

# Odisha Inclusive Finance Bulletin

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## PSIG PROGRAMME UPDATES

### Sixth Meeting of the State Financial Inclusion Forum



The 6th meeting of the State Financial Inclusion Forum in Odisha was organised at Hotel New Marrison in Bhubaneswar on 20th April 2015. The key theme for the meeting was “PMJDY: Beyond Opening of Accounts”, and was attended by most of the SFIF members and special invitees from RBI, Banks and leading BCs.

The bankers attending the event expressed their experience of delivering the services while opening thousands of PMJDY accounts in the state. Bereft the target and timeline they were able to open around 5 million accounts till date.

There were many challenges while dealing with such huge task to cover the targeted

households. The challenges of reaching the remote areas, the challenges of dealing with Business Correspondents (BCs) with minimum understanding about the scheme, issues of staff shortage at the branch level etc. The BCs played a massive role in supporting the banks to achieve the huge target. Post PMJDY account opening also witnessed some issues in RuPay card delivery, majority of accounts remaining zero balance, people not aware about the activation of account and various clauses of the scheme are yet to be clearly understood both by the bankers and the clients. The members and participants at the meeting stressed the need to create a well informed atmosphere about all the guidelines under PMJDY so that queries from a common man are well addressed. The banks and members were all vocal about the productive use of these accounts. It was also discussed during the meeting that various other services like benefit transfer, remittance, insurance payments etc can be done through the PMJDY accounts which needs to be clearly explained to the people in a very systematic way. So the importance of financial literacy looms large here. At the

### Workshop on Credit Bureau Systems for SHG Data Reporting

In developed countries there is an established trend to capture the credit history of an approaching client for any credit products. That helps in many ways while curbing and managing unforeseen defaults in the future. The same trend is yet to take a leap in the emerging economies like India. We have seen constant rise in the NPA specifically in the portfolio of SHGs, studies says multiple financing is one among the major reasons of the high default rates in the SHGs. The issue has been given special focus under the Poorest States Inclusive Growth (PSIG) program, being implemented by SIDBI and supported by DFID in the states of Odisha, Bihar, Uttar Pradesh and Madhya Pradesh.

For comprehensive discussion on the issue and identify possible suggestive measures, PSIG decided to organize a workshop on “Credit Bureau Systems for SHG Data Reporting”.



The Workshop was organized on the 20th April 2015 here in Bhubaneswar. Senior officials from Banks, SHPIs, MFIs and Credit Bureaus participated in the half-day event. High Mark, one of the leading credit



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end of the 6th SFIF meeting, the following are the areas identified as critical for more effective implementation of PMJDY scheme in the State:

- Facilitate in developing a ready reckoner kit covering all the aspects/guidelines of PMJDY.
- Facilitate in finding out issues/challenges faced by Banks and BCs in the implementation of PMJDY.
- Explore further advocacy with other involved stakeholders to find out the gap in relation to the capacity building of BCs, CSP, FLCs etc and create awareness among stakeholders by listing out and disseminating the identified gaps.

bureau in the country, presented their data capturing matrix and explained how they are continuously innovating on the KYC documentation part so as to make the database fully reliant.

The participants sensed the need to set starting timeline to start this kind of huge tasks of data entry which at a certain point of time would ask for the existing/past data to authenticate the client level information. Bankers present at the meeting expressed their concern about the staff shortage to pilot any such new things, there may be cases of exclusion of SHGs (having earlier outstanding with unknown/unclear reasons) and issues in dealing with multiple KYC of individual clients.

## Interactive Meet with CMD, SIDBI



Dr. Kshatrapati Shivaji, IAS, Chairman & Managing Director of SIDBI, chaired an interactive session on the developments of MUDRA Bank here in Bhubaneswar. The interactive meet was organized during the CMD's Odisha visit at the Hotel Mayfare on 9th June 2015. The session was also attended by Mr. Panchanan Dash, Secretary, MSME Department, Govt. of Odisha. Besides other

dignitaries like NABARD CGM, SBI-CGM, Convenor-SLBC, Local Heads of Scheduled Commercial Banks, other Senior Bankers and representatives from MFIs well participated in the event.

From the interaction, it was realized that, MUDRA Bank has enrolled 27 Public Sector Banks, 17 Private Sector Banks, 27 Regional Rural Banks (RRBs), 25 MFIs and 22 NBFCs as partner institutions, meeting the eligibility norms. MUDRA Limited has also known to finalized the schemes for refinance/financial assistance which includes a specialized scheme for women entrepreneurs. Furthermore, to provide innovative credit products, MUDRA Card is being designed for the purpose of providing

flexible and easily accessible credit. The card is supposed to be issued by an issuer bank either itself or in association with an MFI, which extends the term loan. The card will be hosted on RuPay platform and can be used to make purchases using POS or withdraw cash from ATMs. Some of the partnered banks have already come forward to implement/issue the MUDRA Card to the clients.

