

# Odisha Inclusive Finance Bulletin

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## Fifth Meeting of the State Financial Inclusion Forum

The 5th meeting of the State Financial Inclusion Forum in Odisha was organised at Hotel New Marrion in Bhubaneswar on 29th January 2015. The key theme for the meeting was “FI through BC model: Prospects & Challenges”, and was attended by almost all of the SFIF members and special invitees from RBI, Banks and leading BCs.



The BCs in attendance at the meeting expressed the key challenges of running the operation on behalf of the banks in remote areas. Apart from the technological challenges that hinders

the progress of quick service delivery, the BCs expressed the issues of trust, ignorance of local bank branches about their existence and very minimum/delayed commission payment from the banks etc faced by them at the field level. Banks on the other hand also talked about their continuous efforts to strengthen the model further. In order to expand outreach and include remote areas, the use of innovative technological solutions was stressed upon. Technology could help make the BC model more effective in delivering banking services for poor. As far as commission structure is concerned, that is only decided at the HO level and to make these BCs/CSPs sustainable, banks are trying to give them ample options in distributing various other financial services (with additional commission). Bankers reiterated that the remarkable contribution made by BCs in the recently launched PMJDY will go a long way in establishing their credibility at the bank branch as well as at the client level. RBI regional office

has always been supportive of the PSIG initiatives and with their keen participation, the meeting proved to be very fruitful. The RBI AGM, who participated in the meeting, agreed that the role of BCs is important in reaching out to remote areas and a favourable commission structure can be devised post discussions with the banks and the partner BCs. At the end of the 5th SFIF meeting, the following were identified as critical areas in need of attention in order to better implement the BC model in the State:

- Initiate review and update of the existing course curriculum for the capacity building of BCs.
- Share with SLBC the issues concerning the BC model, which can then be elaborately discussed in their sub-committee meeting.
- Explore the possibility of supporting smaller BCs through the training of their field staff.

## PSIG State Programme Updates

### Bihar-

- Bank-MFI exposure visit was organized to Saija Microfinance Pvt. Ltd in Patna on 17th January 2015.
- 6th State Financial Inclusion Forum (SFIF) meeting was organized on 12th March 2015. The meeting was conducted on the theme of “Financial Literacy: Ensuring Outcomes and Working Together for Success”. The Bihar Inclusive Finance Bulletin was also released at the SFIF meeting.

### Uttar Pradesh-

- Exposure Visit of Senior Bankers to Margdarshak Microfinance was organized on 27th October 2014. Senior Bankers from 10 Public Sector Banks participated in the one day event.
- Second meeting of the SFIF was organized on 26th November 2014. The underlying theme for this meeting was “Expanding Financial Inclusion through Micro-insurance”, where officials from insurance companies and MFIs attended the meeting other than the SFIF member.

### Madhya Pradesh-

- 2nd meeting of the MP SFIF was organized in Bhopal on 23rd February 2015. The theme for the meeting was “Challenges & Opportunities of BC Model”. The 2nd MP Inclusive Finance Bulletin was released during the meeting.

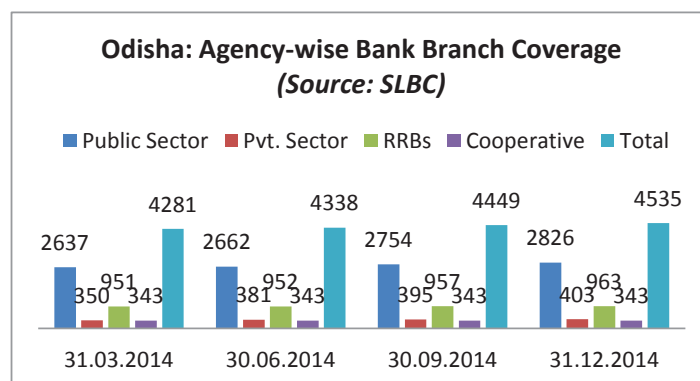
### PSIG-SIDBI Programme Update

- First Loss Default Guarantee (FLDG) support for the PSIG partner MFIs has been undertaken. This very initiative has helped the partners in raising or increasing the credit limit under the BC operations from respective partner banks.

