

4th State Financial Inclusion Forum (SFIF), Odisha

Theme: “Micro-pension for the Poor”

Date: 31st October 2014 (2.30-5.00pm)

Venue: Hotel Swosti Premium, Bhubaneswar

Proceedings of the 4th SFIF Meeting in Odisha

Background: Small Industries Development Bank of India (SIDBI) in partnership with Department for International Development (DFID), UK, is implementing a bilateral project titled “Poorest States Inclusive Growth (PSIG)” programme. The programme aims at to facilitate better access to financial services by the poor and to promote pro-poor investments in India’s four poor states of Bihar, Odisha, Uttar Pradesh and Madhya Pradesh. The key mandate of the programme as earlier said is to improve access to both financial as well as non-financial services(savings, credit, insurance, pension, remittance, mobile banking, BCs etc) for poor people and to strengthen the institutional framework so as to help the poor in improving their income and quality of life through multi-farious initiatives.

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.

As proposed in the 3rd SFIF meeting held in June 2014, the 4th meeting was organized on the underlying theme of “**Micro-pension for the Poor**”. Based on a small study and interaccations with various relevant stakehokders, a Background Note on micro pension with special reference to its progress, potential, issues and challenges in Odisha was prepared and shared with all the participants. In addition to the SFIF members,a few key stakeholders from the micro pension sector including the PFRDA Official, Agreegators, Banks, MFIs etc were invited to share their inputs. The list of SFIF members and other participants of the meeting is provided in ***Annexure 1***.

SUMMARY OF PROCEEDINGS

1. Overview on NPS-Lite and Swavalamban Scheme by Mr. A.G. Das, CGM, PFRDA

The NPS-Lite: Swavalamban Scheme has been a flagship pension programme of the Government of India which is being promoted extensively by the Pension Fund Regulatory and Development Authority (PFRDA) in the country. To enable economically disadvantaged sections of the society with limited investment potential to take advantage of the NPS; PFRDA has made available a unique platform at ultra-low cost with optimized features. Under this format individuals are able to join NPS (National Pension Scheme)under the NPS Lite scheme through “Aggregators” appointed at the local level. The subscribers are encouraged to make a minimum of Rs. 1000 contribution per year or more to avail the matching assistance of Rs. 1000 from the Swavalamban Scheme of Govt. of India (presently applicable

up to FY 2016-17) during the year. This is the only important 'contribution' based benefit scheme of the Government rather than being a standard 'subsidy' based programme. This encourages people to save and invest for their old age through the government contribution.

Coverage of NSP-Lite:As on 31st March 2014, the total number of subscribers were 6.5 million comprising of 1.4 million Central Government and Central Autonomous Bodies employees (accounting for about 21% of the total subscriber of NPS), about 2 million State Government and State Autonomous bodies employees (31%), 2.8 million Swavalamban subscriber (accounting for 43% of total no. of subscribers) and 3.4 lakhs (5%) subscribers from All Citizen variant. Looking at the current figure, there are 4.2 million Swavalamban subscribers in which maximum contribution comes from the MFIs (Micro Finance Institutions) as Aggregators. The MFIs in Odisha currently do not have significant contribution, their active cooperation is important to the successful implementation of the Swavalamban scheme in the state. As these institutions already have the reach and the financial intermediary relation with the poor, the engagement of the MFIs as aggregators/facilitators is very important for enhancing outreach and persistency of the NPS Lite scheme. Persistency ratio in pension as a new product is good so far at about 80% (compared to that of insurance which is close to 60%).

Involvement of Banks: All the Banks have been requested to join the scheme and help compounding the enrollments across India. But as on today, only a couple of banks have shown keen interest and proactiveness in adopting the product and enrolling progressively. In the recently launched PM's Jan Dhan Yojana, the scheme has been categorically given importance by its inclusion in the first phase (which was earlier scheduled in second phase), which will hopefully influence the banks to adopt the scheme as well. PFRDA has already written to all the SLBCs and has participated in six SLBC meetings to promote the scheme. The Regulator realizes the intrinsic role of bank branch managers in the respective locations who already have an established rapport and can significantly help creating awareness among the public.

