

**2<sup>nd</sup> State Financial Inclusion Forum (SFIF) Meeting, Madhya Pradesh**  
**Venue: Hotel Marriot, Bhopal**  
**23<sup>rd</sup> February 2015**

**Background-** Poorest State Inclusive Growth programme (PSIG) assisted by DFID 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 objective of this programme is to improve access to financial services (viz. saving, credit, insurance, remittance, pension, mobile banking, banking correspondent etc.) by the deprived people and to strengthen the institutional framework for channelizing financial services to them to improve their income and quality of life through its multifarious initiatives. PSIG envisages reaching 10 million beneficiaries directly and indirectly through Credit and 2 million beneficiaries through diverse non-credit financial services.

*ACCESS-ASSIST* has been assigned by PSIG to coordinate the identified initiatives on policy advocacy in the above four states as well as at the National level. Instituting multi-stakeholder State Financial Inclusion Forum (SFIF) in each PSIG focused 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 a Platform to strengthen effective coordination and synergy among stakeholders in creating an enabling environment and accelerating the process of financial inclusion in the state. The list of participants of the meeting is enclosed in Annexure 1.

## **Summary of Proceedings**

### **1. Recapitulation of first meeting**

The inception meeting of MP State Financial Inclusion Forum (SFIF) was held on 12<sup>th</sup> November, 2014 as part of which it was agreed that the forum may work on building convergence among various initiatives and approaches of financial inclusion in the state and facilitate identification of policy issues. The SFIF also will act as a body to provide guidance and contribute in various initiatives of PSIG in the state. Ms Radhika Agashe, Executive Director, Access-Assist recapitulated the discussion in 1<sup>st</sup> SFIF and briefed the forum about progress of PSIG programme. Key priorities identified in the first SFIF meeting were:

- a. Two themes were highlighted for open discussions, (i) Challenges & Opportunities: Business Correspondents (BC) model and (b) SHG Financing
- b. Advocacy for strengthening credit channels; BC model, SHG bank linkage and exploring capital requirement of producer companies.
- c. Emphasize on capacity building of BCs/ CSPs/ CRPs/ CBMFIs

As per the consensus, the second meeting was organized on the two key themes a) Challenges & Opportunities in Business Correspondents (BC) model and (b) SHG Financing in MP. Madhya Pradesh Inclusive Finance Bulletin was released in the meeting.

## **2. Introductory remarks by Mr. Prakash Kumar, General Manager, SIDBI**

- a. Emphasized on PSIG's objective to identify, discuss, and highlight issues through SFIF meetings at both policy and operational level.
- b. He also stated that the, the findings and suggestions of SFIF would be taken up to the appropriate authorities both at State and Central level for further discussion and finding solutions. He briefly highlighted the various initiatives taken up by PSIG in MP and other states in the areas of BC Model, SHG financing, microfinance, policy advocacy etc.
- c. Informed about the BC study being conducted in collaboration of Directorate of Institutional Finance, Government of MP, to understand the status of BCAs at ground and the challenges of the structure.
- d. He also informed about the Rapid Assessment Study of Self Help Promoting Institutions (SHPIs) in MP to understand their issues, challenges in SHG financing. Finscope survey by Finmark Trust to understand the client perception about the financial services,
- e. Informed about other components, on Institutional Building Support, wherein 28 institutions have been supported across 4 states. Also highlighted efforts of PSIG to address the issues of client capacity building, under the 3rd component.

## **3. Setting the context for discussion on key themes by Ms. Ragini Chaudhary, DFID**

Discussions were initiated about the scenario before and after the financial inclusion initiative of the Government of India, Pradhan Mantri Jan Dhan Yojana (PMJDY), citing examples of how 52% unbanked areas being transformed into 99.8% banked areas (till date) through the mission. It was emphasized on how BC model and SHG financing will be crucial to reach to the last mile for the financial inclusion initiative to be effective in the years to come. The various operational bottlenecks were also highlighted with regard to BC's or agents functioning in terms of capacity building, support system expected from different stakeholders, revenue structure etc. Henceforth, forum was requested to have an open discussion on issues and challenges and the possible areas of intervention PSIG can support through SFIF and to look at potential for convergence areas.

## **4. Key discussion points on BC model**

### *a) Experience sharing by Corporate BCs in the state*

**The discussion started with experience sharing by the corporate BCs MPCON and NICT.**

MPCON highlighted its outreach across MP operating in 50 districts with total no of 1500 BCAs having opened 8 lakh accounts. They have also showed concern over the status of the accounts, as only around 7% accounts are active as on date, which is a matter of concern for sustainability of the BCs in long run. Other issues highlighted were:

- i. Direct Benefit Transfer (DBT) through FI accounts is very limited. DBT is key for success of BCs in the field.

