

Odisha Inclusive Finance Bulletin

Volume 2, Issue 2, December, 2014

Published by ACCESS – ASSIST under the Poorest States Inclusive Growth (PSIG) Programme

Fourth Meeting of the State Financial Inclusion Forum

The fourth meeting of the State Financial Inclusion Forum in Odisha was organised at Hotel Swosti Premium in Bhubaneswar on 31st October 2014. The key theme for the meeting was “Micro pension for the Poor”, and was attended by special invitees from PFRDA, Banks and Aggregators apart from members of the SFIF. Prior to the SFIF meeting, a consultative meet of Aggregators and MFIs was organized on the same day. The objective of the meeting was to consolidate the prevailing issues of micro-pension service delivery and present the same to Mr. A. G. Das, CGM, PFRDA during the afternoon SFIF meeting. The CGM gave ample opportunities of interaction and elaborately discussed the vital issues as well as shown PFRDA's keen interest to expand the NPS (L) scheme in a full fledged manner.



The unequivocal need for a mass media campaign or mega awareness campaigns for the better implementation of the Swavalamban or NPS(L) not only in Odisha but in the entire country was stressed upon throughout the discussion. The workshop came out to be a very successful one as senior personnels from banks, aggregators,

insurance companies and MFIs actively participated in the one day event. At the end of the workshop the following areas were identified as critical for better implementation of NPS(L) in the State:

- Explore the need and possibility of setting up a forum of pension aggregators in Odisha.
- Advocacy with SLBC in collaboration with PSIG-SIDBI & DFID for inclusion of micro-pension in the SLBC quarterly agenda.
- Coordinate the initiatives on creating awareness and generating demand for micro pension in the state, in collaboration with PFRDA, Aggregators and PSIG-SIDBI.
- To organize a roundtable of Banks and PFRDA to discuss ways of receiving better participation and cooperation in implementing the NPS (L).

Bankers-MFI Exposure Programme in Odisha

The 2nd Bankers-MFI exposure visit under PSIG initiatives in Odisha was organized on 15th November 2014. Mahashakti Foundation from Balangir district of Odisha was chosen for this visit. Fourteen Senior bankers from eleven Public Sector Banks participated in the one day long visit.

After a quick overview about Mahashakti by the senior Management, the bankers were taken to Mahashakti's branches and SHGs, in two separate groups. The bankers were given an opportunity to interact with the branch staff to understand the group selection as well as



lending methodology. The interaction with SHGs was very purposeful as the members

were quite aware about their financial needs. The members from these groups were found to be engaged in individual income generating activities and more importantly were able to make it sustainable as well as profitable. The bankers were very appreciative of the efforts of women members for their commitment and perseverance in dealing with their domestic work and the association with the SHG. Each of the members of the SHGs are currently associated with economic activities like agriculture, petty business, selling dry fish, rearing vegetables, tailoring, dairy, bakery etc.

PSIG-SIDBI Programme Updates

- Promotion of Gender Equity is a core philosophy under PSIG. The programme aims to initiate a series of trainings for MFI executives to integrate gender related issues into the programme and institutional architecture of the MFIs in the four PSIG states. Following which two training programmes have been conducted here at the SIDBI International Training Institute (SITI). The first one was organized between January-February 2014 and the next programme was organized during September-October 2014 at the same venue.
- PSIG-SIDBI in collaboration with FinMark Trust, South Africa is implementing the FinScope Survey in the four states of Uttar Pradesh, Madhya Pradesh, Bihar and Odisha. The key objective of the study is to track, measure and profile levels of access to and use of financial products/services by all bankable adults. The study plans to cover 16000 adults across the above four states. The kick-off workshop for the same was organized on 9th January 2015 in Bhubaneswar, Odisha.