Support from State Governments: As of now many state governments and their line departments have started taking initiatives to extend the NSP-Swavalamban scheme for the poor in the unorganized sector in their respective states. Some of other State Governments including Haryana and Karnataka are providing additional contribution to the Swavalamban subscribers of their state.

2. NABARD Experience by Mr. A.P. Das, DGM-NABARD

NABARD implemented a pilot for NPS(L) between April, 2011-August 2012 with a target outreach of 5 lakh, as part of the Financial Inclusion initiative. The success of the project concentrated in Mayurbhanj district of Odisha, where it had reached 15 blocks with 45% of women as subscribers. The positive result was possible in that district because of the participation of the banks and also the NGOs which had reach as well as clients with existing financial relation with them. The main target group of the product was the unorganized section of the labor class. Baitarani and Neelachal Gramya Banks were the two aggregators banks for the initiatives. However during the restructuring/amalgamation of these RRBs into Odisha Gramya Bank the implementation of the project slowed down and did not pick up since then.

Take-aways from the project:

- With banks as aggregators, there is always an issue of accessibility to clients; the profile of people being targeted under this product have limited financial/banking habits with the banks. So there is a need for grassroots level initiators/facilitators such as NGOs/MFIs/SHPs who not only help in enrolment but also in creating awareness about the benefit of the product and in supporting the persistency.
- Bankers have not yet fully adopted the product as part of their corporate strategy.
- Apart from unorganised labor class people, farmers with KCC should be targeted for a successful and further implementation of the programme.
- To mainstream the product, it has to be included in the regular SLBC meetings. Once it has become a part of the agenda, it can then be spread among the bankers and percolate down to the district and block level through DDMs and LDMs.

3. Key Points from the Openhouse Discussion :

The participants present had an interactive deliberation on the Swabalamban scheme, shared their experiences on its benefits, issues and challenges involved in the process and also expressed their expert views on how to expand micro pension services in the state. Some of the key points emerged out of the deliberations include:

- Advocacy needs to be done to mainstream pension in State Level Banker's Committee (SLBC) agenda and further down to the DLCC and BLBC. Block level engagement is likely to be most effective since branch managers are involved and the key messages need to be communicated to them.
- In addition to targeting the unorganised sector, which PFRDA is doing, farmers are a good target segment since they have land and the pension product can also be linked to KCC (similar to accident insurance) in partnership with banks and with NABARD (through DCCBs and PACS).
- Involvement and backing of State Govt. is very important for effective roll out of pension. In certain states including Karnataka and Haryana the incentives are very attractive for clients and the facilities attractive for aggregators, which is leading to good outreach and persistency performance.
- A possible strategy can be to request the Chief Minister to bring this scheme at state level as a scheme with direct benefit to beneficiary. Similarly advocacy may be done with line departments such as Labor, Health, WDC etc for mass coverage of NSP-Lite in a convergent manner with various Govt. programmes.
- Link micro pension with medi-claim/health insurance so that poor people get total social security
- Undertake continuous financial literacy programs to educate the poor clients on the value of micro pension, insurance along with other financial services.
- Some of the successful instances of Farmers' Club being used in Maharashtra and Kerala for spreading financial awareness among the poor can be studied and replicated in Odisha.

