

Bihar Inclusive Finance Bulletin

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PSIG Programme – Updates

1. A compendium on micro-pension (focused on NPS Swavalamban Scheme) has been developed. This is being translated in Hindi for wider circulation.
2. ACCESS-ASSIST Bihar team met with different stakeholders and took their views on including MFI lending as a SLBC Agenda item.
3. Under PSIG programme, six institutions (CDOT, MBGB, Arohan, SAIJA, Jagaran and Sahaj) are getting capacity building support to work for Financial Inclusion.
4. As part of the PSIG programme, SIDBI is implementing the FinScope survey in the 4 States (Odisha, Bihar, MP & UP) through FinMark Trust (FMT), South Africa. The key objective of FinScope survey is to track and measure and profile levels of access to and use of financial services by all bankable adults, across income ranges and other demographics, and making this information available to key stakeholders as policy-makers, regulators, and financial service providers. The Kickoff meeting for this was organized on 15th January, 2015 in Patna.

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Recent Updates in FI Space

Investors are now ready to bank on MFI again, are now ready to pump in over \$ 1 billion in 2015.

More than 85 lakhs A/C have been opened under PMJDY in Bihar, 71.7% of total share from rural area. Under PMJDY, amount of overdraft will be four times of average monthly balance or Rs 5000, whichever is less. Account should be AADHAR linked to get overdraft.

Creation of Mudra Bank: The finance minister in his budget for 2015-16 proposed creation of the Mudra Bank, with a corpus of Rs 20,000 crore, and credit guarantee corpus of Rs 3,000 crore. Mudra Bank, he said, “will refinance microfinance institutions through a Pradhan Mantri Mudra Yojana”

Atal Pension Yojana (APY) was announced by the Finance Minister in his budget speech for citizens in the unorganised sector. The Central Government would co-contribute 50% of the subscriber’s contribution or Rs. 1000 per annum, whichever is lower, to each eligible subscriber account, for a period of 5 years, i.e., from 2015-16 to 2019-20, who join the NPS before 31st December, 2015 and who are not income tax payers. The APY would be launched from 1st June, 2015

Pradhan Mantri Suraksha Bima Yojana for accidental Insurance will be made available to people between 18-70 yrs of age with bank account for a premium of Rs. 12 per annum. The insurance provides risk cover up to Rs. 2 Lakhs.

The Pradhan Mantri Jeevan Jyoti Bima Yojana will be made available to people between 18-50 yrs of age at a premium of Rs. 330 per annum. The risk cover extends to Rs. 2 Lakhs in case of death for any reason.

RBI releases Names of Applicants of Small Finance Banks and Payments Banks: The Reserve Bank of India on February 4th, 2015 released the names of applicants of small finance banks and payment banks, stating it received, in its Central Office, 72 applications for small finance banks and 41 applications for payments banks

RBI declared a scheme of interest subvention on credit to women SHG’s in 150 districts through a circular dated December 9th 2014. The scheme allows all women SHGs an interest subvention on credit up to 3 lakhs at 7% per annum. These SHGs will be provided an additional of 3% on timely repayment of loans.

Financial Education & Awareness from RBI: The RBI recently released guidelines on Criteria for Institutions, who can seek Financial Assistance from the Depositor Education and Awareness Fund. It aims to grant financial assistance to institutions/ organizations/associations for taking up various activities relating to promoting bank depositors education and awareness.

LPG subsidy to be provided in bank account from 1st Jan’15: The GoI has decided to transfer cash subsidies for LPG to bank accounts w.e.f from 1st Jan’2015.

According to the scheme, consumers will have to either link their Aadhaar number into their bank accounts and their LPG consumer ID or, they will have to link their bank accounts directly with their 17-digit LPG ID to receive subsidy on LPG.

Rashtriya Mahila Kosh: The GoI has announced revamping of the Rashtriya Mahila Kosh (RMK). The RMK will no longer extend loans to SHGs, rather, women will be taught to make investments, market their skills and products and manage enterprises.

Bhoomi Heen Kissan: GoI has proposed encouraging financing of Joint Farming Groups during the financial year. The Hon’ble Finance Minister of India has specifically mentioned financing of Joint Farming Group for “Bhoomi Heen Kissan” with the help of NABARD. NABARD has been assigned the responsibility of monitoring financing of 5 lakh Joint Farming Groups.