The interactive meet saw active interest from the participants showing their content on the developments and shared their invaluable suggestions during the interaction. The CMD, Dr. Shivaji assured that MUDRA will endeavour to bridge the existing gaps in funding the vast sections of unreached populace, by partnering with with the well established institutions.

## Consultative Meet of MFIs on MUDRA Bank

To help the micro business units, small entrepreneurs and Women SHGs, the Govt. of India announced the setting-up of a Micro Units Development and Refinance Agency (MUDRA) Bank recently. The entity will operate from SIDBI Mumbai Headquarters and have nodal officers at various SIDBI regional offices. One of the major objective of the Bank is to tap the Microfinance Institutions (MFIs) already working with the budding small entrepreneurs, regulate the MFIs, refinancing

through the initial corpus, among other things.



SIDBI, DFID, Sa-Dhan and MFIs participating in the half-day meet expressed the need for a separate and dedicated entity like MUDRA Bank to manage/control the microfinance sector. They also justified the need by pointing that Reserve Bank of India which looks after the macro-economic aspect of the entire country, there will be time constraint to control/monitor the diversified sector like that of microfinance.



## PSIG UPDATES FROM OTHER STATES

### Bihar-

- 3rd meeting of Pension Aggregators' Forum was organized on 24th April 2015, which was conducted on the recent announcement of the Atal Pension Yojana (APY).
- PSIG Support sanctioned to Madhya Bihar Gramin Bank (MBGB) for improving access to affordable pension for economically disadvantaged clients, which include women and unorganized workers in 11 districts Bihar.
- PSIG sanctioned a grant assistance to six partner MFIs from the four states including Bihar to pilot Financial Literacy and Gender Empowerment programs.
- MoU with Uttar Bihar Gramin Bank (UBGB) for improving access to credit for micro entrepreneurs through Business Correspondent (BC) channel in 18 districts of Bihar by way of capacity building of field functionaries i.e. BCAs and Bank Managers to undertake promotional activities for popularization of MUDRA credit product

### Uttar Pradesh-

- 3rd Meeting of UP SFIF was organized on 11th March 2015. The theme of meeting was "Micro-pension: APY". The 4th UP SFIF meeting was organized on 14th July 2015 about the Business Correspondents (BCs) in the state.
- In order to understand the cost-effective BC model of Cashpor Micro Credit, a two days exposure visit of Regional Rural Bank (RRB) officials was conducted at their Varanasi office between 26th – 27th May 2015.

### Madhya Pradesh-

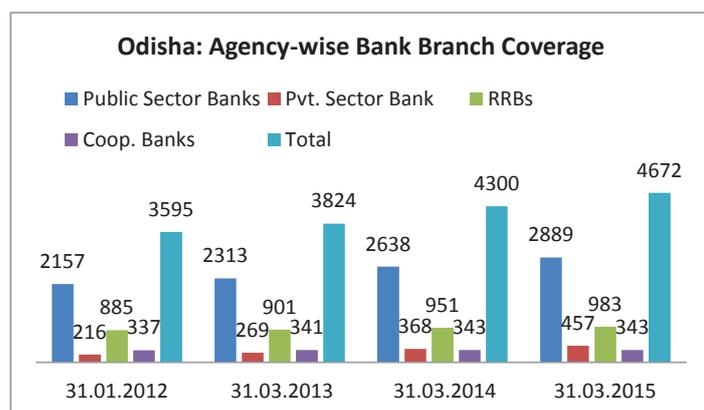
- Under the aegis of the 'Poorest States Inclusive Growth PSIG' Programme, ACCESS ASSIST organized a 1st State level Inclusive Finance conference in Bhopal, Madhya Pradesh on June, 1-2, 2015. The conference was formally inaugurated by Dr. Aruna Sharma, Addl

Chief Secretary, Panchayat & Rural Development, Government of Madhya Pradesh and witnessed the presence of distinguished representatives from NABARD, RBI, SRLM, Institutional Finance, Banks and other stakeholders.