4. Sharing of Aggregators' Experience:

Joining the discussion in the SFIF meeting, the Aggregators brought in the practical experience of enrolling and promoting the product to their respective clientele. In order to have an elaborate deliberation mainly on the issues and challenges faced by the Aggregators in channelizing the micro pension services for the poor, a separate pre-meeting discussion was organized with them in the first half on the same day. Summary proceedings of the discussion is available as **Annex-2**. The consolidated feedback covering (1) Issues and Challenges and (2) Suggestions was presented during the SFIF meeting, which is provided below:

Issues & Challenges:

- Aggregators are not adequately equipped to deliver effectively on client awareness; inadequate Financial Literacy on the part of customers for understanding the relevance of pension and details of subscribing for that through aggregators
- Client queries on returns remain unresolved- Concerns and queries raised by the clients related to payment of the subscription, return for the scheme, mode of payment, service period etc. are not being effectively responded to by the Aggregators as the aggregators' staff are not fully aware of the details.
- Trust issues with MFIs/NGOs—Clients are not comfortable with MFI/NGOs as aggregators for collection of pension contribution; this is being further exacerbated by the recent Chit Fund scams in Odisha and West Bengal.
- Incentives for aggregators are not adequate to cover costs of client education, technology etc, due to which aggregators tend to bunch pension with other financial and non-financial products
- Malpractices by some agents/sub-aggregators in the field create problems for the credible aggregators.
- MFI systems and processes are better designed to deliver short term credit; for them handle long term products such as pension is bit challenging, capacity building is required for systems development as well as training of their staff.
- Many Bank personnel are ignorant about NPS-Lite pension product and do not accept premium contribution from clients. The public sector aggregator like LIC too has limited coverage in Odisha (only 2 offices as aggregator). Deposit of subscription other than LIC counters becomes quite difficult and clients prefer options of financial institution such as banks, LIC etc for their deposits rather than NGOs/MFIs.
- State Govt. contribution in Odisha can make the scheme more attractive and enhance outreach
- There are several operational issues such as delay in PRAN (number and card); correction of PRAN cards; access to account details etc. which need to be resolved.

Suggestions:

- Need awareness campaigns/ drives through mass media by all stakeholders including PFRDA. People should be educated on the product through an intensive awareness program as done in case of PM Jan Dhan Yojana.
- Facility for direct communication from PFRDA to clients such as through SMS/Calls would be quite useful

- PFRDA should come out with a list of certified aggregators and issuing approved certificates, if not Id cards, for collecting enrolments which will help their staff to convince the people and enroll them for the NPS lite
- In long term, mainstream FIs (Banks/RRBs/LIC) should be lead aggregators with MFIs/NGOs as BCs/BFs
- Portability/mobility/flexibility for paying premiums/instalments in different places. Banks/LIC should accept pension deposits at branches; need for sensitization and better incentive for banks.
- Standard criteria for due diligence of facilitators along with standardised Terms of Reference should be provided by PFRDA to avoid appointment of non-serious agencies as facilitators.
- LIC agents should be targeted to distribute the product with better commission. A standardised due diligence system and ToR for appointment of agents/sub-aggregator may be thought of for that.
- Capacity building fund for staff training, system development at aggregator/sub-aggregator level
- Strengthening client grievance reporting and redressal mechanism to better attend their queries and concerns.

5. Responses & Remarks :

The responses from the PFRDA to the above queries and issues were quite clear and elaborative in nature which include:

- PFRDA has brought out some campaign and communication materials which can be very well utilized by the aggregators. However, while PFRDA recognizes the need, the institution has limited resources to undertake massive awareness campaigns. A possible avenue is to get buy-in of the departments of State Govt. in the scheme and through them media budgets of state govt. can be utilized for this purpose.
- PFRDA provides Rs 100 for each account and Rs 20 for promotional activities to aggregators. This amount has been increased recently and PFRDA is working continuously with the Govt to further enhance the incentives to aggtregators.
- Government usually works in a phased manner. In view of that the current contribution of central government to the subscriber (Rs.1000/-) might also be available for the poor client beyond 2017.
- In case of the NPS Lite product, charges levied on the client is very low and development and maintenance of systems needs capital. However, there are steady developments being made in systems. From November onwards, system of SMS to client for intimation/confirmation of deposit is being initiated.
- Banks are gradually responding to working on the NPS lite product and are likely to come out to promote the product in view of expansion of PMJDY beyond account opening. They can also reach out the remote areas through their BCs/BFs. They should also accept the deposit from the NSP-Lite subscribers and can avail the current provision of Rs 20 for each enrolment.
- Aggregators/MFIs are supposed to be the ideal players to promote the scheme mainly because of their presence in the rural and remote areas and rapport with the communities
- Staff of Aggregators cannot be provided with PFRDA approved Identity cards as there is an apprehension that cards can be misused. However, PFRDA certainly provides a letter to the approved Aggregator for the distribution of the product. Such letter is however not issued to the

facilitator, since PFRDA does not acknowledge facilitator's role as part of its system. It is an arrangement between the aggregator and the facilitator.