## Financial Inclusion in Odisha-Update

Recently, the Finance Minister said that the PMJDY accounts will now be progressively used for Direct Benefit Transfer (DBT), expanding financial literacy and creating universal social security to cover for all citizens. It is encouraging to see that the Government is giving equal importance to other financial services like micro-pension as well as micro-insurance, apart from savings & credit. Understanding the fact that these targeted and tailor-made products for the poor come with minimal premiums and so get very few takers, Government intervention was necessary. The services have already been taken upon at the SLBC meetings and the progress will now be monitored very closely by the apex bodies

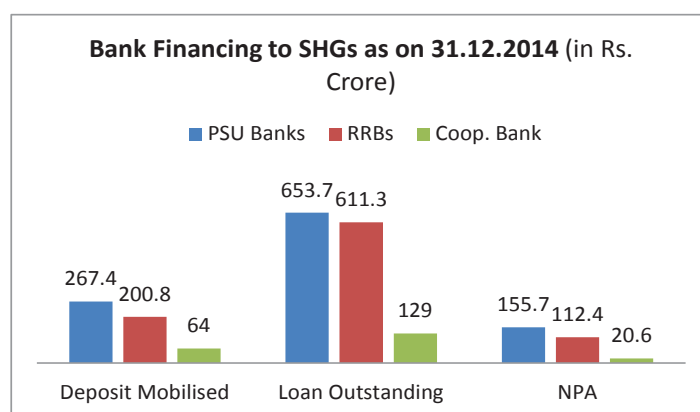
In the period from 1st April to 31st December 2014, all the banks together opened 237 new branches in the state. Out of that, 188 branches were opened by Public Sector Banks (79%), 37 branches



were opened by Private banks (16%) and 12 (5%) branches were opened by the two RRBs.

## SHG-Bank Linkage Status in Odisha

The progress is quite similar in comparison to the last quarter and the problem still remains with rising NPAs in SHG portfolio. During an NPA study under PSIG initiatives, we found that there are many reasons behind the increasing NPAs in SHGs. The leaders of the groups had roles in misappropriating funds of SHGs, politically active people deliberately influencing SHGs not to repay back as the subsidy linked loans will be waived off by the government, lack of monitoring on the part of banks due to staff shortage etc were some of the major findings from the study. PSIG is going to organize one workshop in April on credit bureau systems for data reporting of SHGs, to disseminate the importance of data sharing in order to curb the high NPA in SHG accounts.



\*Source: SLBC agenda

## MFI Coverage in Odisha

The table below gives a list of MFIs operating in the state and their quarterly progress. It captures growth rates of active borrowers, loan outstanding and outreach in terms of no. of districts covered by MFIs. The sector has seen significant amount of PSU bank interest in on-lending to MFIs. State Bank of India has been considering to do on-lending to MFIs. Similarly other PSU banks including Bank of Boroda, Canara Bank, IDBI, IOB,

Syndicate, Dena Bank are planning to on-lend to PSIG partner MFIs. Limits under BC operations of IDBI & YES Bank with most of the local MFIs in Odisha have been substantially extended further during the quarter. While some of the Banks will lend MFIs before 31st of March, some others have agreed to start the process after 15th April'2015. The SIDBI-PSIG guarantee scheme and FLDG supports for the MFIs have proved to be very helpful in this regard.

MFIs	As on 30th Sep 2014			As on 31st Dec 2014			
	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	201978	190.7	222755	216.25	24	222755	-
Mahashakti	9680	12.39	15281	16.26	7	21994	274
SMSL	17172	19.15	27698	19.54	3	30542	153
Samandh	26788	25.71	30229	27.93	3	30588	526
SMCS	28129	28.41	27813	27	16	144447	4257
GU*	60818	50.82	47854	42.64	11	95708	-
Adhikar	41255	37.28	31652	39	17	31652	15218
KGFS	34379	64.65	38605	75.35	1	57385	15749
Ujjivan	42599	59.15	49796	67.8	7	49796	-
Suryadoya	30000	33	39000	45	12	-	-
L&T MF	151000	122	160000	150	17	-	-
Spandana	192917	158	196449	189	25	195225	-
SKS	480000	454	493000	480	27	493000	-
BSFL	16000	25.5	17250	27.5	15	34500	-

