

# Bihar Inclusive Finance Bulletin

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## PSIG Programme – Updates

1. PSIG state team held meetings with RBI, NABARD, SLBC, Directorate of Institutional Finance, JEEViKA and Saija to advocate for MFI lending through banks in the SLBC agenda.
2. A delegation of senior level officials from State Bank of Vietnam, the central bank of the country, visited SIDBI on September 12, 2014. The visit focused on SIDBI's work in microfinance and financial inclusion, along with innovations happening in PSIG supported projects on financial inclusion.
3. A short study has been conducted by the state team of ASSIST on the BC commission structure of banks in Bihar. For this purpose different banks were contacted to share their BC commission structures. Feedback from major BC organizations was also sought. The study finds that differential commission structures are followed in rural as well as urban areas. Almost all banks have made it mandatory to share certain percentage of the commission of BCNMs with their BCAs. This could vary between 70-80% of the total commission.  
On the basis of consultations with BCs, it has been recommended that the bank should follow both fixed and variable commission structures and that the remuneration should be revised to make the BC channel sustainable.
4. JEEViKA had taken an initiative to standardise bank forms (account opening and credit linkage) for SHGs. Banks have given their consent over this and the standardised forms will be used by banks once the old forms have been exhausted. With the help of JEEViKA and SLBC, ASSIST has documented the whole process.
5. Second meeting of Aggregator's Forum of Bihar was organized on 28th November 2014 at CDOT. Mr. Devesh Mittal, AGM, PFRDA also attended the meeting and updated the aggregators about new regulations and initiatives taken by PFRDA. He also addressed the problems that aggregators face in implementing the NPS scheme.
6. The PSIG page has become live on the website of SIDBI. This page documents all activities, study reports etc. conducted under the program. The PSIG page can be accessed at: <http://sidbi.in/?q=poorest-states-inclusive-growth-programme-psig-financial-inclusion-and-women-empowerment-0>
7. A Pitch Book (compendium) of MFIs operating in the four PSIG states has been prepared under the program and will be available for circulation through the state offices.

## Updates from other PSIG states –

### Odisha –

- 4th State Financial Inclusion Forum meeting organised on 31st October, 2014. The underlying theme for the meeting was “*Micro-pension for the poor*”. The meeting was attended by CGM-PFRDA, Mr. A. G. Das as well.
- Second bankers' exposure visit was organised under the aegis of PSIG-SIDBI on 15th November 2014. This time the one-day event was hosted by Mahashakti Foundation at their Balangir operational district. 14 Senior Bankers from 11 Public Sector Banks participated in the visit.

### Madhya Pradesh –

- First meeting of SFIF is organized on 12th November 2014.

### Uttar Pradesh –

- Exposure visit of bankers to Margdarshak Microfinance was organized on 27th October 2014. 10 public sector banks including RBI participated in the event.
- Second meeting of the SFIF was organized on 26th November 2014 focusing on “Expanding Financial Inclusion through Microinsurance”. Apart from SFIF members; insurance companies and MFIs participated in the meeting.

## Inside the Issue: -

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## Recent Updates in the Financial Inclusion Space

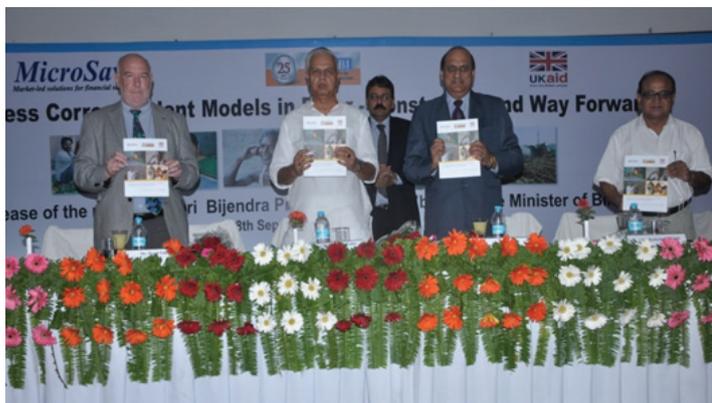
The government of India has announced **revamping of the Rashtriya Mahila Kosh (RMK)**, the signature credit scheme of the UPA government that was used as the basis for extending loans at minimal rates. The RMK will no longer extend loans to SHGs, rather, women will be taught to make investments, market their skills and products and manage enterprises. RMK is being restructured into a bank that will focus on giving loans to individual women after providing them training in various fields.

The **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.

The RBI issued **final guidelines for licensing and operation of Small Finance Banks in the private sector** on November 27th, 2014. Last date for receiving applications for licenses is January 16th, 2015.

## PSIG Programme - Events

### Hon. State Finance Minister Launches Study on Business Correspondents



To improve the current body of knowledge around the status of the BC model in Bihar and provide recommendations for improving its effectiveness and to offer inputs to policy makers, PSIG has commissioned a drill down study “*BC Models in Bihar – Constraints and Way Forward*”.

The report was formally released by *Shri Bijendra Prasad Yadav, Honourable Bihar State Minister for Finance and Commercial Taxes, on September 18, 2014* at Hotel Maurya, Patna. Releasing the report, the minister said that several districts of Bihar are flood affected and many have been identified as Left Wing Extremist (LWE). The challenge is to take banking services to the poorest in those districts in which the BC channel can play a major role.

Shri N. K. Maini, Deputy Managing Director, SIDBI; spoke at the launch about the findings of the study and the recommendations which may be useful in strengthening the BC channel and furthering the drive to financial inclusion in the state. He also emphasized that SIDBI would be keen to support more such initiatives in future under the PSIG programme and otherwise.

