

**State Financial Inclusion Forum (SFIF), Uttar Pradesh:2<sup>nd</sup> Meeting**  
**Theme: “Financial Inclusion through Micro Insurance in Uttar Pradesh: Issues & Challenges”**  
**Date: 26th November 2014**  
**Venue: Bankers Institute of Rural Development, Lucknow**

**Summary of Proceedings**

Uttar Pradesh has achieved good progress in terms of reducing poverty and illiteracy; harnessing natural resources; and reforming laws and administrative reforms for development. However, the state still lags behind the national averages of economic indicators. It has lower Per Capita Income with higher Poverty Ratio and lower rank in the Human Development Index (18th position). The state has yet to achieve substantial results in terms of spreading banking and financial services to a vast section of the society.

Among other important efforts towards development, it requires an effective 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 (PSIG) programme 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 PSIG to coordinate the initiatives on policy advocacy in the above four states as well as at the National level. Setting up of multi-stakeholders State Financial Inclusion Forum (SFIF) in each PSIG focus state has been agreed as one of the key mechanisms to achieve the objectives under the policy advocacy component at the state level. The SFIF is expected to act as a platform to facilitate effective coordination and synergy among all stakeholders in creating an enabling environment and accelerating the process of financial inclusion in the state. The list of SFIF members and other participants of the meeting is provided in **Annexure 1**.

As proposed in the 1st SFIF meeting held in August 2014, the 2nd meeting was organized on the focus theme of “Micro-insurance: issues and challenges’, and accordingly various key stakeholders from the micro-insurance sector were also invited as special invitees to share their input.

**SUMMARY OF PROCEEDINGS**

**1. Action Update from the 2nd SFIF Meeting**

The meeting started with a welcome note from Ms. Radhika Agashe, Executive Director, ACCESS-ASSIST by speaking on the theme, the SFIF objective and the launch of first UP inclusive finance bulletin. She also requested the forum members to provide their feedback on the same.

A recap of last SFIF meeting with major thrust on standardization of forms for SHGs was shared & members were requested to facilitate in replicating the same in UP with the help of SLBC. It was also

requested to all to help in getting SLBC to the Forum as the state team's efforts were not reaping results.

In response to this Mr. Prabhakar Behera, GM (Financial Inclusion department), NABARD shared that NABARD has been making significant efforts and standardization of forms for SHGs has already been done in UP and all the banks are using those common forms too. The real challenge as told by Mr. Behera is not of the form, but the operational issues like the stamp charges levied are not uniform across banks and NABARD has been trying for the past one year to get this fee waived off by raising the issue with the concerned departments but in vain. He also raised the issue of the folio charges being levied by banks, which are again not uniform. BSBDA accounts are free from any folio charges, but the SHG accounts which are mostly utilized by poor women are still bearing the brunt of these charges. NABARD had collected this data for 14 banks with the help of RGMVP and shared with SLBC committee. Although SLBC had agreed that different charges should not be taken by the banks, no further step has been taken in this regard. To this the representatives from RRB's quoted that they are not charging any kind of folio charges from the SHG's groups.

## **2. Financial Inclusion- RSBY Impact by Mr. Alok Kumar, IAS**

We had a special speaker on Rashtriya Swasthya Bima Yojna (RSBY), Mr. Alok kumar, IAS, Secretary & commissioner Revenue Board. He is an ex CEO of RSBY and during his tenure RSBY UP was awarded the best performing state award. He gave brief description of policy which allows a rural poor (under BPL category as per the 2002 census) a health insurance coverage of Rs. 30,000 at a minimal cost of Rs. 30 per family. The rest of premium cost is borne by the Centre & State Govt in 75:25 ratio respectively. He spoke of two other policies which come under the category of mass policies i.e. Panjikrat Kisan Bima Yojna(PKBY)& Aam Aadmi Bima Yojna (AABY). The scheme provides In-patient department (IPD) coverage for predefined package list. His point of concern regarding mass health policies revolved around 3 parameters:

- **Question of choice:** - The beneficiaries have no control over which insurance company they want to opt for their insurance coverage. The power should lie with the beneficiary to choose the services of insurance companies. In the present scenario the monitoring agency through tender allots district to insurance companies.
- **Benefit package:** - Beneficiaries come from rural background who are in no position to either demand or protest. They are not even aware what all coverage is provided to them. The package offered should be made according to their need & demand.
- **Issue of capacities:** - The third concern raised by Mr. Alok Kumar was issue of capacities, wherein he specified that Govt decides good for the people but fails to build the capacity of its own department. Under RSBY services to 20 million has been provided by a staff of 15 people besides the implementing agencies. He confessed that the continuous decline in the performance is due to lack of capacities of implementing agencies & TPA's (Third party administrators).