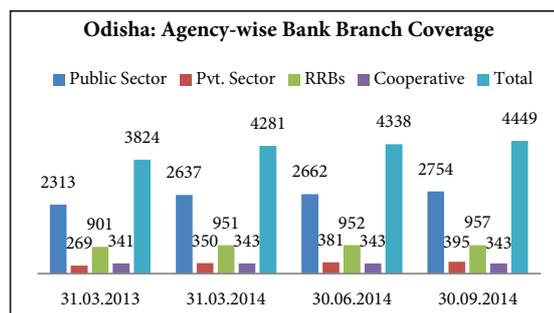
Financial Inclusion in Odisha-Update

While discussing about the overall financial inclusion space, there are many schemes (from Central & State Govt) that support various sections of the underprivileged society in Odisha. If we see beyond the SHG-Bank Linkage Programme, there are important areas like universal bank coverage, PMJDY (BSBDA), Priority Sector Advances, Advances to weaker sections, PMEGP, Aadhar Seeding for DBT, KCC loans etc., where all the commercial banks continue to focus on creating an environment for inclusive growth. Bereft the slow progress, all these schemes have the overarching principle of serving the lower-income groups which will definitely bring them to mainstream in

the long-run. Besides there are institutions like NBFC-MFIs, NGO-MFIs, SHPIs, Cooperatives etc. that are also serving the noble cause of doorstep financial service

delivery in hard-to-reach areas.

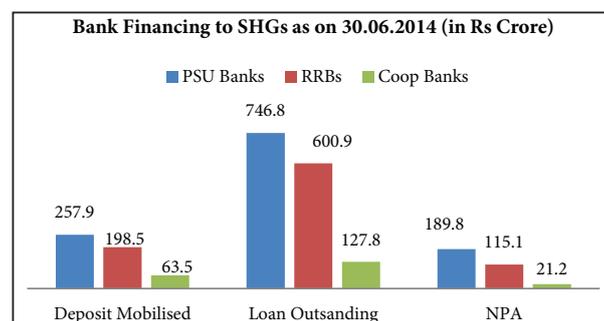
At the end of September 2014, the total number of bank branches in Odisha had increased to 4449, showing a growth of 21.62% over the last year. During 1st April-30th September 2014, all the banks together opened 151 new branches in the state. Out of 151 branches, 116 were opened by Public Sector Banks, 29 branches were opened by Private banks and 6 branches were opened by the two RRBs (SLBC).



SHG-Bank Linkage Status in Odisha

The aside diagram shows the financing to Women Self Help Groups (WSHGs) by banks as on 30th Sept'14. 283,096 SHGs have opened savings accounts and 134,959 SHGs have loan outstanding at the Public Sector Banks, RRBs and Coop. Banks. If we compare with the last quarter, there is an increase of more than 12% of SHG savings accounts and more than 30% of SHGs have availed credit facilities during the quarter ending Sept. 2014. Rising NPA is a major

area of concern for all the involved stakeholders. With a more lucrative commission structure of BCs or Anchor NGOs, proper management of SHGs and building periodical rapport with the SHGs by Banks through BCs/NGOs/SHPIs etc, can help in lowering the NPA.



MFI Coverage in Odisha

The table below gives a list of MFIs operating in the state. It captures growth rates of active borrowers, loan outstanding and outreach in terms of no. of districts covered by MFIs. There is an increase in the overall portfolio outstanding of the MFIs (5.3%) in comparison to the last quarter. Subsequently, portfolio growth of local MFIs (9.3%) is encouraging to that of larger MFIs (3.5%) operating in Odisha. Banks such as IDBI, Oriental Bank of Commerce, Canara bank, Axis Bank, Yes Bank, Development Credit Bank etc. have shown repeated interests towards lending to the sector. As we are into the last quarter of the financial year, more banks are likely to extend lending supports to the MFIs thereby increasing the portfolio size as well as the outreach.

As on 30th September, 2014					
MFIs	No. of Borrowers	Amount of Loan O/S (Rs Crore)	No. of Dis-tricts Covered	No. of micro insurance clients	No. of micro pension enrolled
AMPL	201978	190.7	21	201978	—
Mahashakti	9680	12.39	6	3512	56
SMSL	17172	19.15	3	24946	164
Sambandh	26788	25.71	4	26845	422
SMCS	28129	28.41	16	143078	NA
GU	60818	50.82	11	121336	-
Adhikar	41255	37.28	15	41255	10250
KGFS	34379	64.65	1	55606	13765
Ujjivan	42599	59.15	7	--	--
Asmita MF	87874	74.12	22	87874	-
Suryadoya	30000	33	12	-	-
L&T MF	151000	122	17	-	-
Spandana	192917	158	25	192099	—
SKS	480000	454	27	480000	-
BSFL	16000	25.5	15	32000	-

