

## **7<sup>th</sup> State Financial Inclusion Forum (SFIF), Odisha**

**Theme: “Role of Financial Literacy in Financial Inclusion of the poor- Initiatives, Challenges and Way forward”**

**Date: 24<sup>th</sup> July 2015 (10.00AM-02.00PM)**

**Venue: SIDBI International Training Centre, Bhubaneswar, Odisha**

### **PROCEEDINGS – (DRAFT)**

**Background:** Small Industries Development Bank of India (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 of Bihar, Odisha, Uttar Pradesh and Madhya Pradesh. The key mandate of the programme as earlier said is to improve access to both financial as well as non-credit for poor people and to strengthen the institutional framework so as to help the poor in improving their income and quality of life.

*ACCESS-ASSIST* has been assigned by PSIG to coordinate the initiatives on policy advocacy in the above four states as well as at the National level. Setting up of multi-stakeholders 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 at the state level. The SFIF is expected to act as a platform to facilitate effective coordination and synergy among all stakeholders in creating an enabling environment and accelerating the process of financial inclusion in the state.

As proposed in the 6<sup>th</sup> SFIF meeting held in April 2015, the 7<sup>th</sup> meeting was organized on the underlying theme of “**Role of Financial Literacy in Financial Inclusion of the Poor – Initiatives, Challenges and Way Forward**”. The SFIF Secretariat had rounds of discussion with BCs, Banks and other related stakeholders to come out with a background note on the theme; which then was shared with the SFIF members as well as special invitees. The 7<sup>th</sup> SFIF meeting brought in rich participation from RBI, Banks, Govt Department, BCs, NGO-MFIs and sector experts. The list of SFIF members and other participants of the meeting is provided in the **Annexure-1**.

### **SUMMARY OF PROCEEDINGS**

**Action Updates from 6<sup>th</sup> SFIF Meeting:** Following the suggestions from the last meeting on PMJDY, the secretariat visited SLBC and bankers in order to gather information on the scheme, which was meant to prepare an info-kit on the grand financial inclusion program. Besides the team visited and interacted with banks as well as BCs to understand more about the challenges faced during the implementation of PMJDY, what are the prevailing issues and how BCs have helped the program successfully while facing numerous field level uncertainties. UGB (the RRB) has also been consulted on the credit bureau piloting idea, hopefully this time they are going to allocate couple of branches for the pilot with elaborate discussion on the data sharing will be taken place between PSIG, High Mark and ASSIST in the coming

month. Additionally the secretariat followed up with various banks for increased funds flow to MFIs and SHGs in the state.

#### **1. Perspective on Financial Literacy in the state:**

Financial literacy helps enhance the ability of the client to understand financial terms and concepts and to translate that knowledge skilfully into her/his behaviour. Lack of financial literacy, on the other hand, often makes people more susceptible to over-indebtedness and fraudulent schemes. It facilitates for expanding financial inclusion for the poor. Because of its importance role financial literacy has been kept as one of the six Pillars of PMJDY. The Reserve Bank of India (RBI) promotes financial literacy in a focussed manner and encourages all banks and other stakeholders to use that for expanding financial inclusion in the country. Recently the apex bank has also made the provision for the 'Depositor Education and Awareness Fund' and issued the Guidelines on Criteria for Institutions, seeking Financial Assistance from RBI for undertaking Financial Literacy programs.

NABARD supporting the FLCs established by banks for imparting financial literacy trainings at different locations in the state. Both the RRBs- UGB & OGB in the state are encouraged to establish FLCs at district level and the OSCB at block level through its chain of cooperative banks. Both these institution are directly supported by NABARD for this activity. However, the pace of the progress at the ground level should be accelerated to create better impact of FLCs. Besides NABARD is facilitating in organizing literacy camps and developing training materials for this purpose. There is urgent need to best use the electronic media to create mass awareness among public at large.

Many of the banks in the state also have initiated financial literacy through their selected branches. It was understood that the banks were able to cover as many as 38000 unbanked villages out of the target of 45888. Here the banking fraternity expected a lot of support from Business Correspondents (BCs) to achieve the target, but the result from the BC intervention was not as expected. There need for proper management of BCs which would be given special attention in the near future as came out from the discussion. While providing diversified financial services to their clients, individual MFIs in the state also impart financial literacy to their respective borrowers. SIDBI's financial literacy programme under the DFID assisted PSIG project will be rolled out very shortly in the state.

