

Madhya Pradesh Inclusive Finance Bulletin

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PSIG PROGRAMME UPDATES

4th State Financial Inclusion Forum Meeting (SFIF)



The 4th meeting of SFIF in Madhya Pradesh was organised at Hotel Marriott in Bhopal on 19th February 2016. The key theme for the meeting was “PMJDY – Progress Till Date, Challenges and Way forward”.

The meeting was attended by representatives from RBI, NABARD, SLBC Commercial Banks, NGOs, MFIs and the PSIG team. During the meeting ACCESS ASSIST also presented before the forum the progress of PMJDY. It was highlighted that –

- In MP, over 1.8 crore accounts have been opened and is equally spread among rural and urban population.
- Percentage of zero balance accounts stands at 32% in MP.

- 80% account holders have access to RuPay and Aadhar seeding is only 44.7%

During the meeting the majority of the bankers highlighted about the ground level issues and challenges prevalent due to various bottlenecks within and around the financial domain. It was highlighted that there is low interest in overdraft facility of 5,000/- among the beneficiaries given the availability of other state government led programs such as “Mukhya Mantri Aarthik Yojana”. Other issues like slow progress in activation of accounts, stress on banks due to limited staff in rural branches and pressure to implement schemes and programmes, challenges in delivery and activation of RuPay cards and PINs and Aadhar seeding of accounts, issues related to viability of BCAs and high attrition among them were also highlighted with an overall objective to seek relevant support from PSIG. The forum meeting also witnessed a presentation from PwC on “*Compilation of drilled down studies on existing BC models in MP*”. The

District level APY workshop – Datia District, MP

Under the PSIG Programme, a District level APY orientation workshop was organised in Datia district on 05th February, 2016 in association with Lead Bank, PNB- Datia. Datia district having low APY enrollments (with only 674 enrollments till date) was strategically chosen in consultation with PNB. The workshop featured a presentation on APY by Shri Ashok Bagga, Trainer, Centum Training Institute (a partner agency of PFRDA for conducting APY orientation programme). The workshop was attended by various stakeholders from SRLM, Dept. of Social Justice, Also branch level and field functionaries of various Banks (Public Sector Banks/ Private Banks/ Cooperative Banks/ RRBs), Corporate



BCs, FLC counselor, NGOs and field BC Agents participated in the workshop. The workshop was designed primarily to enhance understanding of the product to relevant field level stakeholders and to discuss its features with clarity to increase its outreach.

The APY orientation programme witnessed major participation from respective stakeholders and outcomes of the same could be seen among the stakeholders



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preliminary findings were -

- Less amount of business generation is in rural areas as compared to urban areas.
- Internet connectivity is the main problem for the BCs to operate.
- BCAs have been provided training; induction and on job trainings. But both dealing with very basic information which is not adequate.
- Financial literacy among the clients found to be very less which could be a reason in less banking facilities availed through BC agents.
- Less remuneration and attrition of BCAs is a major problem for the sustainability of the model itself.

as they could seek clarifications on operational hindrances encountered during the delivery of the services as well could clarify misconceptions about the product.

The valedictory address was delivered by Lead District Manager (LDM), PNB Shri B. R. Kar. He emphasized the benefits of the product and highlighted on how small investments can be beneficial for the customers in the years to come. It was highlighted that banks’ ownership and responsibility is critical for enrollment and requested the participants to increase the enrollments. It was LDM’s feedback that this workshop would help in engaging all the stakeholders for APY which should ultimately lead to more tangible outcome.