Largest Funding: Ujjivan has been able to raise Rs. 600 crore funding from UK’s Commonwealth Development Corporation, PE investors CX Partners, Newquest and from a unit of Bajaj Group; making it the single largest funding in the microfinance sector. The sector seems to be reviving again with CRISIL estimating the assets of Indian microfinance industry would reach a whopping Rs. 45000 crore by FY 2016!

PSIG Programme - Events

Fifth Meeting of SFIF

The SFIF has emerged as a strong exchange and deliberation Forum with in state. Fifth meeting of SFIF, Bihar was held on **23rd December, 2014 at the NABARD office** on the theme of **“Financial Inclusion in Flood Affected Area of Bihar”**. Apart from SFIF members and PSIG team, the meeting was attended by representatives of SHPIs, MFIs, State Cooperative Bank, Cooperative of Fisheries Federation (COFFED) and Govt. Departments. A brief presentation on PSIG programme was given by Mr. Prakash Kumar, GM SIDBI. ACCESS ASSIST shared brief action taken report with the forum. Discussion at the meeting centered around: *improving credit flow, need for R&D in financial products, government initiatives for fishermen, importance of BC channel, PMJDY, need of insurance linked credit scheme, promotion of FPOs, identification of real clients, convergence between NGOs and other agencies etc.*

Out of discussion following action points were decided to work upon-

1. Looking for possibilities of establishing R&D Cell for financial products, with different stakeholders (Banks, NABARD, MFIs, financial experts etc.).
2. Study of successful model of implementation of any scheme in flood affected area with the help of Fisheries Department.
3. Documentation of activities (beyond A/C opening) of RRBs through their BC channel.



Bankers' Exposure Visit to MFI

The 1st Bankers' Exposure Visit to SAIJA Finance Pvt. Ltd was organized under PSIG Programme on 17th January, 2015; in which 17 bankers from 12 banks have participated.

Objective of this visit was –

- To familiarize bankers with MFI operations, management practices, MIS, risk mitigation mechanisms, client protection measures, and functions of the branch etc.
- To facilitate direct interaction of the bankers with SHG members/borrowers in order to have better understanding on their group, loan and enterprise management etc
- To solicit feedback from bankers on overall microfinance operation with specific areas on which the MFIs should work more to attract bank lending.

SAIJA Finance Pvt. Ltd has been one of the leading and fastest growing NBFC-MFI among the home grown MFIs of Bihar. Bankers were taken to visit SHG of SAIJA and also the branch to understand its operations. During the whole programme, it was tried to explain and inform about recent developments in MFI sector like Code of Conduct, HR Manual, sending client information to Credit Bureau to curb duplication of clients, recovery system etc. Feedback from bankers was very positive towards this visit and according to them, their view have changed about MFI's reach.



Updates from other PSIG states –

Odisha –

- 5th State Financial Inclusion Forum meeting organised on 29th January, 2015 on **“Viability of the BC Model”**
- Joint meeting of Utkal Grameen Bank, PSIG and senior BMASS officials organised in Berhampur on 28th to revive SHGs under BMASS.
- To revive the SHGs under Block Mahila Sanchayika Sangh (BMASS) – A joint meeting of Utkal Gramin Bank, PSIG and BMASS was organized in Berhampur on 28th January, 2015.
- Thematic workshop to be organized in March 2015 on **Credit Bureau for SHGs**.

Madhya Pradesh –

- 2nd meeting of SFIF is held on 23rd February, 2015. Lead theme of discussion was **Challenges and Opportunities of BC Model and SHG Financing**.

Uttar Pradesh –

- 3rd SFIF meeting is scheduled to be held in March. Lead theme is micro-pension.
- Exposure visit of SFIF members and other MFIs to Vimo Sewa (on micro-insurance model) is proposed in April.

Financial Inclusion Status Update: Bihar

Report of the SLBC

Performance indicators of Banks (Amount in crore)

Sl No	Items	December' 13	December' 14	% increase
1	Deposits	175803.54	201083.69	14.38%
2	Advances	61071.34	72560.31	18.81%
3	CD ratio	41.13	42.14	1.01%
4	Priority Sector Advances	45453.85	50523.24	11.15%
5	Adv. Disbursed to women (disb.)	2974.11	3340.24	12.31%
6	Total branches	5573	6169	10.69%

Source – 51st review meeting, SLBC, Bihar

The 51st Review Meeting of the State Level Bankers' Committee was held on 14th of February, 2015. Due to sincere efforts by banks, Annual credit plan achievement till December' 14 has been 69.81% of the annual target as against 68.74% achieved up to December, 2013. There has been 21% increase in disbursement over the previous year. All 13, 526 SSAs in the state have been allocated to banks for providing banking facilities.

