

Odisha Inclusive Finance Bulletin

Published by ACCESS-ASSIST under the Poorest States Inclusive Growth (PSIG) Programme Volume 3 | Issue 3 | December, 2015

PSIG PROGRAMME UPDATES

Odisha Financial Inclusion Conclave



Under the aegis of Poorest States Inclusive Growth Programme (PSIG), funded by DFID and implemented by SIDBI, Access-Assist organised a day long State Financial Inclusion Conclave Hotel Mayfair, Bhubaneswar on 4th November 2015. The objective of the Conclave was to deliberate on various issues and challenges that affect and advance

financial inclusion discourse in the state. The event was a resounding success with participation from variety of stakeholders. The Conclave was inaugurated by the Chief Guest Mr. U N Behera, IAS, Development Commissioner - cum - ACS, accompanied by Mr. S K Kale, CGM-NABARD, Mr. S. Ramakrishnan, CGM-SIDBI and Mr. B P Samantaray,

Regional Lenders' Meet Organised at Bhubaneswar

A Regional Lenders' Forum Meeting was organised on the 5th Nov 2015 at SIDBI International Training Institute, Bhubaneswar. The event saw participation from leading banks, lenders, rating agency, credit bureau and industry body. The very objective of the meeting was to create an ecosystem of potential lenders at the state level so that the lending to local MFIs gets momentum to serve the poor clients in a comprehensive manner. The important areas like sensitization of bankers on MFI appraisal, Data availability/sharing, Rating of MFIS, Bank loan management to point out a few were given critical views for creating a conducive environment for bank lending to the MFIs in the state.



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GM & SLBC Convenor-UCO Bank. The entire day was full of high octane discussions on various aspects of Financial Inclusion, Financial Literacy, SHG Banking and Microfinance. The conclave witnessed the presence of about 100 distinguished representatives from various sectors.

PSIG-SIDBI Event Updates

1. A training program on MIX Gold Reporting process was organized for PSIG & SFMC, SIDBI Staffs in Delhi on 7th December 2015.
2. A Roundtable Discussion on MIX Gold Reporting was organized involving MFIs, Lenders and Practitioners in Delhi on 9th December 2015.
3. Training on smooth operation of newly launched PSIG MIS was conducted in Delhi for all the PSIG-SIDBI staffs between 10-11 December 2015.
4. Another training program on gender orientation for PSIG staffs was organized in Delhi on 12th December 2015.
5. PSIG Financial Literacy and Women Empowerment Programme (FL&WE) – A Meeting with partner MFIs to operationalise the Financial Literacy Training in Odisha was roll out in Bhubaneswar.

Workshop: Business Correspondent Model



With a view to have an intensive discussion mainly on the issues and challenges faced by various BCs operating in the state and share that with larger audience, Access-Assist along with SIDBI organised a thematic workshop captioned as “Business Correspondent (Banking): Challenges & Prosperity/Security” under PSIG

initiatives in Odisha at SIDBI International Training Institute (SITI), Bhubaneswar on 16th October 2015. The important discourse was organized out of a suggestion from the SFIF meeting to clearly understand the level of challenges faced by the BCs in the state. Most of the leading BCs operating in the state including AISECT, SAHAJ e-village, Zero Mass Foundation, CSC e-Gov, SMCS, SRUSTI, DATUM, SWADESI, ODISA, AMPL, Adhikar, Mahashakti Foundation among others participated

at the deliberation. It was understood from the meeting that, the model almost after a decade of initiation, the question of its viability still exists. With after their exceptional contribution to the huge success of PMJDY, it's high time that the remuneration to these important entities sorted out. Some of the important issues/expectations that came out of the workshop are as follows:

- Providing adequate training and building the capacity of BCs.
- Credibility & Recognition of BCs seems to be one of the prominent challenges to work in the ground level.
- Incentive structure is a long standing issue or we can say from the inception of the model in the country.