OTHER PSIG STATES UPDATES

Odisha -

- Orientation programme for Bankers on MFI Appraisal Process: An orientation programme on MFI Appraisal process was conducted for Bankers on 27th Jan'2016 at SITI, Bhubaneswar based on the suggestion made in the first Lenders' Forum Meeting-Odisha. The orientation program was facilitated by Mr. Ashok Ranjan Samal (Former GM-SIDBI).
- **Bankers' Exposure visit to Swayamshree Micro Credit Services (SMCS):** Banker's exposure visit was organised post orientation programme during the afternoon to better understand the operational methodology and have interactions with the SHG members, Branch staff and senior management at HO.
- **APY Orientation Programme:** Two APY orientation programmes-one at district level and another at state level were organised at Baripada and Bhubaneswar on 8th Feb'16 & 10th Feb'16 respectively in association with the LDMs and CENTUM Learning to familiarize stakeholders on various processes involved in APY.
- **9th State Financial Inclusion Forum:** The 9th SFIF meeting was organised on 2nd March'16 (first half) on the key theme of "MUDRA". The programme had a presence of SFIF members along with 25 Bankers, MFIs, BCs and representatives from Govt. Depts.
- **2nd State level Lenders' Forum Meeting:** The 2nd State level Lenders' Forum meeting was organised on 2nd March'16 (second half). Representative from MFIN & High Mark attended the programme along with the Bankers and MFI Rep. A three member team from RBI Regional Office-Bhubaneswar headed by the GM-RPCD also participated in the meeting as Special Invitees and shared their inputs with the participants.
- **Odisha Inclusive Finance Bulletin:** 3rd issue of the Quarterly Inclusive Finance bulletin of this financial year has been released in February, 2016 with updates from the sector.

Uttar Pradesh -

- **APY Orientation Programme:** Orientation programme on Atal Pension Yojana was organized. One a State level orientation programme in Lucknow and 2 district level orientation programme in Raibareili & Rampur on 19th, 22nd & 28th January respectively.
- **6th SFIF Meeting:** 6th meeting of State Financial Inclusion forum was organized on 2nd Feb 2016 in Lucknow at BIRD. The key theme for the meeting was Micro Units Development & Refinance Agency Ltd. (MUDRA): Status, Opportunities, and Challenges. The meeting was attended by 40 Stakeholders from PSU Banks, RRBs, RBI, NABARD, MFI's & NGOs.
- **Exposure visit for FLC Counselors:** Two day exposure visit was organised for FLC Counselors on 11 & 12th Feb 2016 in Mathura with participation from RBI, NABARD, BIRD, LDM Mathura and 11 FLC Counselors. The two day visit also had a session with BIRD on revised RBI guidelines for all the FLC Counselors.
- **5th Quarterly Inclusive finance Bulletin:** 5th issue of the Quarterly Inclusive Finance bulletin of this financial year has been released with updates from the sector

Bihar-

- **Roundtable on Mudra Yojana:** Roundtable on "Mudra Yojana: Status, opportunities and challenges" was organized on 4th March, 2016. 39 senior officials from Government, Commercial Banks, Regional Rural Banks and Microfinance Institutions had attended the programme.
- **District level APY sensitization Programme:** Two District level Sensitization programme on Atal Pension Yojana was organized in Gaya and Begusarai on 19th January and 4th February' 2016. A total of 80 government and bank officials were sensitized from these two programmes.
- **9th SFIF Meeting:** 9th meeting of State Financial Inclusion Forum was organized on 3rd February'. Key theme of the meeting was "Role of Financial Literacy in Financial Inclusion of the poor - its strategies, initiatives, challenges and way forward". The meeting was attended by SFIF members, Government officials, BCNMs, TSPs, Public and private sector banks among others.
- **Quarterly Inclusive Finance Bulletin:** 3rd finance bulletin of this financial year has been released in January, 2016.

STATE FI STAU AT A GLANCE: WHAT NUMBERS SPEAK

Coverage under Social Security Schemes (SSS)

Enrollments under three SSS Schemes i.e. Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY), Pradhan Mantri Bima Suraksha Yojana (PMBSY) and Atal Pension Yojana (APY) are progressing at good rate in the state. As on Dec'15, there have been more than 80 Lakhs and 20 Lakh enrollments under PMSBY and PMJJBY respectively. For Atal Pension Yojana (APY), there have been more than 11 lakh enrollments showing a threefold increase since the last SLBC data in Sep'15. Overall the total enrollments under these three SSS schemes stand at 1.01 crores in Dec'15 as against the target of 2.92 Cores.

