

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

Wednesday, 3rd February, 2016

Hotel Chanakya, Patna

Summary of Proceedings



Organized Under:-

Poorest State Inclusive Growth (PSIG) Programme



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.

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 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 ninth meeting of state SFIF was organized on 3rd of February, 2016 in Patna. The list of SFIF members and other participants of the meeting is provided in **Annexure 1**.

Summary of Proceedings

The theme of the meeting was ***“Role of Financial Literacy in Financial Inclusion of the poor - its strategies, initiatives, challenges and way forward”***. Apart from SFIF members, DFID and PSIG SIDBI team, the 9th meeting of SFIF was attended by representatives of different commercial banks, RRBs, Government Department, Corporate BCs, Technical Service Providers and NGOs. The objective of the meeting was to share key findings of Dipstick Study on Financial Literacy Centres- Status, Constraints and Way Forward conduct by ACCESS-ASSIST across four states that is Bihar, Madhya Pradesh, Uttar Pradesh and Odisha, discuss the revised guidelines of Financial Literacy Centres (released by RBI on 14th of January, 2016) for banks, and operational guidelines for conduct of camps and seek suggestions for improving effectiveness of FLCs for enabling client outcomes on financial awareness. The meeting was formally initiated with a welcome address by Ms. Radhika Agashe, Executive Director, ACCESS-ASSIST. She shared that the 9th meeting of SFIF is successfully being conducted with wide ranging participation and the forum has so far discussed many themes and identified operational and policy recommendations to create more conducive environment in the field of financial inclusion. The deliberations and suggested action points in SFIF meetings guide ACCESS-ASSIST as well as SIDBI to undertake relevant activities.

1. Opening remarks by Ms. Ragini Chaudhary, Private Sector Advisor, DFID, Govt. of UK: Financial Literacy Centre plays a major role in creating demand for different financial products. Importance of financial literacy has been raised in all SFIF meetings across 4 PSIG focused states while discussing various programmes and issues in financial inclusion. There are different models and methods through which financial literacy initiatives are being undertaken; the discussion will aim to bring together initiatives of apex banks and regulator (RBI and NABARD), commercial banks and RRBs, SRLM, PSIG partners which

includes Indian School of Microfinance for Women (ISMW) and Saija Finance Private Limited, an NBFC-MFI and discuss on the strategies to strengthen the Financial Literacy Centre (FLC) mechanism of banks.

2. Overview Presentation: Study on Financial Literacy Centres- Status, Constraints and Way Forward:

Financial Literacy serves as an important strategy to advance the agenda of financial inclusion by providing information on various financial services and products. With a total of 1, 181 FLCs¹ operating in the country, each centre has a target base of 3 lakhs community member to train with human resource of one FLC counselor in most cases. The FLCs are currently emphasizing on activities like conducting mega camps, session with *Gram Sabha*, mini camps and camps through BCAs. There are some commonly used communication techniques/aids which includes *Nukkad Natak*, use of mobile vans, audio-visual tools etc. Financial awareness for school students is also undertaken by FLCs through training sessions, wall paintings and setting up of poster galleries. The topics covered during the camp pertain to savings, credit, banking services, insurance, remittance, credit counseling and importance of loan repayment and pension. Usually one person is assigned responsible for overall working activity for particular centre. The responsibilities of Financial Counselor range from conduct of outdoor camps, overseeing activity of BCAs, dealing with walk-in FLC customers, database maintenance, attending district and block level bankers' meeting among others. Availability of FLC infrastructure, such as signage, stationery, furniture, printer etc, and availability of provision of hire for laptop/computer, camera, projector, mike and genset varies across banks.

The issues and gaps that emerged during the study are; variable remuneration to FL Counselors, no provision of monetary incentive to BCAs for financial literacy, ;lack of infrastructure availability to FLCs, database management and tracking (MIS) systems; performance assessment of FLCs, capacities of FL counselors and BCAs, lack of coordination with other banks and stakeholders. The major recommendations of the study include:

- Innovative and new strategies of delivery (in addition to standard camp method) and improving materials to include all programmes and services.
- Exploring and establishing potential roles for other field level stakeholders and functionaries such as NGOs, CBOs, SHGs, MFIs and BCs to align with and support FLCs, community level institutional structure of SRLM can also be leveraged.
- Modular capacity building of FL counselor through standard/certified trainers/agencies.
- Bank level recommendations:
 - Increase/standardize remuneration of Financial Counselors in alignment with experience and profile of person.
 - Number of staff could be increased in view of the quantum of work expected.
 - Standardization of policies for resources to be made available for FLCs.
 - Standardization of performance assessment parameters and system for functioning of FLCs.
 - Establishment of Financial Literacy Centres at the Block level for better implementation.

