

Sixth Meeting of State Financial Inclusion Forum (SFIF), Bihar

12th March, 2015
Hotel Maurya, Patna



Organized Under:

Poorest States Inclusive Growth programme (PSIG)



Background-Bihar, which is in the bottom five of CRISIL Financial Inclusion Index, requires cooperation amongst regulators, government agencies, financial institutions, service providers, and other stakeholders to strengthen financial inclusion efforts. Assisted by DFID, the Poorest State Inclusive Growth programme (PSIG) 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 project has 3 components viz. – policy advocacy, improving access to finance and financial literacy. SIDBI is the implementing agency for PSIG.

ACCESS-ASSIST has been assigned by SIDBI to coordinate the initiatives on policy advocacy in the above four states as well as at the national level. Setting up of multi-stakeholder State Financial Inclusion Forum (SFIF) in each programme focus 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 an exchange and deliberation Forum to promote effective coordination and synergy among various stakeholders for accelerating the process of financial inclusion in the state. The sixth meeting of the Bihar SFIF was organized on 12th March 2015 in Patna. The list of SFIF members and other participants of the meeting is provided in **Annexure 1**.

SUMMARY OF PROCEEDINGS

The theme of this meeting was ***Financial Literacy: Ensuring Outcomes and Working Together for Success***. Apart from SFIF members and PSIG team, the meeting was attended by representatives of Commercial Banks, Academic Institutions, United Nation Development Programme (UNDP) and other organizations like Sahaj E Village Ltd., Basix, EDA Rural System, Aga Khan Rural Support Programme (AKRSP), Cashpor Micro Credit, Indian School of Microfinance for Women (ISMW), Sewa Bharat and APMAS.

Meeting started with a brief introduction of the theme by Ms. Radhika Agashe, Executive Director, ACCESS-ASSIST; she expressed her gratitude towards participants for attending the meeting. As some of the participants were attending it for the first time, she shared background of SFIF and its objective, followed by self-introductions by the participants.

- 1. Opening Remarks by Ms. Sunitha Rangaswami, Social Development Advisor, DFID:** The scope of PSIG Programme includes (i) Policy and Advocacy, (ii) Institution Building and (iii) Capacitating clients especially women, which includes financial literacy.

A major focus area of PSIG programme is financial literacy and women empowerment. For financial access inclusion of women is important. It has been seen that women do not have access to resources such as land and property to provide collateral; they are often marginalized from taking important decisions, both at household and society level. Productive, reproductive and community related are three major activities at the household level. In every activity women has a major role to play and to have the ability to influence household decisions, empowering women and capacitating them to have greater access & control over resources is important. Financial literacy together with women's empowerment can enable women to take important financial and investment decisions in the family. Financial literacy is very critical for success of any financial inclusion programme, and it can enable women to take control of their lives & jointly undertake important financial decision in the household.

- 2. Action taken report by ACCESS ASSIST:** A brief action taken report on follow-up actions of previous SFIF meetings was presented, as summarized below:

a. Looking for possibilities of establishing R&D Cell for financial products, with different stakeholders
Action taken: A draft concept note on R&D for Financial Product has been developed, and shared with NABARD for inputs.

b. Study of successful model of implementation of any scheme in flood affected area with the help of Fisheries Department and finding opportunities for intervention of PSIG.

Action taken: State Department of Animal Husbandry and Fishery Department was contacted regarding schemes and nature of assistance for fisherman, and explore opportunities for PSIG –SIDBI intervention.

Scope of PSIG intervention may be:

- Facilitating inter-institutional linkage
- Technical back-stopping; supporting Krishi Vigyan Kendra in the process of technology up gradation
- Product development, Bank-linkage etc. Issues of borrowers may be resolved at DLCC and SLBC meetings

c. Documentation of activities (beyond A/C opening) of RRBs through their BC channel

Action taken: ASSIST team visited UBGB, Muzaffarpur to study its financial inclusion initiatives through BC channel. Services provided through BC Channel are -

- Overdraft Facility – ranges from Rs. 500 to Rs. 2,500
- Smart Flexi RD - is available for a period of 3 years for a range of Rs. 10 to Rs. 5,000 per month
- Micro KCC – up to Rs. 25,000.
- Micro GCC – up to Rs. 10,000.
- Inward Remittances

Future Plan

- Outward Remittance
- Distribution of insurance, pension and mutual fund through BC channel.

d. Banker's Exposure Visit to MFI

Action taken: To promote MFI lending through banks, Banker's Exposure visit to an NBFC-MFI (Saija Finance Pvt. Ltd.) has been organized on 17th January 2015. 17 bankers from 12 banks and representative of Centrum Capital Limited had participated in the exposure visit.