Coverage under SSS Schemes				
	Enroll-ment as on 30.09.15	Enroll-ment as on 30.12.15	Incremen-tal enroll-ments	% In-crease
PMSBY	6,911,173	8,039,153	1,127,980	16.32%
PMJJBY	1,814,796	2,055,322	240,526	13.25%
APY	42,702	112,461	69,759	163.36%
Total	8,838,430	10,137,177	2,755,281	37.32%

Source: SLBC 158 and 159 agenda

Microfinance in the State

Microfinance sector has grown at steadily in the state. Gross Loan Portfolio stands at Rs. 3300 crores showing an increase of more than 19% since the last quarter. Total number of MFI clients has increased by about 13% and now stand at 25 Lakhs. Loan amount disbursed has grown marginally at 2% and currently stands at almost Rs. 1316 crores. Also, the numbers of loans disbursed have grown by 5% to reach 6.80 Lakh loans. There has been increase in branches by 10% and employees by 1%. Though average loan disbursed showed a negative growth of 3.2%.

Microfinance in the State			
Particulars	Q3, FY 2015-16	Q2, FY 2015-16	% Change
GLP (Rs. Crores)	3,285	2,767	18.7%
Clients (Lakhs)	25	22	13.6%
Branches	944	858	10.0%
Employees	6,710	6,646	0.9%
Loan Amount Disbursed (Rs. Crores, Quarterly)	1,316	1,295	1.6%
Loans Disbursed (Quarterly)	6,80,625	6,47,763	5.1%
Average Loan disbursed per account (Rs.)	19,351	19,993	-3.2%

Source: MFIN Micrometer, Dec issue

Bank Branch Expansion

Bank branch expansion seems to have saturated in the state after the period of steady increase. From March'15 till Sept'15, bank branches have almost remained unchanged for all categories of banks. As per SLBC's branch expansion plan for current financial year, 163 more branches needs to be opened till 31st March'16. Expansion of ATMs has shown an increase of about 126 ATMs in last 3 months. Out of this, maximum increase has been for commercial banks and some for private banks. The commercial bank had an increase of approximately 3.30 %.

Bank Branch and ATMs in the State				
	Total Branches till 30.09.15	Total Branches till 31.12.15	Total ATMs till 30.09.15	Total ATMs till 31.12.15
Commercial Banks	2,927	2,968	3,823	3,949
SBI Group	1,090	1,104	3,727	3,751
Private Banks	559	573	1,053	1,050
RRBs	1,249	1,263	2	0
Cooperatives	1,121	1,121	1	0
Total	6,946	7,029	8,606	8,750

Source: SLBC 158 and 159 agenda

Progress under Pradhan Mantri Mudra Yojana (PMMY)

Since the launch of PMMY, more than 2.2 million loans amounting to Rs. 7,583 crores have been sanctioned in the state, out of which Rs. 7,227 crores have been disbursed. For **Sishu loan**, Rs. 4,144 crores have been sanctioned for more than 20 lakh loans, showing average loan size of about Rs. 20,720. For **Kishore loan**, Rs. 1,817 crores have been sanctioned for more than 84 thousand loans, showing average loan size of about Rs. 2.15 Lakhs. Similarly for **Tarun loan**, Rs. 1,621 crores have been sanctioned for 20 thousand loans, showing average loan size of about Rs 7.89 Lakhs.