Executive director of RBI, Smt. Deepali Pant Joshi, addressed the event through a videoconference from Delhi. She said growth with equity is the RBI dream, and gave the slogan ‘BC aya apke dwar’ to popularize the banking channel.

### Fourth Meeting of the SFIF

Active since January 2014, the SFIF in Bihar has emerged as a strong exchange and deliberation Forum within the state, and has been appreciated for strengthening coordination and synergy among stakeholders in creating an enabling environment and accelerating the process of financial inclusion in the state. With four SFIF meetings conducted till date; the theme of the *fourth meeting organized on 18th September was Pradhan Mantri Jan Dhan Yojana (PMJDY)*.

Apart from SFIF members, participants from different banks, MFIs, rating companies were present. The meeting commenced with an action taken report presented by ACCESS ASSIST. Features of the PMJDY were discussed in detail.



The discussion mainly focused on infrastructure requirement for implementation of the scheme – physical, human resource and technical; clarity over different provisions under the scheme, need of financial literacy, role of different stakeholders etc.

The forum made important suggestions for making this scheme accessible to all- the need for concentrated effort on awareness creation about the scheme, local bodies/panchayats to be involved to identify potential households; and call centers facilitated by the SLBC and managed by pvt. organisations etc.

## Status Update of MFIs in Bihar

Bihar is one of the major potential areas for MFIs to intervene ranking 6th with a total of 17 NBFC/MFIs working in the state. Saija showed 2nd highest growth rate (for MFIs having glp < Rs. 1 bn.) in the Indian scenario with overall growth rate of 165% for this quarter. Comparing with last year’s data; the microfinance sector has shown a gross loan portfolio (glp) of 18.53 bn. The State ranks 5th in terms of amount disbursed and 8th in terms of total number of branches. 7% of overall glp distribution has been made in Bihar ranking 6th in 32 states and UTs.

Particulars	Q 1 FY 14-15	Q 2 FY 14-15	% change
Gross Loan Portfolio (amt. in bn.)	16.16	18.53	14.66%
Amt. Disbursed (amt. in bn.)	6.78	8.34	23.11%
No. of Branches	639	673	5.32%
Total no. of customers (in lakhs)	16.27	17.59	8.11%
No. of Employees	4,408	4,626	4.94%



## Government, Banks and CSOs have to converge to work for development of Flood Affected Areas



**Ranjit Kumar Das**  
Chief General Manager  
NABARD Bihar Regional Office, Patna

### How do you define financial Inclusion in flood affected areas? How it is different from other areas?

Financial Inclusion means ensuring access to formal financial services and timely and adequate credit where needed, to vulnerable groups at an affordable cost. It is the same in flood affected area as well. In flood affected areas there should also be an equal stress on backing insurance coverage to every credit.

### What initiatives has the NABARD taken to address the issue of financial inclusion in flood affected areas of Bihar?

NABARD has been intensely involved with financial inclusion in flood affected areas of North Bihar. Under support from Financial Inclusion Fund and Financial Inclusion Technology Fund, Financial Literacy & Counseling Centers have been established in all these flood prone districts and there has been also a good proliferation in the BC/ CSP models there,

especially through Uttar Bihar Gramin Bank.

NABARD has been implementing a slew of measures to ensure adequate flow of farm and off-farm credit. The preparation and marketing of Area Development Schemes, support for promoting Joint Liability Groups and Self-Help Groups and their credit linkage; formation of Farmers' Clubs for transfer of appropriate crop technology; and Capacity/Skill Development of both demand and supply side operators are a few of them. Further, through forums like SLBC, DCC and BLBC, it is being ensured that all Kisan Credit Card and animal husbandry loans are insured.

### What are the challenges faced by NABARD while working in flood affected area of Bihar?

Accessibility in rainy season due to severely underdeveloped communication infrastructure is the major issue that affects doorstep delivery of financial services. Further, there is also dearth of willing working partners like NGOs to render services in all the conditions. Reluctance of banks to proactively lend in these areas is another area of high concern.

### What strategy should be followed by commercial banks (CBs) and RRBs to serve the flood affected population?

Banks should increase their presence by opening more brick and mortar branches, ensuring that every household has at least one SB account and every Rabi crop grower is covered by crop loans. Further, they

must also widely extend composite term loans for pisciculture, animal husbandry and the myriad of household off-farm micro enterprises as well as arranging third party insurance products (life & non-life) wherever insurance companies do not have direct marketing facility. Loans for pucca houses are another priority area. On top of it, large scale adoption of cutting edge FI technology, particularly through BC/ CSP Models would at least ensure an uninterrupted availability of basic banking services to the people who remain cut off from the mainstream for several months during rainy seasons.

### How can cooperative banks play a vital role in providing credit in flood affected areas?

The cooperative banks' reach is simply enviable as it has a PACS in almost every GP. After implementation of Vaidyanathan Committee (VC-I) recommendations in Bihar, PACS have also been made free to raise resources from outside the co-operative system. The CBs and RRBs can use them as a conduit of their products and services. Further, NABARD has a scheme to support good working PACS to convert them as Multi-Service Centers (MSCs), which could be availed to provide credit plus services to its member-farmers.

### How can PSIG make a contribution in development of such areas in Bihar?

PSIG can do policy advocacy as well as help create a platform so that joint and coordinated actions can be taken by all the relevant agencies.



**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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