3. **Discussion:** Central Government and RBI have increased its focus on Total Financial Inclusion. RBI has released guidelines to licence Payments Banks and Small Finance Banks - niche or differentiated banks with the common objective of furthering financial inclusion. RBI, for deepening of Banking reach and coverage, has been promoting Financial Literacy and Financial inclusion- synced approach. It has organised mass scale awareness programmes, such as Outreach Visits, Camps, Quiz, Essay Competition, Role Play, Comic Books, Fairs and Exhibitions etc. Department of Financial Services, Ministry of Finance, Gol, has undertaken the Pradhan Mantri Jan-Dhan Yojana (PMJDY) which is a national mission for financial inclusion. Under the Union Budget 2015-2016, Government has announced Atal Pension Yojana and Pradhan Mantri Jeevan Jyoti Bima Yojana to work towards creating a functional social security system for all Indians, specially the poor and the under-privileged.

In the scenario in which old schemes are being revised / improvised and new programmes are being announced for enhancing access of financial services, financial literacy has become more critical than ever. Financial literacy is one of the six pillars of PMJDY and after successful opening of bank accounts; next phase will involve rolling out of the other aspects of the programme including overdraft and insurance, which will require substantial awareness building of clients. Different agencies are already working on financial literacy through different models, however much more needs to be done in this area through better synergy and convergence.

Major points of discussion are summarized below:

- **Reconsideration on the term 'Literacy'**– The term **Literacy** was suggested to be considered for change as it may sound elementary to some. Financial literacy is not needed only for illiterate and excluded people, but for literate too. Other words such as awareness, empowerment etc. can be used in place of literacy.

RBI has suggested that the term literacy is appropriately used as apart from awareness of basic banking products and financial planning, it also signifies about consumer protection and informed decision making.

Emerging technologies in financial services has broadened poor and smallholders' access to financial services; however, it has also raised systemic and operational risks. To address them requires appropriate controls and robust management information systems, and digital literacy and awareness for the masses. Financial inclusion and financial literacy has to go hand in hand.

- **Need of synergy between stakeholders for development** – Before finalization of any guidelines, RBI organizes consultation meet with stakeholders to take everyone's view, e.g. education on business enterprise development under MSME, it works with concerned Govt. Dept., JEEViKA, NGOs, RRBs, and other Banks etc. *Town Hall* meetings in clusters are being organized to invite stakeholders at one place and talk about the issue. Major emphasis is on the cluster development for e.g. rice mill, food processing etc. So, participatory approach is needed to address any issue.
- **Financial literacy is crucial for utilizing benefits of banking services** – Record number of Bank accounts have been opened under PMJDY (around one crore in Bihar), and now Rupay Cards are being distributed among accountholders, but a majority of them (marginalized) are unaware about its proper usage. Similar is the case in using remittances and other benefits. So, there is a need of consolidating benefits of opening of accounts by educating them to operate the accounts, so the efforts taken under PMJDY are effectively leveraged. There is also an urgent need of 'right sizing' the expectations of clients from PMJDY.
- **Output parameter associated with financial literacy Workshops** – NABARD is supporting RRBs and also Cooperative Banks to set up Financial Literacy Centres (FLCs) at districts level. It is also supporting different NGOs and commercial banks to organize financial literacy camps in rural areas and also associating a quantified output parameters with these workshops which is a minimum number of accounts need to be opened along with financial literacy workshops.
- **Role of financial literacy materials** is crucial in disseminating it at ground level. Awareness has been generated in different ways like printed materials (distributed to banks through SLBC), mobile demonstration banks (by cooperative banks), forms, dummy POS machine and ATM, wall paintings in public places; nukkad nataks, puppet shows, All India Radio jingles etc. These are also associated with output parameters of account opening. In Government schools (with focus on girl's school), financial literacy programme is being organized by NABARD.