All banks have submitted the roadmap for providing banking services in villages with population below 2,000. The number of such identified villages was 27,343 till December, 2014; 19,877 such villages, as against a target of 20,018 have been covered. Under the SHG Bank Linkage Programme, till the 3rd Quarter, banks were able to open 73,624 savings banks A/Cs and credit linked 35,111 A/Cs (loan amount of Rs. 192.71 cr) against the target fixation of 1.5 lakh savings bank A/Cs and 1 lakh credit linkage. Against the yearly target of 50, 000 units, banks have sanctioned loans to 39,534 JLGs, (loan amount of Rs. 350.01 cr). Banks operating in the state have sanctioned loan to 19,91,666 beneficiaries (new – 7, 71, 399 and renewal – 12, 20, 267) under KCC with total loan amount of Rs. 12, 441.37 crore.

UBGB – BC Activity beyond A/C Opening

Uttar Bihar Gramin Bank (UBGB) is operational in 18 districts of Bihar. Headquartered at Muzaffarpur, the RRB is sponsored by the Central Bank of India, and operates through 1,020 Brick and Mortar branches and 3,110 BC outlets. SLBC has allocated 3,673 SSAs in rural areas and 89 wards in urban areas. The UBGB has named the BC centre as "Sunahra Sapna". The performance details of UBGB's Sunahra Sapna initiative are as under:

Performance through BC operation (As on 8th of February, 2014)

Number of Outlets	3, 110
Total A/C opened	22 lakhs
Amount deposited	25 crore
Number of Micro KCC	8, 000
Amount	7 crore
No. of GCC	300
Amount	9 lakhs
No. of Recurring Deposit	28, 000
Amount	67 lakhs
Number of Overdraft A/C	16, 000
Amount	59 lakhs

Source: UBGB Head Office, Muzaffarpur

A total 2,11,23,118 no-frills account have been opened since inception, out of which 1,53,27,386 (72.56%) are operational. Through financial literacy initiative by different banks, 3, 28, 059 persons participated in 2,146 camps. Three crop insurance companies AICIL, Cholamandalam and SBI General Insurance have provided crop insurance to 17,25,909 farmers, the sum insured being Rs. 2597. 64 crore and the area covered being 14, 56, 767.50 hectare.

Status of MFI Coverage in Bihar

Bihar in recent days has grown out to be a favorable place for Microfinance institutions to operate. With a total of 17 NBFC-MFIs, the state ranks 6th in the concentration of MFIs with a total GLP of 18.53 bn and an increase of 12.35% compared to the previous quarter. Some of society registered MFIs like C-DOT and CPSL initiated civic intermediation by dealing with the issues of business skills training and gender issues and credit needs for education purposes. MFIs have also shown interest in micro-pension by enrolling the clients to the NPS-Lite Scheme.

Status as on 31st December' 2014

Particulars	Q2 FY 14-15	Q3 FY 14-15	% Change
Gross Loan Portfolio (Rs. bn)	18.53	20.82	12.35%
Clients	1,759, 430	1,869, 684	6.26%
Branches	673	688	2.23%
Employees	4, 626	4, 855	4.96%
Loan amt. disbursed (in bn),	9.77	9.89	1.23%
Avg loan disbursed per a/c	16, 949	18, 429	8.73%

Source: MFIN Micrometer, issue 12

Commission Structure: The monthly salary of BCA has been fixed to Rs. 3, 500 while other incentives results to the micro credits provided from the BC point. With ideal 400 credit a/c per BC, the BCA can earn Rs. 10,000 per month, encouraging the agents to stay for longer for CSP service.

Services offered through BC operation to customer:

- Overdraft Facility:** The SB account has an inbuilt overdraft facility. Rs. 500 of OD, available at the moment of opening the account, while it can reach up a maximum of Rs. 2, 500.
- Smart Flexi RD:** Flexi RD is available for a period of 3 years for a range of Rs. 10 to Rs. 5,000 per month. The customer has an option to deposit any amount (maximum of 10 times of the RD amount) in their account and need not compulsorily deposit it every month.

3. Micro KCC: The product is available to a share croppers The production credit under this scheme is up to Rs. 25,000 through BC operation.

4. Micro GCC: Micro General credit card is available for non-agricultural employees like artisans and other entrepreneurs. Credit of up to Rs. 10, 000 is being provided through BC operation.