¹ As on 31st March, 2015

3. Revised RBI guidelines on Financial Literacy Centres- The details of revised guidelines released by the RBI on 14th of January, 2016 were shared by Mr. N.K. Verma, AGM, RBI, Patna Regional Office. Copy of the revised guidelines is provided in Annexure 2 for reference. The guidelines cover three main aspects:

- A. Board approved policies by banks for qualification and engagement of FLC counselors and for appropriate FLC architecture/infrastructure.
- B. Tailored approach for financial literacy and conduct of camps for specific target groups such as farmers, SHGs, school children, youth, entrepreneurs, senior citizens etc.
- C. Synchronization among various stakeholders such as BCs, SHGs, LDM, DDM, peoples' organizations, BCs and FLCs
- D. NABARD is currently in the process of developing a comprehensive policy for funding support for setting up FLCs by banks, which will be released soon.

4. Discussion

- **Importance of Financial Literacy Centre for profitable BC operations:** UBGB strategically recruited their own permanent staff in Financial Literacy Centre, who also acts as a mentor for BC agents. As a result, a number of products like flexi Recurring Deposit, General Credit Card, Kisan Credit Card, Over Draft facility are being offered successfully through BC channel. As shared by UBGB, current business through BC channel in UBGB is about 375 crore, which can be attributed to efforts of the FLC and the coordination of FLC with BC agents.
- **Need of Financial support through Apex Banks:** The bankers present in SFIF meeting emphasized on need for financial support from NABARD/RBI for setting up as well as continued operations of FLCs. As FLCs act as a centre for training financial illiterate people, the infrastructure and running costs do not bring business for the bank, part financial support is required. NABARD apart from support given to RRBs and Cooperative banks, too supports commercial banks, an amount up to Rs. 15, 000 is reimbursable for the expenses incurred. For the first year support of Rs. 5 laths is provided (Rs 3 lakhs as capital expenditure and Rs. 2 lakhs for operational expenditure); for second year operational expenditure support of up to 1.60 lakhs is provided, while for third year reduced to Rs 1.2 lakhs. As of now the support per FLC is for three years. The revised guidelines on support for FLCs are awaited.
- **Expansion of Financial Literacy Centre at district and block level:** All the 38 districts have been covered by RRBs by setting up Financial Literacy Centre at district level, while support for setting up of FLCs at block level have been provided by NABARD to cooperative banks at block level.
- **Business Correspondents can act as Financial Counselors:** Business Correspondent in the recent past has come out as an important channel for financial inclusion with various financial products and capability to reach to the last. The Business Correspondent Agents (BCAs) can support financial literacy initiative. The BCA, who resides in same village, is a person of trust for others. They have the capability to train the people, by methods like training for walk in customers as well as visit of BCA's at hamlets. Again to make it a success, the first need is to train them, as; currently BCAs are not completely aware of financial products of banks. Training and evaluation through conducting examination / assessment of BCAs is important which can be carried out with the support of IIBF or any certified agency.

- **Household survey must before conducting financial literacy camps:** Getting knowledge and analysis of financial demand for a particular area or target group is a must before conducting financial literacy camps. It will also help in tailoring the modules to different client segments as suggested in revised FLC guidelines, and thus helps in better and demand based financial literacy approaches.
- **Reporting of Financial Literacy Activities not closely monitored by Government:** The state/central government periodically takes record of progress made on PMJDY, MUDRA or other Government schemes and programmers; however, monitoring and reporting about activities of FLCs is not undertaken with similar rigor. The reporting mechanism could help in elevated output and thus creation of more efficient system in financial literacy through formal system.
- **Development of best practices and case studies on FLCs** - Good practices and innovations in functioning and management of FLCs across the country should be documented and shared with banks for better replication and scaling up.
- **Follow ups of FLC camps:** FLCs should have some mechanism of following up with clients after camps and training programmes in order to gauge outcomes. It was suggested that while it is not feasible to follow-up with all participants of several camps organized by FLCs, FLC counselors could target follow-ups on a sample basis (may be 8-10 persons that attended each camp), record their phone numbers and make follow-up calls to discuss usage of financial/banking services by the person. The follow-ups may help in creating good examples of some clients by inculcating the desired change in behavior in terms of using banking services which can be replicated by others in the local area through word of mouth communication.