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

## Financial Inclusion through PMJDY: Union Bank of India



**F**inancial Inclusion is creating a symbiotic relationship between the large masses of people hitherto away from banking facilities along with a Bank with its multifarious products and services (savings, credit, remittance facilities and insurance services). We at **Union Bank** believe that providing banking services to the poor is not only a social responsibility but also a

viable business opportunity, if the cost of serving the poor is reduced through a mix of innovative delivery models. True to our words, to make **PMJDY** a grand success, massive account opening camps are being organized. We have not only opened a whopping 115578 **PMJDY** accounts by 31st March 2015, but also 600 **PMJDY** accounts were opened in a single day during the visit of our **Executive Director Mr. K Subrahmanyam** in Sakhigopal on 18th January 2015. Moreover to lend a helping hand in the education of girl children in Odisha under our esteemed bank's flagship programme-**"Girl Child Adoption Yojana"**, 200 meritorious girl children have been adopted. A sum of Rs. 8 lakh was distributed among the adopted girls on the occasion of Independence Day celebration in 2015. To shoulder the corporate ethics of **"Social Responsibility"**, a financial literacy camp was organized

in Kentapur village of Angul district in the gracious presence of **Union Bank's CMD Mr. Arun Tiwari** on 4th April 2015. Important activities like mass opening of **PMJDY** accounts, distribution of Ru-pay Debit Cards and **PMJDY** pass books were undertaken during the financial literacy programme. We'll continue our endeavor towards the expansion of Financial Inclusion by introducing various viable financial products and services, catering to the needs of every section of the society in the coming days. We believe with our sincere efforts, we will act as a catalyst in augmenting the implementation of Financial Inclusion, along with furthering the economic development in the state of Odisha.

**Mr. Vijay Kumar Srivastava**  
**Deputy General Manager**  
**Union Bank of India**

## Mr. R. K. Swain, DGM, Canara Bank briefs about PMJDY, their BCs and specialized products under financial inclusion



**W**e have successfully implemented **PMJDY** scheme in all the 106 SSAs and 75 urban wards that were allotted to us by SLBC. Our bank has covered about 104384 households (Rural-50492 & Urban-53892) against a target of 83627 households. All the 72 BC locations under Canara Bank in Odisha were provided with uniform sign board and e-KYC enabled hand-held devices for successful implementation of Aadhar Enabled

Payment System (AEPS) as per the direction from Finance Ministry, Govt of India. Besides we have already issued 75% Rupay cards and 93% passbook as on 31st March 2015. Our bank has facilitated in the opening of 738 Swavalambal (NPS-L) accounts as on the date of financial year closing. Canara Bank in Odisha has 72 BC networks and the agents are provided with sophisticated hand-held POS machines for smoother data entry at field level. The contribution of BCs to the **PMJDY** has been instrumental and where there is difficulty on the part of the banks to reach remote areas they have helped in that case. The BCs are expanding the doorstep banking on behalf of Canara bank and also helping us in loan recovery. Apart from the huge success in the form of number of accounts opened under **PMJDY**, there are challenges that we faced from the field which are like account functioning and difficulty in making the people understand the usefulness of **PMJDY**

and opening an account. Apart from this we have one of our specialized and tailor-made product called Canara Vidya Jyoti Scheme that has made tremendous success during the last financial year. In the scheme, 64 out of 68 eligible branches participated and extended scholarships to 317 needy SC/ST scholars amounting to Rs. 12.07 lakhs. Under our Centre for Entrepreneurship Development (CED), we have conducted training programs on coir products under Adaspur branch, and successful women entrepreneurs were felicitated on International Women's day. Training programs for SHG members on bag making was organized under Hirapur branch, Canara Bazaar on 19th March'15 and we donated Pico embroidery machines to differently-abled ladies in Bhubaneswar in collaboration with Sapna Trust.

**Mr. R. K. Swain**  
**Deputy General Manager**  
**Canara Bank**

## Financial Inclusion through BC Model: From ZMF, one of the technologically advanced BC in India

**A** Little World Private Limited (ALW) was founded in the year 2000 to develop the country's first domestic payment system brand **"ZERO"**.

In its initial years of formation, ALW worked in close coordination with Institute for Development and Research in Banking

Technology (IDRBT), the technology arm of the Reserve Bank of India (RBI), the Banking regulators in India and the Indian Institute of Technology, Mumbai (IIT-B) in creation of standards and security mechanisms for the payment system. The company developed mCheck (India's first mobile to mobile payment system) in

collaboration with Visa, Airtel, ICICI Bank and State Bank of India (SBI).