Updates from other PSIG States

Bihar-

- PSIG has commissioned a drill down study "*BC Models in Bihar – Constraints and Way Forward*". The study report was formally released by Shri Bijendra Prasad Yadav, Hon'ble Bihar State Minister for Finance and Commercial Taxes, on 18th September, 2014.
- A short study has been done on BC commission structure of banks by ACCESS-ASSIST.
- Second meeting of Aggregator's Forum of Bihar was organized on 28th November 2014 in the office premises of CDOT. 9 out of 11 aggregators have participated in this meeting. AGM, PFRDA also attended the meeting and updated the aggregators about new regulations and initiatives taken by PFRDA.
- 5th meeting of SFIF was organized on 23rd December 2014 with focused theme of Financial Inclusion in *Flood Affected Areas of Bihar*.
- The kick-off workshop of FinScope Survey was organized here in Patna on 15th January 2015.

Uttar Pradesh-

- Exposure Visit of Senior Bankers to Margdashak 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 has been 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.
- The kick-off workshop of FinScope Survey was organized in Lucknow on 19th January 2015

Madhya Pradesh-

- Inception Meeting of the State Financial Inclusion Forum was organized on 12th November 2014 in Bhopal.
- In Bhopal, the kick-off workshop of FinScope Survey was organized on 12th January 2015.

PMJDY: THE PROGRESS SO FAR!



There has been a paradigm shift in the approach and implementation of financial inclusion with the launch of “Pradhan Mantri

Jan Dhan Yojana”. Financial Inclusion was a focussed programme since 2010 and a lot of improvement in penetration so far as bringing the excluded families into formal financial systems was observed. But there was a huge gap between the achievements vis-à-vis the target. PMJDY tried to address the issues which were identified as the major stumbling blocks. The major difference between earlier “swabhiman” programme and PMJDY are as follows:

PMJDY tried to attack the problem of financial exclusion from both demand and supply side with a time bound stipulation. The task was huge and as such the programme is being implemented in mission mode. Incentivising the customers with accidental insurance coverage of Rs.1.00 lakh has created the demand for opening of accounts among unbanked families. Further, early incentive of health insurance coverage of Rs.30,000 has led these customers to open the accounts by 26th January, 2015. Above all, in order to address the activation of these accounts it is made mandatory unless there is transaction in these accounts at least once in 45 days the insurance cover shall cease to apply. From supply side strengthening of the

infrastructure, specifically the CSP outlet has given a big momentum to the programme.

The implementation is being monitored very closely which has led the banks to remain on their toes to complete the task within stipulated time.

Our bank has risen to the occasion to meet the task. Survey has been completed in all 1230 Sub Service Areas (SSA) and 102 wards in stipulated time. Account opening to cover the unbanked households is in full progress. The bank has opened 191,859 accounts and is making all out efforts to cover the remaining unbanked households within the stipulated time. Steps have been taken to hold financial literacy awareness camps and camps for mobilization of accounts. CSP/Bank Mitras outlets have been strengthened making them transact online. The bank has become a member of ABPS and is participating in NACH for DBT & DBTL credits.

While implementing the scheme the following hiccups have been encountered.

- i. Issue of Rupay debit cards: though flagging of accounts opened under the scheme for issue of Rupay debit cards is integrated within the system, we observe a huge gap in dispatch of cards to customers. The delay is due to different processes involved at various stages.
- ii. Despite holding of financial literacy camps, the general conception among account holders is they will receive Rs.1.00 lakh cash which actually is insurance cover

and overdraft of Rs. 5000 automatically without any operation. This will create a major problem in future so far as conduct of these accounts is concerned.

- iii. Though area distribution has been made among banks, people are opening multiple accounts with different banks in anticipation of multiple benefits.
- iv. During survey many households that already have bank accounts respond saying that they do not have any bank account so that they can be enrolled in to the scheme even though the old account is eligible for conversion into the scheme if issued with a Rupay debit card, multiplying the burden of account opening.
- v. Aadhaar number availability is a major problem in Odisha as many parts are yet to be covered by NPR/UIDAI and even for many enrolled people, they are yet to receive their cards.
- vi. Conduct of survey & account opening in such huge numbers, strengthening of CSP/Bank Mitra outlets etc necessitated not only huge mobilization of man power but also a lot of financial burden on banks especially on small banks.