PSIG UPDATES FROM OTHER STATES

Madhya Pradesh -

- **3rd SFIF Meeting:** The 3rd SFIF meeting was held on 3rd September 2015 on the theme “**Strengthening Financial Literacy Centers (FLCs): Current status, Constraints and Way forward**” and quarterly bulletin was released.
- **State level APY Workshop:** MP conducted its 1st State Level APY workshop on 2nd Nov’ 2015 in association with PFRDA in Bhopal. The workshop had a participation of 37 mid to senior level officials from Apex institutions.
- **District Level APY Orientation programme:** MP also conducted a District level APY orientation programme at Damoh district on 3rd Nov’ 2015. District level Workshop received a great response from various stakeholders and had participation of total 75 officials from GO-NGO-Banks among others.

Uttar Pradesh -

- **5th SFIF Meeting-** Fifth meeting of SFIF, Uttar Pradesh was organized on 14th October. Key theme of the meeting was Strengthening of FLCs: Issues, Constraints & Way Forward. Apart from SFIF members, representative from different FLC & LDM’s were also present. SEBI also shared their initiatives on Financial Literacy.
- **Quarterly Inclusive Finance Bulletin –** 2nd issue of the Quarterly Inclusive Finance bulletin of this financial year has been released in September, 2015 with updates from the sector.

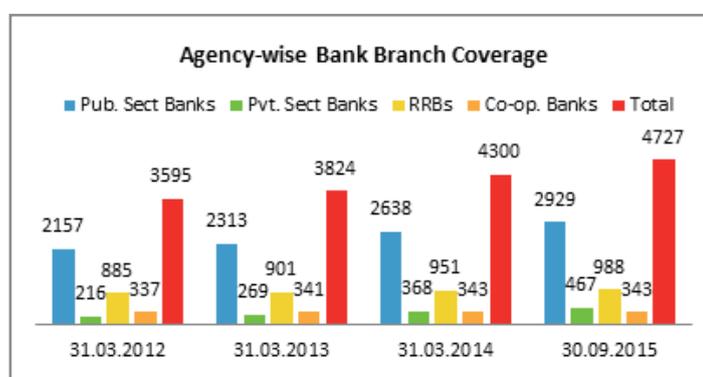
Bihar -

- **Bankers Exposure Visit to MFI –** 2nd bankers Exposure visit has been organized on 4th September 2015. Representatives from 8 banks attended the exposure visit to Arohan. They visited branch and groups of Arohan and had firsthand experience on MFI’s activities.
- **APY Orientation Programme -** An orientation programme on Atal Pension Yojana has been organized on 5th October in association with PFRDA and Centum Learning. Bankers, MFIs, KVIB, Government Departments were major participants of this programme.
- **SFIF meeting-** Eighth meeting of SFIF, Bihar was organized on 13th October. Key theme of the meeting was PMJDY – Implementation and challenges ahead. Apart from SFIF members, representative from different banks were also participated.
- **Quarterly Inclusive Finance Bulletin-** 2nd finance bulletin of this financial year has been released in September, 2015.

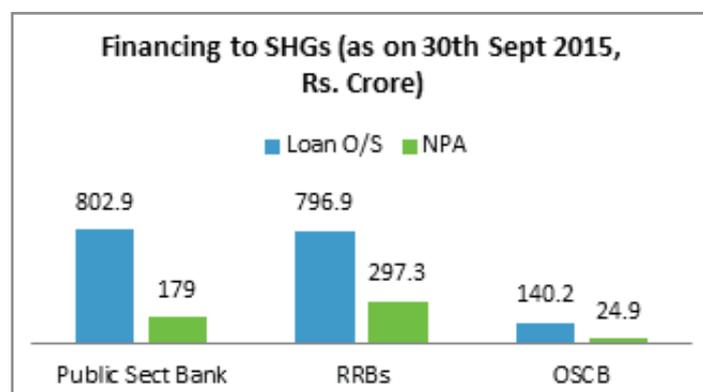
AN UPDATE ON STATE FINANCIAL INCLUSION INDICATORS

State Initiatives in Financial Inclusion

- Project LIFE (Livelihoods in Full Employment) which has an objective of providing MGNREGA workers 365 days of employment instead of existing 100 days of work, took its momentum in the state. After a survey about 5898 workers have shown interest for a full fledged skill based employment training.
- Start-up Indian: Under this initiative each bank branch has been directed to support one dalit/tribal for starting entrepreneurial activities.
- For the SHG-BLP which is now being monitored by NRLM/OLM, all the banks are now advised to share the progress/update data on a monthly basis which can be accessed from the NRLM Bank Linkage web portal.
- The State Govt. has directed all the District Collectors to conduct financial awareness campaigns in their respective districts. And the content of the campaign has categorically been decided to be on safe banking habits, financial literacy, Avoiding the common man from financial frauds and sensitizing them on not to deposit in unauthorized deposit taking companies. All the LDMs have also been requested to provide their support to their respective district collectors in this regard.