Progress under PMMY			
	No of Sanc-tions	Sanctioned Amount (In Rs. Crore)	Disbursed Amount (In Rs. Crore)
Sishu (Loans upto Rs, 50,000/-)	21,45,154	4,144.22	4,071.69
Kishore (Loans from Rs. 50,001 to Rs. 5.00 Lakh)	84,333	1,817.49	1,652.56
Tarun (Loans from Rs. 5.00 to Rs. 10.00 Lakh)	20,535	1,621.05	1,502.84
Total	22,50,022	7,582.76	7,227.09

Source: PMMY website (data as on 31.03.16)

RECENT DEVELOPMENTS IN FINANCIAL INCLUSION SPACE

Aadhaar Bill to improve financial inclusion:

The government moved one step closer to seed its myriad welfare schemes with the unique identity number “Aadhaar legislation” while furthering its financial inclusion agenda. The Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Bill, 2016, once passed by the Rajya Sabha and receives the President’s assent would make it essential for people to provide their unique identity number for availing government benefits. The Centre spends close to Rs 3 lakh crore on subsidies each year. Despite pledging to scrap the project while in the opposition, the government provided a massive support to Aadhaar, adopting it as a major governance tool. A case in point is the direct benefits transfer in cooking gas subsidy in which the government claims to have saved around Rs 15,000 crore in financial year 2014-15 through weeding out fakes and duplicate connections. After LPG and PDS, the government is now planning to expand DBT in kerosene and fertilizer. (Source - *Economic Times Mar’ 2016*)

PM Narendra Modi launches ‘Stand up India’ to promote financial inclusion

Giving a push to financial inclusion programme, Prime Minister Narendra Modi launched the ‘Stand-up India’ scheme under which 1.25 lakh bank branches will provide loans up to Rs 1 crore to SC/ST and women entrepreneurs. Explaining the contours of Stand-up India programme, it was said that this will help in creating 2.5 lakh entrepreneurs throughout the country as every bank branch will be required to provide two such loans ranging from Rs 10 lakh to Rs 1 crore without collateral for setting up a new enterprise. Stressing that it is not possible for the government to provide jobs to everyone, the Prime Minister said the scheme will convert “job-seekers into job-creators. Stand up India, aims to empower every Indian and enable them to stand on their own feet. (Source - *Economic Times Apr’ 2016*)

Govt tell banks to draw up board approved financial inclusion plans:

Government has asked public and private sector banks to prepare

board-approved financial inclusion plans and make them an integral part of their corporate strategies to widen the reach of banking services. “These plans broadly include self-set targets in respect of rural brick-and-mortar branches opened, business correspondents (BCs) employed, coverage of unbanked villages with population above 2,000 as also other unbanked villages with population below 2,000 through branches/ BCs / other modes,” Minister of State for Finance Jayant Sinha said. The plans in terms of incorporating services also include no-frills accounts opened including through BC-ICT, Kisan Credit Cards and general credit cards issued. (Source - *Business Standard Mar’ 2016*)

Duplication of Accounts under Jan Dhan Yojana on rise: Survey

Duplication of accounts under the Pradhan Mantri Jan Dhan Yojana (PMJDY) is on the rise while 28 per cent of accounts are lying dormant, says a survey by financial inclusion consulting firm MicroSave. According to the survey, conducted in 42 districts spread across 17 states and one union territory, the reasons for duplication of accounts include misconception that account is only for government benefits/subsidy. Around 33 per cent indicated that PMJDY was not their first account, in comparison to 14 per cent in wave II and I. PMJDY Wave-I was conducted in December-2014 followed by Wave-II conducted in July-2015. This report is the third edition of the survey commissioned to examine the progress of PMJDY. The report noted 31 per cent of multiple account holders (with a bank account in addition to PMJDY) are actively using alternate bank account. While, 28 per cent accounts are dormant - no transactions over the last three months. The survey noted, there has been improvement in Aadhaar linkage status as 62 per cent of the customers interviewed had linked their PMJDY accounts with Aadhaar card, up from 52 per cent in the second round of the survey. Around 1,627 Bank Mitras and 4,859 customers were covered in the survey. Meanwhile, deposits in accounts opened under the government’s flagship

financial inclusion programme have crossed the Rs. 30,000 crore mark. As many as 20.38 crore bank accounts were opened under PMJDY as on January 20. (Source- *NDTV India, Mar’ 2016*)