- ii. Allocation of space for BCAs in panchayat bhawans and Government buildings was initiated by Government of MP to build trust and to create confidence, is yet to be implemented.
- iii. Inter-bank operations through UIDAI (Aadhar) seeding for remittances and other financial operations are not yet linked.
- iv. Limited or no internet connectivity in rural areas is a major hindrance.
- v. Financial literacy of the end user needs to be addressed before focusing on third party products to improve the viability of the business.

In response to the point raised by MPCON regarding usage of government spaces, NICT informed the forum that majority of government buildings are located outside the village area and hence they preferred to locate BCs at commercial areas to increase their business activity. In addition to that, **NICT** emphasized about the importance of their training module and shared their practices with forum:

- i. The IIBF training module is considered for imparting the trainings. NICT emphasized on creating awareness among the BCs and end users about the commissions and interest benefits accrued respectively for their personal savings and mobilisations.
- ii. They are provided quarterly trainings through refreshers and FAQs. The trainings were also imparted to Block Coordinators.
- iii. Promoted RDs to create saving habits in the name of “Lakshya 500” plan.

***b) Experience sharing by Banks in the state***

**Narmada Jabhua Grameen Bank (NJGB)** highlighted their practices for capacity building for their staff and BCs:

- i. It was highlighted that capacity building of BCs is done at 3 levels i.e. Staff, BCs and Client
- ii. Bank conducts a mega workshop at regional level for one day involving MoU partner, Insurance partner, Motivator, Bank staff and Technology partner for supporting all the 3 levels.
- iii. NJGB re-emphasized the point raised by MPCON about the limited internet connectivity being one of the challenges for extending banking services to rural areas.

**Punjab National Bank (PNB)** shared with the forum the findings of their study in 70 villages (approximately) and following suggestions:-

- i. BC operations found to be nearest to the bank branches with urban locations preferred, resulting in less business viability.
- ii. Recommended to set target area for BC offices farthest from the bank for maximization in number of clients, ease of transactions in payments, remittances and deposit support, for the clients etc.
- iii. Supervision is not adequate due to manpower shortage in banks. Emphasized on involving intermediaries to resolve the issues.

iv. Aadhar linked villages are functioning smoothly as compared to other villages.

**Union Bank of India (UBI)** also shared their experience and highlighted following issues:

- i. Union Bank also shared similar issues and challenges being faced by other banks for financial inclusion initiatives.
- ii. Emphasized on imparting trainings to BCs on financial products and their usage to equip them to deliver right information to clients.

## **5. The following points were discussed by forum with regards to BC model**

- (a) **Training:** RSETIs/ FLCs are available for training but are not being effectively used. In response to SIDBI's query about any standardized training module available, following points were placed by **NABARD** –
  - i. IIBF training material is a fundamental training for a period of 5 days. These publications can be used for preparing standard modules as per required. Audio visual modules are also available for uneducated clients.
  - ii. NABARD stated that they also have a pool of trainers, and appealed the stakeholders to make use of such resources.
  - iii. NABARD stated that they provide support to Regional Rural Banks (RRBs) and Cooperative Banks for Financial Literacy of clients.
- (b) **Appointment of BCs** It was highlighted that the staffing structure followed such as timelines allocated for appointment of BCs is less, resulting in appointment of low quality BCs.
- (c) **Financial Literacy:** Financial literacy related to PMJDY scheme details need to be clarified to the end users in terms of insurance and access to credit through such accounts.
- (d) **Allocation of villages to banks:** Frequent changes in cluster or zones is another area of concern.
- (e) **Impact:** Sahayog emphasized on Social, Digital and Economic Inclusion for overall impact. Emphasis was also put on using viable channels rather than being dependent on individual channel of financing.
- (f) **Other operational issues:**
  - i. Urban locations are preferred over the rural for their operations
  - ii. Manpower shortage in banks is one of the reasons for not adequately supporting the BCs when required especially at field level
  - iii. Multiple databases prevalent such as Samagra Card, Aadhar Card, etc. for availing common services, but in practice there are lacunae.

## **6. Summary of the discussion**

Forum agreed that BC model is playing a pivotal role in extending financial services to rural masses but viability of the model is the concern. At policy level, limited connectivity in rural areas and the frequent changes in allocation of villages to banks are other areas of concern which needs to be looked upon. At operational level, training and orientation of bank staff and BCs is one of the issues which should be taken up. There was consensus among members that standardized training modules for BCs can be designed and used for better implementation of the model on the ground.

## **7. Presentation of study by PwC - “Compilation of drilled down studies on existing BC models in MP”**

PwC with support of PSIG is conducting a BC study in the state of MP to understand the status of BCAs, study existing BC models in state, highlight issues and challenges, documenting successful case studies and reasons for success, and focusing on PMJDY phase II implementation.