Banks have to look into various factors before opening bank branches in designated locations. And to the fact its not about just numbers, sometimes the reach/effect/coverage by the branches are important while judging the banks on any performance parameters of Financial Inclusion. To brief about the progress, against a target of 1926 branches, the Banks have opened 17 branches in unbanked GPs for the year 2015-16. The Govt. of Odisha has identified 367 GPs (as feasible) having required infrastructure) for opening of B&M branches.



The State Govt & OLM are taking various steps to curb the NPA of SHGs. About 500 Bank Mitras will be trained and placed in the banks to help the SHGs in all the banking transactions during 2015-16. 602 Samanwaya Mela (for recovery) have been organized as on 30th September 2015 in various parts of the state. All the district collectors have been advised to take care of the SHG-NPA Management. 275 Bank Linkage and Recovery Committee (BLRC) have been formed in all intensive blocks as on 30th September 2015 to curb the NPA.

Enrollment Status of Social Security Schemes (As on 02.11.2015)		Insurance Claim Settlement (As on 30.09.2015)	
		Claimed	Settled
PMSBY	3143922	42	18
PMJJBY	836466	13	04
APY	48150		

Performance under MUDRA - Amt in Rs. Crore (As on 02.11.2015)							
Sishu		Kishore		Tarun		Total	
A/C	Amt	A/C	Amt	A/C	Amt	A/C	Amt
1190835	1977	35979	630	7444	549	1234258	3054

The two tables give the progress update of PMJDY along with MUDRA in the state. Although the pace of enrolment under APY is not fast enough, all the stakeholders which include the Govt, PFRDA, Banks among others are making multiple efforts to boost the momentum. It is encouraging to see the Banks have started giving emphasis on micro-lending and the credit support under the three categories speaks about the positive interest of all the banks towards the promising scheme.

Microfinance Coverage in Odisha: The Status Update (As on 30th September 2015)

Progress as on June 2015				Progress as on September 2015			
MFIs	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	271068	313.8	310743	371.8	25	310743	-
Mahashakti	25260	30.5	28350	33.8	6	56700	-
SMSL	18007	21.9	18418	23.5	3	-	-
Sambandh	46393	52	52224	61.4	10	40747	529
SMCS	26852	33	26947	33	13	26947	3326
GUF SPL	33590	49	32777	39.9	7	32777	-
Adhikar	42490	51.6	50810	54	15	69470	12130
KGFS	43702	85	NA	NA	NA	NA	NA
Ujjivan	64029	89.5	NA	NA	NA	NA	-
Suryadoya	56660	67.5	70000	83	22	-	-
L&T MF	240000	300	260000	320	23	NA	NA
Spandana	184514	216	204515	224	25	204515	-
SKS	620000	760	NA	NA	NA	NA	-
BSFL	15125	27	NA	NA	NA	NA	NA

The above table shows the comparative progress (June-Sept 2015) of some of the prominent MFIs/NBFCs in the state. There is increased sharing of data with Credit Bureaus and responsible finance practices also found to be significantly adopted by the MFIs. The sector as a whole will look forward to more and more bank lending in the coming quarters and thereby more clients get the benefits of microfinance.

RECENT DEVELOPMENTS IN FINANCIAL INCLUSION SPACE

Reserve Bank of India just released the “Report of the Committee on Medium-term Path on Financial Inclusion.” In view of the low penetration of ATMs in rural and semi-urban areas, the Committee has recommended that the Rs. 2000 crore Financial Inclusion Fund should be utilized to encourage installation of ATMs in these areas. Besides, it also recommended using the services of MFIs who have already established and won the trust of remote clients for expansion of financial services in these areas. It has many more interesting findings and can be accessed at the RBI website.

The RBI in November doubled the limit for short-term loans extended by MFIs to Rs. 30000, with tenure of less than 24 months.