5. Inward remittances: The facility has been provided for the BC customer to get transferred a sum of amount to their account from any of the bank and branches.

6. Interoperability: A customer has the option to operate/transact with another BC in another area.

Future plans:

- Outward remittance through NEFT.
- Distribution of insurance, pension, mutual fund products through BCs.

“First Lend and then Mobilize Deposits”

- Shri B. S. Harilal, Chairman, Uttar Bihar Gramin Bank

Do you think FI currently is focusing on the right issues? Please give your opinion on Priority Sector Lending under Financial Inclusion.

In Bihar, Financial Inclusion is tackling right issues. Priority Sector Lending is a succor for large sections of population for employment generation or poverty eradication in sectors like agriculture and allied activities or micro enterprises. In Bihar, Priority Sector lending which targets large numbers of small value enterprises is one of the important areas to achieve financial inclusion and banks are on the right track.

What are the strategies of UBGB in including the under banked in banking network?

For the current financial year, we planned to reach 50 lakh customers under Financial Inclusion and till date, have reached nearly 48 lakh. Next year we are planning to extend our outreach to another 30 lakh customers through Business Correspondents. That means our customer base would be around 140 lakh by the next financial year. Ninety lakh customers will be serviced by branches and fifty lakh customers will be serviced by BCs. We are providing a full bouquet of basic banking products and services to the hitherto unbanked population to improve their wealth and capability to a level where other commercial banks become interested in doing business with them!

What is your take on the ambitious Jan Dhan accounts drive? How many accounts were opened by UBGB under PMJDY, also roughly how many are active?

Financial Inclusion is not new for banks. It is being done since 2008 when no frill accounts were introduced. Under PMJDY, this has been given a more focused approach, with the objective of preventing leakages in doles, subsidies and grants. So far UBGB has opened around 23 lakh accounts under PMJDY and nearly 33% of accounts are active. In coming days all the accounts will be active and operational.

In the present scenario, how are BCs important for delivering financial services? Can you share details about Samridhhi – 400 project of UBGB?

The BC model is a low cost model and it is self-sustainable for high volume and low value transactions of the bank. Our

Business Correspondent Centre, which is named as ‘Sunahara Sapna Kendra’, can achieve breakeven with around Rs 12.25 lakh deposit in Savings Bank accounts, whereas for a conventional bank branch it is around Rs 3 crore of business. This illustrates the viability, potential and importance of BCs for a bank.

Samridhhi 400 is a programme to ensure that every Bank Mitra (BC) earns minimum average monthly income of Rs 10,000. UBGB gives a commission of Rs 200, per loan account to BCs (Rs. 100 at the time of opening and Rs. 100 at the time of closing). So if a BC opens and maintains 400 loan accounts at the Sunahara Sapna Kendra, he can earn Rs 80,000 as commission in addition to fixed minimum remuneration of Rs 42000, which works out to an average of more than Rs 10,000 per month. Servicing 400 loan accounts in not a difficult task since the Sub Service Area is unbanked having 1500 households, that are mostly agri-based or micro entrepreneurs and our Bank has two loan products for micro enterprises – agricultural or non-farm.

Distribution of insurance, pension, mutual fund products through BCs – is mentioned under the future plan of UBGB. What would be UBGB’s approach to implement this?

We have discussed with six insurance companies for developing a micro insurance policy which is tailor made for our clients. Things are yet to be finalized. Regarding NPS Lite, we have applied for aggregator license from PFRDA. We have plans in the radar for micro mutual fund as well. Delivery channel for para banking products would be Sunahara Sapna Kendras in paperless mode. UBGB is not looking for profit in providing para-banking services to customers. We would act true to our vision of taking leadership for bringing about a developmental revolution in our command area as encapsulated in “Gram Chetna – Going Beyond Banking”.

Do you think regulatory norms of RBI for BCs are good enough or it needs any further amendments?

Yes, regulatory norms of RBI for BCs are good enough. I have one suggestion – there is a need to recognize BCs as a separate cadre in banking services, may be somewhere around the clerical cadre, with separate service regulations for them.



The Poorest States Inclusive Growth Program (PSIG): The DFID assisted PSIG programme is being currently implemented by SIDBI in 4 poorer states viz. Bihar, Madhya Pradesh, Odisha and Uttar Pradesh. The program is envisaged to benefit the poor and vulnerable people, especially women by providing financial access to 12 million poor people, thereby helping in enhancement of their income and employment opportunities in the above four states including Odisha. ACCESS-ASSIST is managing the policy component of the program.

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