Despite these hiccups the programme has made a perceptible impact increasing the number of bank accounts and provided the platform for implementation of DBT & DBTL through bank accounts and has created a lot of business opportunities.

Mr. Prakash Divekar,
Chairman, Utkal Grameen Bank



PMJDY, a Comprehensive Financial Inclusion Plan was formally inaugurated by Hon'ble Prime Minister on 28th

August, 2014 for implementation in Mission Mode throughout the country. This Mission evoked great aspiration & enthusiasm among the bankers as well as the common people in the state of Odisha. Overwhelming response of the masses in the state and tireless efforts

of Bankers has made it possible to achieve significant progress in implementation of this mission.

- In 30 districts of Odisha, household survey has been completed in all 6276 Sub Service Areas (SSA) and 1729 wards.
- Upto 08.01.2015, Banks have opened 36.42 lakhs accounts, out of which 23.94 lakh accounts are in rural areas and 12.48 lakh accounts are in Urban areas. RuPay Cards have been issued to 60% account holders under PMJDY. Aadhaar seeding percentage is 23 %.

100 % competition of survey and coverage of all the household with at least one account in each household has been reported for the districts- Keonjhar, Mayurbhanj, Nayagarh, Angul, Balasore, Bhadrak, Cuttack, Dhenkanal & Puri. In rest of the districts 100% coverage will be completed by 10th January, 2015 as per the direction of the Department of Financial Services, Ministry of Finance, Government of India.

Mr. N. Swain
Chief Manager-SLBC Odisha

National Pension System (NPS)/ Swavalamban Scheme



1. About NPS:

- o The 'National Pension System' (NPS) based on defined contributions was adopted by the Government

of India for all its employees with effect from 1st January, 2004

- o 26 States & 7 UTs have notified NPS for their employees
- o In 2009 the NPS platform was made available to all citizens on a voluntary basis

- o In October 2010 GoI launched the Swavalamban scheme on the NPS platform for the unorganized sector also called NPS-Lite(NPSL). In this scheme GoI co-contributes Rs. 1000 for eligible subscriber accounts.

Pension Fund Regulatory and Development Authority (PFRDA) was constituted as a regulator for the pension sector oversees NPS.

2. Swavalamban- a novel incentive scheme from Govt. of India:

- o The “Swavalamban Yojana” is a novel endeavor by GoI to support individuals

in the unorganized sector in achieving old age security and dignity. Any citizen of India, belonging to the unorganized sector, is eligible to open an NPS -Swavalamban account subject to the following:

- The subscriber should be between 18 – 60 years of age
- Subscriber should not be covered under other social security scheme like Employees' Provident Fund & Miscellaneous Provision Act., The Coal Mines Provident Fund and Miscellaneous Provision Act., Assam Tea Plantation Provident Fund and Miscellaneous Provision, Seimens

Provident Fund, Jammu Kashmir Employees' Provident Fund & Miscellaneous Provision Act .

- o GoI will contribute Rs 1000 per annum to all eligible NPS Swavalamban accounts where the subscriber deposits a minimum of Rs. 1000 to maximum Rs. 12000/- per annum. The incentive is presently available till 2016-17.
- o A number of state governments like Andhra Pradesh, Assam, Bihar, Chhattisgarh, Government of NCT of Delhi, Haryana, Jharkhand, Karnataka,

Odisha and Rajasthan have adopted the scheme for different subscriber groups like anganwadi workers, construction workers, dairy farmers etc.

3. NPS/Swavalamban

- o NPS/Swavalamban is a low cost feature optimized model aimed at economically disadvantaged sections of society with a limited investment potential.
- o NPS/Swavalamban is operated through grass root level intermediaries called 'Aggregators' who provide the interface

between the subscriber and the NPS architecture. They are responsible for providing services to the subscribers on the ground as per PFRDA regulations.