- **Capacity Building of PACS to work as BCs**– A pilot project has been started with support of NABARD to engage PACs as BC of District Cooperative Banks (DCBs). It is proposed to work with 400 PACs as BCs of 5 DCCBs (who are fully CBS) by the financial year ending on 31st March, 2015. ATM (one for 5 PACs) and POS machines will be provided for this programme. There is no provision for capacity building of BCs under this programme, and there is scope for agencies to come forward for this purpose.
- **Need of capacity building of frontline service provider** –Capacity building of frontline service providers such as BCAs, FLC staff, CSPs, front end of bank branches, group animators of SHPIs, MFI credit officers etc. is most important to ensure dissemination of comprehensive and accurate information among clients.
- **Handholding Support along with opening bank A/C** – only opening of bank account will not serve the purpose, inculcating saving habit in people is required to carry it forward. And for this, financial institutions should work on wider perspective where NABARD, RBI along with other institutions like banks, NGOs, MFIs etc. should put effort together. Also school teachers, panch pradhan, students of institutes like CIMP, ANSISS etc can also support.
- **Women Focused financial literacy programme** – Women are more prone to unawareness about financial products due to less exposure unlike their counterpart, who travel outside to work. So, it is required to understand behaviour of women and find the way to make them aware so they can opt for right financial product.
- **Training of Trainers (ToT)** – Concept of ToT is good to disseminate literacy at ground level but question is who the trainers are. Trainers need to be institutionalized, project based activity is not enough to meet the need. So, trainers should be from the community who can understand the need of the people. Before training, the person should do need assessment and then develop a training manual accordingly. Study of basic behaviour of clients is equally important. These trainers can be linked to the bank to establish the continuity of the programme. Also repeated dose of training on different financial products is important. PSIG, SIDBI is implementing the pilot on training of 60,000 MFI clients through the trained cadre of Master Trainers for which financial literacy and women empowerment module is prepared with expert consultation and an external Resource agency is implementing this program.
- **Staff constraint at rural branches of banks** – inadequate staff in rural bank branches often limits its scope of operations. Considering the need, banks should see the possibility of setting up a brick and mortar branch with minimum staff strength of 1+1 or 1+2.
- **Repetitive Counselling** – In some cases, people need repetitive counselling, to believe on any new system, created. Also visibility of counselling centres is not sufficient, so there should be certain infrastructure to address issues of people. These centres should do repetitive counselling of people on same financial products, because people need time to understand importance of the product.
- **Strong monitoring at all levels** – For success of any programme, monitoring at all level is crucial and important.

4. Key Takeaways –

- **Mass awareness** – Creating broad level awareness on financial inclusion and services is very important. This awareness generation can be done through financial camps, nukkad nataks, radio jingles, wall paintings, school text books, local newspapers etc. People at different levels such as PRIs, community persons, teachers, students etc. can be involved for mass awareness generation.
- **Close repetitive counselling** – should complement to mass awareness programmes. It can be done by the organizations working at grass root level. They can use their field level staff as '*comprehensive financial trainers*'. These trainers also need to get updated themselves about social security schemes, different banking services etc.

- **Block level financial literacy centres** – a block level infrastructure may be set up with an objective to provide necessary financial literacy inputs and address queries on all financial services and products and government schemes of people. Financial Literacy Centres set up by banks should be effectively engaged in providing free financial literacy/education and credit counselling to people.
- **Develop outcome indicators** – Under PMJDY, about one crore accounts have been opened in Bihar, now focus needs to be on improving the usage of bank accounts and increasing transactions.
- **Need to make it Business proposition for banks** – For providing financial services, banks should see its return. And where there is great return they would like to invest there. Bankers have their own constraint and to survive, they should ensure return. For e.g. in SHGs bank linkage and credit linkage, return is more ensures that is why all the banks are showing positive response towards this.

5. Action Points –

1. Organize meeting of PSIG, NABARD, JEEVIKA and two banks to develop a collaborative proposal for strengthening Financial Literacy Centre at block level.
2. Create District level Financial Inclusion forum in consultation and collaboration with Department of Institutional Finance.

6. Vote of thanks

Mr. Prakash Kumar, General Manager, SIDBI expressed sincere thanks to all participants for actively participating in the meeting. He said that approach of SFIF is to identify possibilities of synergy among various stakeholders. Financial Literacy is a very vast topic and needs to be addressed differently with different levels of target groups. PSIG, SIDBI has engaged “Indian School of Microfinance for Women” (ISMW) as a Resource Organisation (RO) for implementing the pilot on training of MFI clients through the Master Trainers to be placed with MFIs in UP and Bihar cluster. The pilot aims to cover 60000 women clients of the micro finance institutions. The intent is to provide minimum 30 hrs of training to the clients on Financial Literacy, legal entitlement and women empowerment issues, spread over a fairly long period of up to one year to ensure good retention and change in behaviour. Progress of the pilot would be shared with SFIF in due course.

For financial literacy programme we should not only depend upon banks, because they have their own limitations. Always there is scope of partnership to increase effectiveness of the programme. PSIG is always keen to give technical support for innovative ideas. Next financial year will be announced as the *Year of Financial Literacy*, and we should utilize this as an opportunity to intensify efforts for financial literacy in the state. PSIG will do constant follow up on this issue for next financial year.

ANNEXURE I – List of Participants

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