Deposits in Jan Dhan Accounts Cross Rs 30,000 Crore

Deposits in accounts opened under the government’s flagship financial inclusion programme - Pradhan Mantri Jan Dhan Yojana (PMJDY) - have crossed the Rs 30,000 crore mark. As many as 20.38 crore bank accounts were opened under the PMJDY, as per the latest data available. These bank accounts had deposits of Rs 30,638.29 crore (about \$4.5 billion). As per the trends available, the percentage of accounts with ‘Zero Balance’ have actually shown a significant decline. Accounts with no balance in them were as high as 76.81 per cent of the total opened under the scheme as on September 30, 2015. They have come down to just about 32 per cent at the end of December. The Finance Ministry data further showed that 8.74 crore of the accounts were seeded with Aadhaar and 17.14 crore account holders were issued RuPay cards. The data further revealed that as on January 15, banks had offered 53.54 lakh account holders over-draft facility of which the sanction was issued for 27.56 lakh cases and 12.32 lakh account holders availed it. The total amount availed was Rs 166.7 crore. (Source- *NDTV India, Mar’ 2016*)

SLBC convenor banks to identify villages with below 5,000 population for bank branch opening: RBI

Reserve Bank of India (RBI) has advised State Level Bankers’ Committee (SLBC) Convenor banks to identify villages with population above 5,000 without a bank branch of a scheduled commercial bank in their state. RBI said identified villages may be allotted among scheduled commercial banks for opening of branches, whose opening should be completed by March 31, 2017. It also highlighted that coverage of banking services in unbanked villages is skewed towards the BC model and the ratio of branches to BC is very low.

Improving financial literacy way forward towards financial inclusion: Jayant Sinha-led panel

Improving financial literacy was stressed upon as way forward towards financial inclusion. This is the one of the outcomes of discussions held by a panel led by Minister of State for Finance Jayant Sinha. The group identified people participation and use of technology as critical success factors for implementation of the Pradhan Mantri Jan Dhan Yojana (PMJDY), government's flagship financial inclusion scheme. Efforts done towards financial inclusion along with way forward were discussed during the panel discussion led by Sinha. "People participation, use of technology, role of bank mitras and convergence of schemes were identified as critical success factors for implementation of the

scheme. Improving financial literacy was stressed upon as way forward towards financial inclusion," a press release issued today by Personnel Ministry said. (Source- *Economic Times Apr' 2016*)

NPCI extends insurance benefit to all RuPay cardholders

National Payments Corporation of India (NPCI), the umbrella organisation for all retail payments system in the country has announced relaxation for claiming personal accident insurance for all RuPay cardholders in the country. Earlier in November, this benefit was extended to RuPay Classic cardholders to avail accidental insurance benefit if the cardholder has performed minimum one SBI has the most number of branches, it has already made significant contribution transaction in

90 days. All RuPay cardholders (physical or virtual) has to perform one successful financial or non-financial transaction at ATM, Micro ATM, e-commerce, Point of Sale terminal, Business Correspondent of the bank at locations by any payment instrument. Further, NPCI has now added the branch transactions performed by the customers as well. "The main purpose is that account holders should keep their account active by initiating transactions - at ATM, POS, Micro ATMs or at branch. Financial inclusion would be fruitful if the customer can stay engaged with the formal banking system," said A P Hota, MD & CEO of NPCI. New India Assurance has been chosen for this year's RuPay Insurance Programme. Currently, there are over 260 million RuPay Debit Cards in force.

INTERVIEW WITH THE LEAD DISTRICT MANAGER - B. L. RAI



Shri B. L. Rai
LDM, Damoh
Lead District Manager – on Financial Inclusion

Under the initiatives of financial inclusion, PMJDY is one of the component of the national mission, millions of accounts have been opened but transaction remains an issue. How is the bank catering to these issues?