The Govt Odisha has selected a panel of 14 banks (2 RRBs, 8 PSBs, 3 Pvt. Banks & OSCB) for handling of the business and deposits of State Public Sector Undertakings (SPSUs) and State Level Autonomous Societies (SLAS). The Finance Department selected

these banks on 14 key performance parameters of financial inclusion, especially in opening of new branches in unbanked areas and extending credit to agriculture, MSME and SHGs/JLGs. Utkal Grameen Bank (UGB) came out top in the scoring parameters among the selected banks.

MFIN the SRO (Self-Regulatory Organisation) of RBI regulated NBFC-MFIs has launched the revised Code of Conduct for MFIs at the recently organized Inclusive Finance India Summit in early December 2015. Looking at the fast changing micro-lending scenario, the SRO thought of revising the existing CoC, this was coordinated by a multi-stakeholder Working Group consisting of SIDBI, IFC, M-CRIL, Sa-Dhan and MFIN to bring out the 2nd edition of Industry Code of Conduct.

Odisha State Cooperative Bank (OSCB) launched “Bank on Wheels”-equipped with full-fledged bank branches, ATMs and information kiosks in 20 backward blocks of Keonjhar, Malkangiri, Nabarangpur,

Rayagada, Sundergarh, Gajapati, Kalahandi, Mayurbhanj, Sambalpur, Anugul, Dhenkanal, Boudh, Kandhamal and Nayagarh districts. Besides, 2 mobile vans of UCO Bank in Nimapara block of Puri and Anugul districts are running in the similar lines. ICICI bank also provided 2 mobile vans in Hinjilicut block of Ganjam district and in the Sundargarh sadar block of the same district.

Housing microfinance institution Swarna Pragati Housing Microfinance Pvt Ltd has raised an undisclosed amount in a Series B round of funding from Bangalore-based private equity firm Zephyr Peacock and eBay Founder Pierre Omidyar’s Omidyar Network.

Muthoot Microfin is in talks with private equity players to raise Rs 100 crore to shore up its core capital. As part of the deal, the Muthoot Pappachan Group will dilute 10% equity in the firm to the investing PE for Rs. 100 crore, and will also infuse Rs. 100 of fresh capital in to the company.

Bengaluru-based Ujjivan Financial Services, a leading microfinance firm

in the country, has filed its draft red herring prospectus with the capital markets regulator SEBI, for its Initial Public Offering (IPO). Also, Equitas' prospectus has been approved and the micro-lender will be coming out with IPO soon. **In January 2016, another Bengaluru-based NBFC Janalakshmi Financial Services Pvt Ltd** has raised Rs. 330 Crore from UK's development financial institution CDC group to boost their tier II capital base.

IDFC Bank, the new private sector bank has recently bought a 9.99% stake in ASA International India Microfinance for about Rs. 8.5 Crore, the first investment by a lender in an MFI.

Only 15% of the Working Capital needs of the Indian micro enterprises were being met through institutional finance – reveals a study conducted by CRISIL and ASSOCHAM. These enterprises heavily rely on the promoters' contribution (59%) and supplier credit (26%).

A group of SHG women in the Theni district of Tamil Nadu have floated Theni District Goat Farmers Producer Company Ltd. (TniGPCL). These women have been rearing goats and running four meat-cum-provision shops in their nearby villages.

A recent report by the rating agency, ICRA says that during the first half

of 2015-16, the microfinance sector registered an expansion of 28% compared to a growth of 31% in the same period previous fiscal. And the volume of external capital required to support MFIs for a CAGR of 30-40% over the next 3 years would be Rs. 900-2200 crore.

The Union Cabinet has given away its nod to convert MUDRA Ltd to MUDRA Small Industries Development Bank of India (MUDRA SIDBI Bank) - a wholly owned subsidiary of SIDBI. It has also approved the setting up of a credit guarantee fund for loans of Micro Units Development & Refinance Agency Ltd or MUDRA Bank.

INTERVIEW WITH SECTOR EXPERTS



Mr. K. C. Pradhan, DGM-Andhra Bank, a well respected senior banker in the sector, describes his views on the recent financial inclusion initiatives and its effective implementation in the country.