The PwC team presented the design and analytical framework of the Study to be undertaken on existing BC models in MP. Following suggestion were given by SFIF members on BC study

- i. Looking at Product development issues with respect to demand
- ii. Looking at Incentive structure for BCs prevalent and operational issues
- iii. Reasons for low volume of capital transactions.
- iv. Issues related to inadequate investment or delivery mechanisms.
- v. Financial literacy status within the BCs
- vi. Reasons for inadequate mobile services and other backup mobile services.

## **8. Suggestions for Way Forward:**

- (a) Women economic empowerment should be focused.
- (b) Remuneration model for BCs should be re considered – As CAPEX and other operational expenditure are to be borne by BCs presently.
- (c) Training modules should be standardized for imparting training to BCs.
- (d) Considerable time to be spent on orientation, training or exposure of Bank staff at branch level to improve the operational issues.
- (e) Detailed study should be undertaken on MPCON and PNB BC model to understand the differences prevalent and share the learning with the house.

## **9. Action Points:**

- Standardized training module for BCs. – A comparative study can be conducted with modules of PNB, NABARD and IIBF and prepare standardized product, based on findings.
- Sharing the initial findings of BC study being conducted by PwC.

## 10. Vote of Thanks:

Finally the Vote of Thanks was conveyed by Shri Prakash Kumar, SIDBI to all the members present. The meeting was concluded with the hope that the related practices will be continued in the SFIF meetings to come, which will serve as an effective platform for fostering convergence and innovations, working collectively towards creating and enabling apposite environment for financial inclusion in the state.



*Ms Radhika Agashe, ED, briefing the forum on themes*



*The SFIF members discussing on BC model*



*Mr. Prakash Kumar, GM, SIDBI encapsulating the major points*

**Annexure 1: List of Participants**

| <b>Sno.</b> | <b>Name</b>               | <b>Organization</b>                              | <b>Designation</b>                   |
|-------------|---------------------------|--|--------------------------------------|
| 1           | Shri Sudhir Kumar         | SIDBI  | State Director - PSIG                |
| 2           | Smt Nirmala Buch          | Mahila Chetna Manch                              | CEO                                  |
| 3           | Shri Ashutosh K Choudhury | MPCON  | Project Manager, Financial Inclusion |
| 4           | Shri M K Mishra           | MPCON Ltd  |                                      |
| 5           | Shri S Bhatnagar          | Narmada Jhabua Grameen Bank                      | Chief Manager, IT & FI               |
| 6           | Shri S K Zutshi           | Punjab National Bank                             | Circle Head                          |
| 7           | Shri Vikram Shrivastava   | ICICI Bank                                       | Regional Head – MP SHG Programme     |
| 8           | Shri S Roy                | MPCON  | Managing Director                    |
| 9           | Shri Pawan Katyal         | DSk Digital                                      | General Manager- Projects            |
| 10          | Shri Dhananjay Sharma     | MPSRLM, Bhopal                                   | SPM – FI                             |
| 11          | Smt Ragini B Chaudhary    | DFID   | Private Sector Dev. Advisor          |
| 12          | Shri Prakash Kumar        | SIDBI  | GM                                   |
| 13          | Shri P G Joshi            | NABARD   | DGM                                  |
| 14          | Shri Joydeep Sen          | PWC  |                                      |
| 15          | Shri Aditya Prakash       | PWC  |                                      |
| 16          | Smt Arti Kushwah          | Priyasakhi Mahila Sangh                          | Secretary & CEO                      |
| 17          | Smt Bharti Kushwah        | Pratigya Samanvit Vikas Sakh Sahakarita Maryadit | Secretary                            |
| 18          | Shri Amul Urdhwareshe     | Sahayog Microfinance Ltd                         | Executive Vice Chairman              |
| 19          | Shri Mohan Bansal         | Union Bank of India                              | Change Leader- Project Nav Nirman    |

|    |                     |                             |                          |
|----|---------------------|-----------------------------|--------------------------|
| 20 | Shri Lalit M Negi   | NABARD                      | AGM                      |
| 21 | Shri Mahendra Gupta | NICT                        | Chief Technology Officer |
| 22 | Shri Sanjay Sharma  | DFID                        | State Representative     |
| 23 | Shri Kapil Pagnis   | Access Development Services | Associate Vice President |
| 24 | Smt Radhika Agashe  | ACCESS-ASSIST               | Executive Director       |
| 25 | Shri Dhruv Mittal   | ACCESS-ASSIST               | Manager                  |
| 26 | Shri Mohammad Azhar | ACCESS-ASSIST               | Sr Project Coordinator   |
| 27 | Shri Amit Das       | ACCESS-ASSIST               | Sr Project Coordinator   |