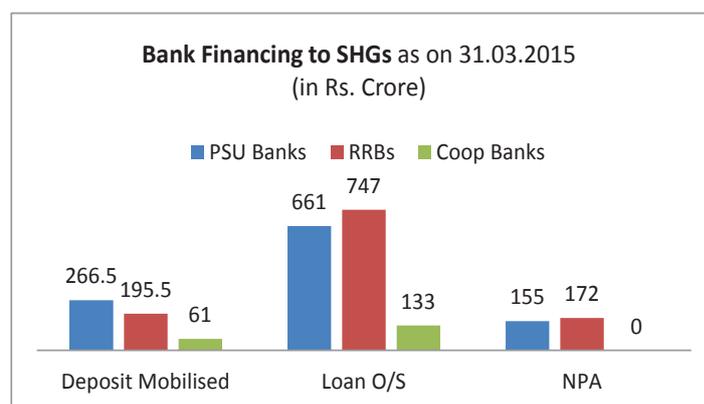
- **Rapid assessment study on SHG/SHPI bank linkages** has been undertaken by Chaitanya in MP. The objectives were - a) to understand the challenges that constrain and opportunities which would enable increased access of credit for SHG members b) to identify and assess institutional capacities of SHPIs engaged in SHG Bank linkage, major constraints and challenges in SHG financing and possible alternate approaches.
- **Business Correspondent (BC) model Study** by Pricewaterhouse Coopers (PwC) is carried on existing BC models in Madhya Pradesh (MP) supported by PSIG in collaboration with Directorate of Institutional Finance (DIF), GoMP. The core objective is to conduct an in-depth study of the overall BC model in the state of MP and to reach an understanding of the critical success factors, policy & operational challenges for various institutions and way forward.
- Grameen Foundation is conducting a **Poverty Outreach Report (POR) Survey with MFIs** operating in MP and had organized its initial dissemination workshop on findings of the survey in Bhopal on 27th April, 2015. Survey mainly focuses on Poverty outreach of MFIs, comparison among different regions in the state on the above parameters and outreach benchmarks in relation with other states like Karnataka and UP.
- **FLDG supports for the PSIG partner MFIs** have been undertaken. This very initiative has helped the partners in raising or increasing the credit limit under the BC operations from respective partner banks in Odisha.

## FINANCIAL INCLUSION IN ODISHA - UPDATE

As on 9th May 2015, the banks were able to achieve 100% saturation (each household having minimum one savings bank deposit account) under the PMJDY scheme. 47,765 no. of villages are covered and a total of 5360784 no. of accounts (rural- 3823399 & urban- 1537385) under this historic account opening drive in the state. About 60% of the accounts are opened with zero balance and a total of Rs. 411 crore is the total deposit balance under these accounts. As many as 79% (3325444) of the issued 4228793 RuPay cards have been activated, and 31% (1651092) of the accounts have Aadhaar seeded. The role of 4481 BCs (Bank Mitras) has been instrumental in achieving the overwhelming figures at the state level. After successful implementation of the PMJDY, the Government has now unveiled a new bank aimed at providing loans to individuals and small enterprises with little access to credit. The new bank, MUDRA (Micro Units Development and Refinance Agency) has also target to capture the microfinance which has been fairly successful in reaching the poor at their doorstep. MUDRA as has been said will refinance the Microfinance Institutions (MFIs) across the country.



During 1st April 2014-31st March 2015, all the banks together opened 372 new branches in the state. Out of that, 251 branches opened by Public Sector Banks (67%), 89 branches opened by Private banks (24%) and 32 (9%) branches opened by the two RRBs.



The trend is very similar to the year ending 2014. The RRBs have extended the credit support by 140 crores in comparison to the last quarter, there is minimal increase in the portfolio of other banks. The NPAs of RRBs continue to worry the rural banks. PSIG recently organized one workshop on this particular issue and how banks esp. RRBs can share data of SHGs with Credit Bureau.

### MFI Coverage in Odisha

MFIs	As on 31st March 2014		As on 31st March 2015				
	No. of Borrowers	Amount of Loan O/S (Rs Crore)	No. of Borrowers	Amount of Loan O/S (Rs Crore)	No. of Districts Covered	No. of micro insurance clients	No. of micro pension enrolled
AMPL	158732	170.5	245838	278	24	245838	-
Mahashakti	11057	11	23688	28	7	47376	500
SMSL	16319	16.8	18217	22	3	38105	223
Sambandh	20583	19.7	35058	37	5	35626	529
SMCS	30562	33	26605	27	16	26605	5298
*GU	61862	54.9	44656	43	11	89312	-
Adhikar	45927	40	37140	51	17	37140	16425
KGFS	19943	40.6	41421	84	1	53733	18108
Ujjivan	34822	37	57495	81	7	57495	-
Suryadoya	19329	23.6	48000	55	12	-	-
L&T MF	120000	94	198000	215	19	-	-
Spandana	180452	132	194794	209	25	194794	-
SKS	605924	411	530000	690	27	530000	-
BSFL	16972	36	20150	32	15	54400	-