On Financial Inclusion (FI):

Financial Inclusion is currently a universally acknowledged fact that no country can score high on the development index or can truly garner strength from the growth in GDP if such growth doesn't pervade the lives of all citizens of that country. This is more particularly relevant in the present age of information technology with growing thrust on e-governance and e-delivery of financial products and other welfare measures. Bringing the vast multitudes of the populace, who are kept outside the spectrum of banking till date, into the banking

system shall not only result in ensuring that the welfare measures of the government reach these targeted group on real time basis but would also help eradicate the bane of involvement of unscrupulous intermediaries or the scarce resources going to ineligible people. Apart from this the inclusion of unorganised sector in to organised financial sector shall give a huge boost to the economy and would act as a multiplier for sustainable economic activity. The wealth creation for the deprived shall stimulate demand which would facilitate all other economic activity. Besides this inclusive finance would provide new thrust to growth for the banking industry.

FI Prospects in India:

With the launch of the Jan Dhan Yojana, the government has given a major thrust to financial inclusion. PMJBY, PMSBY and PMMY are the other initiatives of the government in the direction of financial inclusion. As per statistics there are 5.77 crore micro units in the country in the non farm sector whose contribution to the country's economy is a whopping Rs.6.28 lakh crore. Nearly 50 crore people depend on these micro units for their life. But ironically these micro entrepreneurs are dependent on money lenders and are not able to grow

their units to the desired level as only 15% of finance from the organized sector reaches them. Making available need based finance from the organized sector coupled with the desired skill development shall open up gates of prosperity of huge magnitude for all.

Where we stand in comparison with other developing countries:

Higher penetration of formal financial services is a positive developmental indicator. Policymakers all over the world are pushing for greater financial inclusion because it is seen as welfare enhancing for the poor. Governments especially in poor countries like India are pushing to get more and more people under the formal financing umbrella as there is increasing evidence that direct cash transfers into bank accounts cuts leakages.

According to the Reserve Bank of India, just over 50% of Indian adults held an account with a financial institution, compared to close to 70% of adults in various BRICS economies, and an even higher percentage of adults in the US and UK. Similarly, in 2014, 6% of Indian adults had borrowed from a formal financial institution in the past 12 months compared with 10% or more in other BRICS economies. As of 2014, there were only 18 ATMs

per 100,000 adult population in India against over 65 in South Africa and over 180 in Russia. Similarly, 10% of individuals aged 15 years and above had made payments through debit cards in India as against approximately 40% in South Africa.

About PMJDY:

Banks have opened 19.21 crore accounts under the government’s ambitious financial inclusion scheme, Pradhan Mantri Jan Dhan Yojana (PMJDY) with deposits of more than Rs 26,819 crore till November 2015. These zero balance bank accounts have been accompanied by 16.51 crore debit cards, a life insurance cover of Rs 30,000 and an accidental insurance cover of Rs 1 lakh. More than Rs 4,273 crore has been routed through these accounts towards payment of wages under the rural employment programme (MNREGA) and transfer of cooking gas subsidy amounting to Rs 17,446 crore. The government is pushing financial inclusion through the Jan Dhan, Aadhaar and Mobile (JAM)

trinity and use of innovative delivery channels, such as mobile wallets. RBI has also granted an ‘in principle’ approval to 10 small banks and 11 payment banks, which is expected to deepen the inclusion process.

Suggestions for effective Implementation FI:

All the initiatives of the government are definitely most positive steps for the economy but the bottlenecks are too many. The following are a few serious problems clearly visible in the road to achieve the desired goals.

- Lack of ownership at different level of the initiatives. The task is taken up with a target oriented approach. The personnel in banks are finding it too much to handle in times of depleting manpower strength and pressure from other areas of banking. ‘Present penance is future bliss’ and the extra burden we handle now shall be only brightening our future as bankers.
- The targeted group is also looking at the initiative as freebies from

the government necessitated by electoral politics. Effective working of the various government agencies and NGOs for developing a credit culture among this group with the desired level of skill development on an ongoing basis is a must for success of the financial inclusion initiatives.

- Opening of brick and mortar branches at unbanked centers and proper working of business correspondences wherever such branches are not feasible. Cause for action in this direction is needed from many quarters.

To conclude, it can be emphatically summed up that Financial Inclusion with right kind of implementation is perhaps the most important tool to propel India to its potential of becoming a financial super power in the world. Each citizen of the country particularly all of us in the banking industry should act as catalysts in the whole program for its success.



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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