FLCs are expected to be the potential hub for FL. While discussing about the benefits of FLCs, the centres itself face the acute shortage of skilled or well informed personnel who can ably spread the awareness among the unbanked sections of the society as well as the rural areas. Additionally, the FLCs face another major issue of infrastructure to run day-to-day operation at the field level. It is seen the FLC activities have been limited to just gathering people at one place and sharing something about financial products, and eventually there is a pause for some period of time. The process of imparting awareness training has to be systematic, organized, periodic and more importantly in an easiest way. Furthermore the SHGs need to be strategically targeted, with very simple and well articulated literature on financial literacy. So that the women members completely understand all the benefits of banking related

services/products thereafter they themselves share the same at the household level as well as at their respective villages.

## **2. Points from the Open house Discussion**

The participants present at the meeting had an engaging discussion on the theme and came out with various prevailing challenges that deter the progress of financial literacy initiatives in the field. Also they pointed out ideas and better practices so as to spread the message clearly and through widely accepted mediums of communication in the state. Some of the key points emerged out of the deliberation include:

- **Standardised Content:** In order to convey minimum message to poor through financial literacy centres and camps, there is perhaps the need to develop a standard module which should cover basic banking services with interest rates; how not to be lured by chit fund companies; various credit products and differences between productive as well as non-productive credit etc. The migrant population, those who go out of the state in search of livelihoods may be made aware about remittance service, so that they can approach formal financial institutions to remit money. Sensitization may also be made on various Govt schemes which are beneficial for them and channels of credit delivery or accumulating savings like that of SHGs, cooperatives or producer companies and link that with the local banks.
- **Financial Literacy Indicators:** Indicators are helpful for assessing the outcomes/impacts of any programme including FL. In view of that it should also have some specific common indicators to better measure the impacts. Deliberating on it members viewed that there are a few indicators developed and used by individual organizations, however, that are good for the learned people or who are already aware about the financial products/services. The people from rural areas or the people who are illiterate that is just not meaningful to jot down indicators where they even not aware about simple banking terms.
- **NABARD:** The apex bank supports cooperative banks and RRBs with Rs 5 lakh to establish an FLC. That includes the cost of hardware and HR, the excess amount, if any, is taken care of by the RRB and cooperative bank. NABARD expects that these existing FLCs should function very effectively to educate poor SHG members on various financial aspects required for their households. The concerned banks and other related stakeholders in the area need to work together to take forward the initiative.
- For better planning and imparting of training programs, community facilitators and opinion leaders, CSP, MBKs need to be identified and given the responsibility to spread the awareness about financial services. Appropriate incentive system can be developed and given to them.
- The financial literacy camps need to be organized at the village level so that the target populations easily participate. Local mediums like “Nukkad Natak”, “Das Kathia” etc are very promising sources to pull the attraction/interest of the community; people will more enthusiastically listen to them and understand about financial literacy.
- Other methods like innovative short movies/videos which are being already developed by NABARD, ACCION and ACCESS, have greater impact on the people at large.

- RUDSETI: The institution has helped enormously in the recently implemented PMJDY scheme by organising camps and creating mass awareness about the benefits of opening an account at the bank and depositing money at the account. It also organize training for potential BCs
- Financial literacy can't just be restricted to research studies; it has to be a continuous field level process by way of reaching people, identifying groups of people like SHGs or farmers' clubs and making them aware about these services. Then these groups can substantially help in sharing the learning within their community and village.
- The FLCs need to be roomed with adequate and well experienced staffs, hardware support as well. Involvement of nearest bank branch staff is essential and for specific services like insurance, local LIC agent can be called upon to explain about various insurance schemes to the public at the camps.
- People need to be educated through various mediums or sources, and the clear cut message on the financial services should reach the rural areas to create mass awareness through FLCs. That would go a long way in helping the people to avail the banking services, government schemes and protect them from getting lured by the chit fund companies. In the process it will also help expanding financial inclusion for the poor.

### **3. Way forward**

- A study in the current status and effectiveness of the FLCs can be taken up. So that we can better prepare as well as equip them with the identified need based infrastructure/training materials/ experts.
- There can be efforts made to create a resource centre for all available training materials on financial literacy.

