM	Rampur Cooperative Bank
6	Bhanu Dutta Mishra	FLC- Kaushambi	Bank of Baroda
7	Pramod Shukla	Sr. Manager	Cashpor Micro Credit
8	S K SINHA	R M	Allahbad UP Gramin Bank
9	A K VERMA	FLC Counselor	Allahbad UP Gramin Bank
10	Pankaj khare	FLC Counselor	Bank of India
11	A K sharma	LDM Lucknow	Bank of India
12	B N Sahoo	LDM Varanasi	Union Bank of India
13	B B Nanda	General Manager	Grameen Bank of Aryavart
14	Amar Gupta	Assistant Manager	SIDBI
15	Utpal Chakroborty	State Director- PSIG	SIDBI
16	U C Gaur		SIDBI
17	Sunita Rangaswamy	SDA	DFID
18	Ragini Chaudhary	Private Sector Development Advisor	DFID
19	Rahul N Damani	AGM	NABARD
20	A K Srivastava	DGM, faculty member	BIRD
21	Sudhir Sinha	Project Coordinator	UPMA
22	Gyaan Prakash	CEO	UPMA
23	Sanjay Kr. Verma	AGM	SLBC
24	K K Mathur	Chief manager	SLBC
25	Sourindra Bhattacharjee	Associate Professor	IIM Lucknow
26	Dr. P L Yadav	Sr. program consultant	RGMVP
27	K L Agarwal	RM microfinance	LIC of India
28	Priyank Mishra	Senior Manager	MicroSave
29	Vivek Gupta	Manager	MicroSave
30	Pushkar Raj	Assistant Manager	MicroSave
31	Naveen Sharma	DGM	SEBI
32	Mritunjaya Kr.	Manager	SEBI
33	Mrinal Pant	Regional Coordinator	MFIN
34	Moti Lal	Sr. Manager	Union Bank of India
35	Vipin Sharma	CEO	ACCESS
36	Radhika Agashe	ED	ACCESS ASSIST
37	Priyanka Pathak	Manager-UP	ACCESS ASSIST
38	Mohammad Azhar	Sr. project coordinator	ACCESS ASSIST

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