- o PFRDA registers these Aggregators after a stringent due diligence procedure and the incentive for providing services under NPS/Swavalamban is borne by GoI.

Mr. Ananta Gopal Das,
Chief General Manager,

Pension Fund Regulatory Development Authority (PFRDA)

IIMPS Rural Micro Pension initiative in Odisha



Old age comes as a burden when it is coupled with ill health and lack of regular income. Most people, especially women become dependent on family members for sustenance. IIMPS along with NABARD piloted a rural pension programme in Odisha in 2011 in the districts of Puri and Mayurbhanj to inculcate the habit of saving for retirement among low income informal workers. Currently IIMPS offers UTI-Retirement Benefit Pension Scheme (RBPF) and NPS-lite to its members.

IIMPS has so far conducted village level meetings, awareness camps, micro pension film shows, designed IEC materials in vernacular languages, even opened up a customer helpline for grievance redressal. The helpline has been hugely successful and about 10,000 outbound calls have been made.

IIMPS 'bank led model' in partnership with RRB and UPNCCB has up till now enrolled 2000 low-income workers into the scheme and nearly 1700 customers contribute regularly each month; 45% of which are women. In 2013, IIMPS introduced prepayment solution for those without a bank account. The customer gets a Visa enabled prepaid card which becomes a single window payments instrument for the

customer. All cash reconciliation happens in real time using a low cost mobile POS device where over 500 customers have successfully been enrolled using this model.

Since 2014, IIMPS with a few SIDBI PSIG Partners; Under this partnership "Mahashakti Foundation, Bolangir" and "Sambandh Finservices Pvt. Ltd, Rourkela" have already started the enrolment process and envisages covering at least 500 customers in FY2013-14. A dialogue with other PSIG partners like SMSL, Annapurna Microfinance, and Gram Utthan has been initiated for the enrolment process.

Mr. Jeeban Jyoti Mohanty
IIMPS, Odisha

Recent Developments in the Financial Inclusion Space

Financial Education & Awareness Fund from RBI: Reserve Bank of India has recently released guidelines on Criteria for Institutions, who can seek Financial Assistance from the Depositor Education and Awareness Fund. It aims to grant financial assistance to institutions/organizations/associations for taking up various activities relating to promoting bank depositors education and awareness.

Interest Subvention Scheme under National Rural Livelihood Mission (NRLM)-Aajeevika: RBI has issued revised guidelines for 2014-15 on Interest Subvention Scheme under NRLM, in their December 9 2014 circular. All the Commercial Banks and Cooperative Banks will lend to all women SHGs at the rate of 7% in 150 districts across India. 18 districts of Odisha come under this

which is maximum among all the states.

Licensing of Small Finance Banks and Payment Banks: Keeping in view the difficulties expressed by various parties and upon their requests seeking extension of last date (January 16 2015) for submission of applications, RBI has decided to extend the last date of receipt of applications to February 2, 2015.

Largest Funding: Ujjivan has been able to raise Rs. 600 crore funding from UK's Commonwealth Development Corporation, PE investors CX Partners, Newquest and from a unit of Bajaj Group; making it the single largest funding in the microfinance sector. Furthermore, **Mannapuram Finance**, a South based gold loan company is acquiring 85% stake in **Ashirvad Microfinance**. The sector seems to be reviving again with **CRISIL**

estimating the assets of Indian microfinance industry would reach a whopping Rs. 45000 crore by FY 2016. Justifying the projection- **Bandhan Financial Services**, about to start its banking operations, has received a combined equity commitment of Rs 1,600 crore from **International Finance Corporation (IFC)** and **GIC**, Singapore's sovereign wealth fund. IFC, the private sector investment arm of World Bank is going to invest Rs 580 crore, while GIC will invest the rest. **Satin Creditcare**, the Delhi based MFI has recently raised about Rs. 618 crore in the form of foreign debt, which RBI allowed in 2011.

MFIs becoming BCs: Recently IDBI roped in Annapurna Microfinance Pvt. Ltd. (AMPL) and Swayamshree Micro Credit Services (SMCS) as their BCs in Odisha.



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 States 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.

For sending contributions & queries please contact:

Arjun Pagal (arjun@accessassist.org) Narendra Nayak (narendra@accessassist.org)