### **4. Next Steps:**

Based on the deliberations and suggestions made in the meeting, the Secretariat will work on the following key action points and report progress up-dates during next SFIF meeting:

- I. To facilitate in forming a sub-committee on Financial Literacy under the SFIF to consolidate all available materials and share that with stakeholders in the state.
- II. Facilitate in convergence between OLM and FLCs at the field level.
- III. Undertake dipstick study on FLCs (5 Centres in Odisha)

#### **About Next SFIF Meeting:**

It was suggested by the SFIF members that "Social Security Schemes for the Poor" to be the key theme for the next SFIF meeting. Accordingly, SFIF Secretariat will develop a background note and share that. The date and venue for the next meeting will be finalized later in consultation with SFIF members, PSIG-SIDBI & DFID.

**Annexure-1: List of Participants-SFIF Members**

Sl. No	Name & Designation of SFIF Member	Representing Institution	Present
1	Dr. T. K. Pradhan, Director	Institutional Finance, Govt. of Odisha	Mr. Satyabrata Rout, Deputy Secretary, Finance Dept., Govt. of Odisha
2	Ms. Nayana Mohanty, CEO	Swayanshree Mahila Samabaya Ltd	Member
3	Dr. Haribandhu Panda, Pro-Vice Chancellor	Centurion University of Technology and Management	Member
4	Mr. S. K. Kale, CGM	NABARD	Mr. S. K. Nayak, DGM
5	Mr. B. P. Samantaray, Convenor	SLBC (UCO Bank)	Mr. U. Jagada, Senior Manager
6	Mr. Govinda Pattnaik, MD & CEO	Annapurna Microfinance Pvt. Ltd	Mr. Satyajit Das, Chief Finance Officer
7	Mission Director, OLM	Odisha Livelihood Mission	Mr. B. M. Pattanaik
8	Mr. S. Hansda, Sr. Divisional Manager	LIC of India	Mr. Sushil K. Mohanty
<b>SFIF Members (Absent)</b>			
9	Mr. Ambika Prasad Nanda, State Program Officer	UNDP	
10	Mr. Jagadananda, Co-Chair & Mentor	Sa-Dhan & Centre for Youth and Social Development (CYSD)	
11	Mr. H. K. Pradhan, Professor	XLRI, Jamshedpur	
12	Mr. S. Ramakrishnan, CGM-SFMC	SIDBI	
13	Mr. Manas Pani, Head	Dhanei- KGFS	
14	Ms. Supriya Pattanayak, Sector Expert		
<b>Special Invitees Present</b>			
15	Mr. Sreedhar Behera, GM	Reserve Bank of India	
16	Mr. M. M. Dash, Manager	Reserve Bank of India	
17	Mr. Santanu S. Barua, DGM	SIDBI	
18	Mr. Premananda Dash, DGM	Canara Bank	
19	Mr. Prakash B. Divekar, Chairman	Utkal Grameen Bank	
20	Mr. S. K. Biswal, AGM (FI)	State Bank of India	
21	Mr. B. K. Rout, Director	RUDSETI	
22	Ms. Chanda Kumari	Corporation Bank	
23	Mr. Govind Dash, Secretary	Gram-Utthan	
24	Mr. Sanjib Sarangi, State Head	Indian Grameen Services	
25	Ms. Amiyabala Pattnaik, Chief Credit Manager	SMCS	
26	Mr. Abhijeet Sharma, Project Coordinator	ACCION Technical Advisers	
27	Mr. Ramkrishna Atre, Manager (Product)	AMPL	
28	Mr. Manoj Kumar Das	ZMF	

29	Mr. P. Venkateswara Patro	ZMF
30	Mr. V. Vignesh	DHAN Foundation
31	Mr. Prasant Ojha	DHAN Foundation
32	Mr. K. Rajarathnam	DHAN Foundation
<b>Other Delegates present</b>		
33	Ms. Sunitha Rangaswami, Social Development Adviser	DFID India
34	Ms. Veena Padia, Theme Leader – Gender & Financial Literacy	SIDBI
35	Mr. Rajesh Kumar, State Director-PSIG	SIDBI
36	Mr. Pravanjan Mohapatra, Theme Leader	SIDBI
37	Mr. Vipin Sharma, CEO	Access Development Services
38	Mr. Amulya Mohanty, VP	Access Development Services
39	Ms. Radhika Agashe, Executive Director	Access-Assist
40	Mr. Narendra Nayak, Associate Director	Access-Assist
41	Mr. Arjun Pagal, Sr. Project Co-Ordinator	Access-Assist

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