He also outlined the frauds carried by hospitals and how people get trapped by them. The main objective of such policies should be social origin & solidarity. By default Govt is creating separate systems for the rich and the poor. He was in advocacy for a single scheme for all even if the coverage

remains low so that a common platform can be made for all. In the end he concluded that to sell the concept of insurance awareness needs to be created, IEC needs to be taken up effectively to educate people.

### **3. Reaching out the benefits of RSBY to the poor- An experience of RSBY by ICICI LOMBARD:**

A presentation session was carried out by ICICI Lombard team towards the progress of RSBY from start till present. RSBY has helped in reduction in healthcare cost, disease mobility tracking & control flexibility in financial commitment. Increased awareness among people for insurance can be seen from increased enrollment from 38% in 2008 to 62% in 2014, it shows that we have come a long way. The average family size has increased and females too are turning up to get themselves enrolled under the scheme. The company shared numbers of cataract operations & hysterectomy which accounted for the maximum treatments in UP. Quoting the recent case of 11 women's death in Chhatisgarh, Ms. Ragini raised the concern that the implementing agencies should keep a check on incidences like this so that the scheme benefit people & not the doctors/hospitals.

### **4. Micro Insurance for poor households by LIC**

As a public sector company, LIC of India has been taking multiple measures to provide micro insurance services for the low income group. In Uttar Pradesh, LIC is serving the clients directly as well as through Govt. and corporate agents. In their presentation LIC talked about the need for insurance cover for poor households and the informal risk bearing measures they use. Micro insurance as a concept was talked about along with the various models of product distribution. LIC talked about their popular micro insurance product "Jeevan Mangal" and discussed its benefits with the SFIF members.

### **5. Micro insurance practices, challenges & opportunities for MFI by UTKARSH**

The presentation by Utkarsh was impressive starting with difference between Conventional insurance & Micro insurance. The highlight was on the need of rural insurance as per the norms of IRDA. IRDA has set up norms for insurance companies. According to the norms the some percentage of total premium earned by insurance companies must come from rural or semi urban locations. The point emphasized by this was that the insurance companies do micro insurance not because they think it is a social cause but because it is an obligation. The representative from UTKARSH talked about the operational difficulties incurred while selling micro insurance. The insurance documents are never in vernacular languages and this is a huge problem for selling insurance to rural populations. There is no standardized procedure for underwriting in micro insurance. The positioning of micro insurance has never been done as a regular value product to a client which makes it difficult to sell. MFI is looking forward to untapped population as a big opportunity to scale up. The Utkarsh team though gave suggestions to make the system better customer focused approach and flexibility in premium payment we can connect people with Insurance.

## 6. RRBs on Insurance

Mr. K R Kanojia, Chairman, Baroda Grameen bank shared that the bank is promoting insurance through Oriental Insurance Company Ltd. following the BC model. They added that if insurance cards can be issued locally then cost can be minimized and BC's can distribute these easily. Grameen Bank of Aryavart chairman Mr. J S Ravi Kumar added that they have tie-ups with Bajaj Allianz and have clientele base of 1.50 lacs under Sarv Shakti Surakhsha Yojna and over 10000 claims are settled till date. Required infrastructure such as cash handling, transportation, accounting for implementation of BC model is the biggest hurdle for the bank. To which the discussion moved to IRDA & the financial literacy issue for the BC. The question raised by Ms. Ragini Chaudhary was that IRDA has defined norms to being an agent regarding training and BC's don't undergo the same training which may lead to lack of knowledge and damage the system. To which RRB's clarified that they give training of 10-20 hours as per the guidelines of IRDA as part of financial literacy.

Another important point that the gathering agreed that as the Mass clientele is rural so enrollment & settlement should be made easier for rural people. To this Mr. Prabhakar Behera added that a dream scheme like PMJDY is offering bank account opening with rupay card and also has accidental insurance policy, but the same questions of easy settlement arise. As there are several prerequisites which must be satisfied before these services can be used. For example RuPay debit cards should be with the beneficiary. Similarly accidental insurance will be valid only after 6 months of opening up of accounts.