\*The managed portfolio of GU under BC transferred to their NBFC arm-GUFSP

The above table shows the comparative figures in the change in portfolios of the prominent MFIs working in Odisha. As a whole the sector understood to be encouragingly growing in the state, hopefully the outreach/portfolio of the smaller ones will grow in tandem with their peers with the advent of the MUDRA Bank. It was encouraging to see, lending from public sector banks to MFIs increased considerably in the last quarter. With MFIs continue to upgrade their portfolio quality and optimum control over NPA, the bank interest towards the microfinance sector in the state will be multiplied in the coming quarters.

\*Sources of Information: SLBC Agenda, Economic Times, Times of India, The Mint, VC Circle

## INTERVIEW WITH THE SECTOR EXPERT

### Financial Inclusion & Responsible Banking: Corporation Bank



We at Corporation Bank leaving no stones unturned when there is need for serving the very objective of inclusive banking. Our bank has continuously been trying to innovate in this very field so as to reach the maximum number of people. We very well understand that we have to work in compromising conditions like that of connectivity, power etc required to establish a

branch at remote location; however with a committed workforce we are marching ahead and contributing to national financial inclusion agenda as and when required. Working in tandem with the Hon'ble PM's grand Jan Dhan Yojana, Corporation Bank was able to open 57418 PMJDY accounts as on June 2015, given the fact that we are pretty new to the state. Besides we have also contributed to two other flagship social security programs i.e. PMJJBY (PM's Jiban Jyoti Bima Yojana) and PMSBY (PM's Suraksha Bima Yojana) in the state. Under PMJJBY, we have brought in 6815 PMJDY account holders into the security scheme, whereas 19426 no. of PMJDY account holders have been enrolled under PMSBY in Odisha. We were able to reach the backward districts of Keonjhar, Jharsuguda, Kalahandi and Koraput while enrolling 739, 632, 1148 and 431 no. of PMJDY account holders in the two social security schemes respectively. To aware the remotest or illiterate people, our bank have organized multiple

awareness camps in slums as well as rural parts of Odisha. At the awareness camp we are educating people on the benefits of enrolling under the two social security schemes as well as how saving can help them in emergency. Under our CSR activities, "CorpKiran" which is an association of Wives of Senior Executives of Corporation Bank, we have been helping destitute and orphans through partner NGOs. Furthermore our bank is going to distribute 10000 water bottles to the devotees of Lord Jagannath during the upcoming world famous chariot festival (Rath Yatra). We strongly believe that with our efficient workforce we'll continue to contribute not only expanding financial inclusion in the state but also supporting poor through our various initiatives.

#### Mr. Venkatramaiah Surapaneni

Zonal Head, Corporation Bank, Bhubaneswar, Odisha

## RECENT DEVELOPMENTS IN FINANCIAL INCLUSION SPACE

**Annapurna Microfinance Pvt. Ltd.**, a leading NBFC-MFI from Odisha has raised Rs 25 crore (\$4.2 million) in a Series C round of funding from Samridhi Fund which is managed by SIDBI Venture Capital Ltd, a wholly-owned subsidiary of SIDBI and an existing investor in the firm.

**Kolkata based MFI Arohan Financial Services** has raised Rs 60 crore (\$ 9.6 mn) in fresh funding from private equity firm Tano Capital.

Recently, **SKS Microfinance** has announced to reduce its interest rate by 1.55%, from

23.55% to 22%. This new change in the rate will come into effect on July 2015.

**Mutual funds** have started investing in debt issuances of microfinance companies after a 5 years hiatus because of the AP crisis in 2010. Investments worth over Rs. 1000 crore have already flown into microfinance papers. Big names like HDFC MF, SBI MF, Reliance Mutual, Kotak MF, ICICI Pru MF among others have invested in papers issued by SKS Microfinance, Janalakshmi Financial Services, Ujjivan Financial Services and Equitas Microfinance.

**Bandhan Financial Services** is set to start

its banking operation with about 500-600 branches (250 in urban/semi-urban areas, rest in rural pockets) and 250 ATMs from 23rd August 2015.

**Odisha State Govt. is going to launch the "Bank on Wheels"** initiative to help farmers get loans at their doorstep. 20 vans with ATM facility will move around in as many remote and tribal pockets of Keonjhar, Koraput, Sundergarh and Sambalpur districts for this purpose. A CCB (Central Coperative Bank) branch manager, a cashier and an armed agent will be there in the van to kick-start this very initiative starting this August 2015.

### 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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