The Jan-Dhan Yojana was not about opening the accounts only as it will have multiple products like pension, insurance and even loan products at a larger stage. These accounts will have balance, there will be transactions. As in phase one, we were looking only at opening accounts and creating the habit of savings in all citizens. In phase two, we are looking at bringing all these products to the customer so that not only the banking system develops on that, but the whole services like, DBT's, fuel subsidies

and other benefits of various kinds are rolled out.

The need for financial literacy and awareness about the banking services is crucial along with the Financial Inclusion. How does your bank fulfill these crucial need?

Financial Inclusion is very essential for the progress of the country. The agenda in this case is essentially economic. Access to financial services facilitates making and receiving financial payments and reduces transaction costs. Improved access to financial services contributes to productivity and social protection, as the financial sector – through savings, credit and insurance – serves as means of crisis mitigation. Once people in rural areas have access to banking



and other financial services, their economic situation will improve and they will be able to contribute to the nation's economy in a better way. Our bank has always been in the forefront in providing banking services to the

unbanked population in the country and believes that the poor are bankable. Since in extending banking services to the unbanked population through its Financial Inclusion Plan. State Bank of India's financial inclusion initiatives are aimed at financial empowerment and participation of rural masses in the growth process.

The government is making Aadhaar a flagship of its financial-inclusion strategy. In principle, providing people with an Aadhaar number will allow the direct transfer of cash benefits to their accounts. Do you think Aadhaar will be a successful and if not why?

Having Aadhaar is not compulsory, the usage and its effectiveness shall be governed with individual objective and effectiveness. If it's compulsory, as the government is trying to make it, it needs to be clear what kind of legal protection people have. There's also a wider technological problem. If the system is going to use biometric authentication in multiple fields and make it the norm in all kinds of different contexts, then you would require multiple technologies to work: biometrics, Internet, because it's all Internet-based, mobile phones and computers. In many part of rural India, this is a bigger challenge and would need lot of infrastructural changes and investments to make it effective.

As per aadhar seeding details, not everybody is enrolled. The enrollment has been outsourced to private agencies with quantitative targets. Once they have drained the more accessible points, the private agencies don't have much incentive to go and mop up the remainder. The proportion of those left out may or may not be high depending on the context, but it creates a problem because even if a small proportion is left behind, then it's unfair to impose Aadhaar as a compulsory requirement for things like social-security pensions.

Is financial inclusion a matter of compulsion for banks, or it has a business interest in it? Is there a viability in working with poor.

Public sector banks are working in

the national interest and we have fully engaged ourselves to take up the required challenges, given the prevalent bottlenecks. Our bank too feel that every family in the country should have an account and we did it with will and enthusiasm. It is correct that these accounts are not remunerative as yet or as the other financial products and questions the sustainability of the mission. But until and unless people have balance in their accounts, they will not be so. We have spent a lot of money in opening these accounts and we will spend a lot of money on the IT systems and other things for holding and maintaining these accounts. We hope that going forward these accounts will also become remunerative for the bank and the clients too. According to me, it

is an investment for the future, as people will require bank accounts which will have money in it. I do believe this has created a base for the PSBs to acquire good customers in the future. Though this future may occur three years later, or five years later, the poor shall uplift themselves and make the banks viable too in the years to come.

Any other issues, challenges or way forward which you may like to address in Financial Inclusion space.

Going forward, a lot of our focus will have to be in financial inclusion, as it will not only cater to only banking needs but will also have other ancillary services to cater to the needs of both urban and rural.



About us:

The Poorest States Inclusive Growth Programme (PSIG): The DFID supported Poorest States Inclusive Growth (PSIG) programme, implemented by SIDBI, aims to increase access of financial services to 12 million low income clients in the 4 State of UP, MP, Bihar and Odisha. This £30m, 7-year project has three distinct outputs – policy advocacy, capacity building and financial literacy & women empowerment. ACCESS-ASSIST is managing the policy component of the programme.



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