ALW pioneered implementation of the technology solution to meet the Financial Inclusion (FI) guidelines issued by RBI in 2006, which was adopted by the State Bank of India (SBI) and many other Banks in India for rollout of FI services. ALW with its

\*Source of Information: SLBC Agenda, VC Circle, Economic Times, RBI Website, The Mint



Not-for-Profit affiliate, ZERO Microfinance & Savings Support Foundation (ZMF) has been in the forefront of the national agenda of Financial Inclusion (FI) and has helped their client Banks, primarily SBI to reach over 21 Million previously unbanked/under-banked customers. ZMF is a National Level BC of SBI and other banks, which operates in both rural and urban

areas through its agent network across all states and union territories in India. About 1.72 crore biometric accounts have been opened in 24 states, for 22 banks serving in 596 districts with 11,696 Financial Inclusion Points/CSPs.

As part of the FI services, ALW and ZMF through their association with Banks extend customers with services like opening of Small Savings Bank Accounts, Cash Deposits, Cash Withdrawals, Cash-to-Account Remittances, Account-to-Account Remittances, Savings linked Overdraft, Flexible Recurring Deposits, Term Deposits, Micro Insurance, Micro Pension, etc. ALW technology also enables special purpose initiatives like Automation of thrift / loan disbursements to members of Self Help Groups (SHGs), Retail Overdraft to retailers of FMCG companies, KisanCredit Card (KCC), etc.

The technology of ALW allows banks to extend all the above services through use of biometric identity of customer, without using paper based book-keeping.

The challenges what we feel from this model is that of connectivity, reaching remote/rural areas, cash handling (e.g. Govt benefit schemes) and the commission part where mostly the small value transactions (deposit/loans) yield very minimum commission. We hope with the use of more and more innovative technology models, proper or viable commission structure for BCs and availability of good connectivity providers would go in a long way in sustaining the BC model not only in the state but across the country.

**Mr. Manoj Jena**  
**Regional Head**  
**ZERO MASS Foundation (ZMF)**

## Recent Developments in the Financial Inclusion Space

**S**KS Microfinance Pvt Ltd has completed its 8th securitization worth Rs. 344.35 crore. Prior to this the public-listed microlender completed its 7th securitization of Rs. 106.37 crore. On the other hand, Bangalore-based **Ujjivan Financial Services Pvt. Ltd.**, one of the top four MFIs, has raised Rs. 600 crore from CX Partners, CDC, NewQuest Asia Investments and Bajaj Holdings. In early March, Chennai-based Equitas Finance Pvt Ltd has raised Rs. 100 crore from Franklin Templeton Mutual Fund through NCDs.

**Launch of MUDRA Bank :** The Micro Units Development and Refinance Agency (MUDRA Bank), with a corpus of Rs. 20000 crore and a credit guarantee corpus of Rs. 3000 crore, was launched on April 8th, 2015. This could boost micro-loans and cut borrowing costs for cash-starved

small businesses. The development has been welcomed (as far as refinance is concerned) by microfinance institutions, however the MFIs are worried about the Government's decision on MFIs to be regulated by MUDRA Bank which they think will create a conflict of interest. Recently, Chief executives of MFIN met the Finance Ministry and requested for RBI to continue as their regulator.

**SRO (Self-Regulatory Organisation) status for Sa-Dhan:** The RBI had accorded Sa-Dhan with the SRO status, which will give it the powers to monitor MFIs and ensure the lenders are in compliance with the rules. Sa-Dhan is the 2nd association in the business of micro-lending to be given the SRO status by the central bank, where Microfinance Institutions Network (MFIN) last year became the first association to get the status.

**Acting on the Nachiket Mor committee report, RBI raised borrowing limit of an individual to Rs. 1 lakh** from Rs. 50000 earlier. The committee also suggested that loan can be disbursed to a borrower with a rural household having annual income not exceeding Rs. 1 lakh compared with Rs. 60,000 or urban and semi-urban household income not exceeding Rs. 1,60,000 compared with Rs. 1,20,000 earlier.

**MIX has collaborated with SIDBI to build the Indian Microfinance Platform** that showcases the richness of data and insight on Indian microfinance available on the platform. The aim of this collaboration is to expand the scope of data available in the industry and analyse the given information. MIX has an objective to increase the usage and understanding of the data amongst all stakeholders across the industry and provide transparency of the data.

\*Source of Information: SLBC Agenda, VC Circle, Economic Times, RBI Website, The Mint



**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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