5. Suggestions

- **Infrastructure, Human Resource and Performance Monitoring:** The infrastructure availability as of now is not adequate to conduct a quality financial literacy while comparing quantum of work and targeted coverage for a FLC. Basic standard facilities and equipment are required for each FLC, there is a need to increase the HR per FLC (at district level) and banks should have defined key performance indicators (KPIs) for measuring FLC performance.
- **Block level disaggregation of FLC Locations:** The FLCs majorly are set up at district level, but each district has a large number of target audiences to offer financial literacy which cannot be possible by one or two FLCs at district level. To have a wider and large coverage, block level FLC is required.
- **Financial Literacy Training to BCs/CSPs:** The BCAs currently are not suitably trained to impart financial literacy to rural/targeted population. The first step is to train the BCAs, conduct a more standardized exam for them through IIBF or other certified institutions, then they may be encouraged to train targeted population/customer base. It was pointed out that the standard of the certificate examination conducted by IIBF is not adequate to ensure well informed and trained BCAs.
- **Phased plan for financial literacy inputs:** If details of many banking services and government schemes are covered in one camp (which seems to be the current practice in many FLCs), the retention of information among participants will be minimal or negligible. Various financial literacy inputs such as savings, credit, insurance, pension etc. should be phased through a systematic plan

of conducting repeat camps/training programmes at the same location covering same clients/community members. This will also help in undertaking follow-ups with a sample of clients on previous sessions/inputs as suggested earlier. The pilot programme on financial literacy being conducted by ISMW in Bihar with support from PSIG is showing good results of phased delivery of financial literacy content.

- **Involvement of other stakeholders such as Postal Department, National Savings Institute (NSI) etc should be explored:** Dept. of Post has a huge infrastructure and HR base at remotest areas as well. Department of Post through their human resources could help impart financial literacy. Postal Department also has a range of savings and insurance schemes that can be incorporated into the financial literacy initiatives. The training of staff of Dept. of Post can be conducted with the help of NABARD and RBI; the branch area of post offices/national savings organizations can support in financial literacy initiatives. Coordination between FLCs and Post Offices can help leverage strengths of both organizations for financial literacy.

6. Address by Mr. Vipin Sharma, CEO, Access Development Services: The study has been shared with Apex Banks includes NABARD and RBI at HO level and has been appreciated. NABARD DFIBT has expressed interest in conducting similar study in other states as well. He thanked the participants for providing great insights during the discussion.

7. Action taken report by ACCESS-ASSIST: A brief action taken report on follow-up actions of previous SFIF meetings was presented, which is summarized below:

- ✓ **Atal Pension Yojana–** Knowledge and information gap among bankers and government functionaries regarding details of APY was cited as one of the constraints for roll out of the scheme during the SFIF discussion on APY. Based on this a series of sensitization programmes at state and district level were organized in Bihar as well as other PSIG focus states:
 - State Level APY Orientation Programme in Patna in October, 2015 with support of PFRDA and NSDL.
 - Sensitization programme in Gaya in January, 2016 with participation from 31 bankers including DDM, LDM, DCOs and Director RSETI.
 - Sensitization programme in Begusarai in February, 2016 at Bihar Gramin Bank, HO training Centre (to be organized).
 - Another district level sensitization programme to be held in February.
- ✓ **Other activities**
 - Dissemination of Dipstick Study on Financial Literacy Centres at state level was done in 9th Bihar State Financial Inclusion Forum Meeting. Copies of the report have been shared with NABARD Regional Offices and DFIBT, NABARD, Mumbai; FIDD, RBI, Mumbai and RBI Regional Offices, BIRD and CAB.
 - Discussions with SLBC convener on inclusion of MFIs and MFI related information in SLBC meetings.
 - Release of Bihar State Finance Bulletin – 3rd issue in this financial year.

- Extension of State Financial Inclusion Forum to district level – The concept of district level SIF meeting was discussed with LDM and DDM, NABARD in Gaya. A date is to be fixed for meeting with theme on PMJDY.
- 12 delegates from Bihar participated in the Inclusive Finance India Summit at New Delhi with sponsorship support from SIDBI under the PSIG programme. The representatives were from State Cooperative Bank, RRBs, SLBC, MFIs, and TSPs among others.
- 2nd MFI Pitch book released and were circulated to bankers.

8. Closing remarks: Mr. UC Gaur, GM, PSIG, SIDBI- Financial Literacy as always said is a mandate for total financial inclusion, and the Financial Literacy Centres are expected to play a very important role. The discussion in this meeting was participative and brought out some practical suggestions for making FLC mechanism more effective. Also measuring outcomes of the financial literacy activities is a must for ensuring that the investments are leading to expected results. The discussion points will be shared with other relevant stakeholders as well. Mr. Gaur thanked all the participants for their valuable time and inputs in the SFIF meeting.

Annexure – 1

List of Participants

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