## 7. Key discussion points:

- An engaging discussion on on corporate agent, broker, BC model held and the gathering showed a lot of interest in implementing schemes through BC model and agreed that commission structure of BCs should be revised as the fixed component paid to BC is very low. Quality discussion held on whether BCs can serve multiple organisations at the same time.
- Ms. Urvashi Prasad, COO, UPSRLM shared that UPSRLM is working in 822 blocks in 75 districts in U.P., intensively working in 22 blocks and facilitating easy access to credit for women. She strongly recommended health insurance policy for the rural women. She requested Mr. Prabhakar Behera of Nabard to take up the issue of including insurance in SLBC committee and suggested that joint training programmes can be arranged with the help of banks & insurance companies. She also advocated that insurance should be advocated on formal forums.
- Mr. Prabhakar Behera discussed the issue of crop insurance which AIC is doing for Loanee farmers. he shared his concern thatfor the western UP farmersthose who do not have loan don't go for crop insurance as the premium rates are too high for them to bear. In UP alone 44 districts are flood prone but the crops are not insured, which in case of natural calamity or mishap leads to disbalance in their life. He suggested for making current schemes better & popular so that 100% coverage could be provided to all the farmers. . While discussing he also raised his concern on Bhumihar Kisan groups that who

- are tilling the lands of others. The bhumihaar kisans have no access to crop insurance even though they are most deserving candidates for this.
- He suggested for a study on enhancement of products in health insurance and also to share the recommendations of the forum with IRDA to come up with solutions.
  - The gathering unanimously advocated the fact that the regulator should educate MFIs, insurance companies according to the need of the rural people. Financial Literacy Centres should be strengthened under financial inclusion program on credit, savings, insurance etc. As SLBC reviews every norm of banks it should include insurance too as part of the review.
  - Ms. Ragini Chaudhary also recommended Vimo SEWA's model of insurance and recommended a exposure visit to get insight and prepare a combo product at minimal cost for life health & accident insurance.

#### **8. Action Points:**

The meeting concluded with following action points:

- To highlight the key policy issues and share with regulatory authority IRDA, RBI and get more insight on insurance.
- To plan exposure visit to VimoSewa in Gujarat to study their insurance model.
- To get in touch with SLBC, NABARD, RRB's, insurance companies to identify the key issues and then work on strategies to address them.
- The theme proposed for the next meeting is: **"Micro-pension for the Poor"** SFIF Secretariat will meet the relevant players working on micro-pension, understand the status of progress in the state and develop a background note and agenda based on the information and share that with all.
- The next SFIF meeting is proposed on 25<sup>th</sup> /26<sup>th</sup> February 2015.

#### **9. Vote of Thanks**

The Vote of Thanks was proposed by Mr. Utpal Kr. Chakraborty, State Director, PSIG-SIDBI. He thanked all the SFIF participants for their whole hearted participation and he also emphasised to take up the issues discussed forward with regulatory authorities to work on strategies and come up with solutions.

**Annexure 1: List of participants of the meeting**

<b>S.No</b>	<b>Name</b>	<b>Designation</b>	<b>Organization</b>
1	Mr. Alok Kumar	IAS, Secretary and Commissioner	Board of Revenue, UP
2	Mr. Prabhakar Behera	GM	NABARD
3	Ms. Urvashi Prasad	COO	UPSRLM
4	Mr. S.K Bhargava	Financial Adviser	Sonata Finance Ltd.
5	Mr. Raj Pathak	Regional Manager	ICICI Lombard
6	Mr. Amir Abbas	State Coordinator RSBY, Weather Insurance	ICICI Lombard
7	Mr. K.L Agrawal	Regional Manager, MI	LIC
8	Mr. P.S Mohanan	State Programme Director	RGMVP
9	Mr. Vatsal Nath	Sr. Divisonal Manager	Oriental Insurance Co.
10	Mr. Gaurav Agarwal	Administrative Officer	Oriental Insurance Co.
11	Mr. K.R Kanojia	Chairman	Baroda UP Grameen Bank
12	Ms. Ragini Chaudhary	PSD Adviser	DFID
13	Mr. David Elliott	PSD Adviser	DFID
14	Mr. B.B Singh	GM	Gramin Bank of Aryavart
15	Mr. JS Ravi Kumar	Chairman	Gramin Bank of Aryavart
16	Mr. Anwer Husain	Chief Manager	Gramin Bank of Aryavart
17	Mr. Arvind Kumar	AVP	Utkarsh Microfinance
18	Mr. Trilok Nath Shukla	COO	Utkarsh Microfinance
19	Mr. Ravi Prakash	DGM-Finance	CASHPOR
20	Mr. Anup Kr. Singh	MD	Sonata Finance Ltd.
21	Mr. Brahmanand	VP Finance	Sonata Finance Ltd.
22	Ms. Urvashi Prasad	COO	UPSRLM

23	Mr. Prakash Kumar	GM	SIDBI
24	Mr. Utpal K Chakraborty	State Director PSIG-UP	SIDBI
25	Mr. Amar Gupta	Assistant Manager	SIDBI
26	Ms. Radhika Agashe	Exec. Director	Access-Assist
27	Ms. Priyanka Pathak	Manager - UP	Access-Assist
28	Mr. Sumeet Singh Heer	Senior Project Coordinator	Access-Assist