- NSDL e-Governance Infrastructure Limited has been appointed as Central Record Keeping Agency (CRA) . It acts as an operational interface between PFRDA and other NPS intermediaries. The complain/grievances can go through the Aggregator from the customers to the CRA using the toll-free numbers.
- The new Act has guidelines/ToR for appointment of facilitators.
- PFRDA is open to appointing staff for training of staff of aggregators

A suggestion on source of funding for financial awareness was to explore the Depositor Education and Awareness Fund of the RBI. Advocacy for deployment of this fund for less publicized aspects of inclusion such as insurance and pension could be done.

6. Way forward for SFIF:

- Explore need and possibility of setting up a forum of pension aggregators (similar to the initiative in Bihar)
- Discussion ways of advocacy with SLBC in collaboration with the DFID for inclusion of pension in SLBC.
- Coordinate with PFRDA to organise follow-up exclusive meeting with aggregators and facilitators for resolution of queries on the product and process.
- Explore any opportunities of organizing training of staff of aggregators and facilitators as well as for orientation of bankers with involvement of PFRDA.
- Access and analyse granular data from PFRDA on state wise break of pension enrolments, income segments/levels of annual contributions and persistency to arrive at the target segments the scheme is currently reaching.
- Explore the possibility of creating mass awareness and generating demand for micro pension in Odisha in collaboration with PFRDA. Provisions for resource supports may be made from PSIG
- A round table with Banks and PFRDA can be organized to discuss ways of receiving better participation and co-operation in implementing the NPS lite scheme.

7. Action Taken Report (ATR) on the Action Points from 3rd SFIF, Odisha;

The key theme of the 3rd SFIF, Odisha meeting was "*Financial Inclusion through Micro-insurance in Odisha: Issues & Challenges*". Follow-up measures were taken by the Secretariat (*ACCESS-ASSIST*) on 3 agreed Action Points from 3rd SFIF held in June'2014. As per the practice, the updates on the action points-'Action Taken Report (ATR)' were supposed to be presented during the 4th SFIF meeting held on 31st October'2014, however, because of time constraint it was not possible to do that. The ATR is given in **Annex-3**

8. Next Steps:

The theme for the next meeting will be finalized in consultation with the SFIF members, DFID & SIDBI. Accordingly SFIF Secretariat will develop a background note and agenda and share that.

- The Secretariat will also work on the suggestions made during the meeting especially on the following key action points;
 - I. Explore the need and possibility of setting up a forum of pension Aggregators in Odisha
 - II. Advocacy with SLBC in collaboration with SIDBI-PSIG & DFID for inclusion of micro pension in SLBC.
 - III. Coordinate the initiatives on creating awareness and generating demand for micro pension in Odisha in collaboration with PFRDA, Aggregators and SIDBI-PSIG
 - IV. Organize a round table with Banks and PFRDA to discuss ways of receiving better participation and co-operation in implementing the NPS lite scheme.
- Seek views from the National Think Tank on ways to collaborating with Financial literacy initiatives of RBI–depositor education and awareness fund. Advocacy for including other services also need to be explored.
- Next SFIF meeting will be scheduled in December 2014

Annexure-1

List of Participants-SFIF Members

Sl. No	Name & Designation of SFIF Member	Representing Institution	Present
1	Dr. T. K. Pradhan, Director	Institutional Finance, Govt. Of Odisha	Member
2	Mr. S. Ramakrishnan, GM/Regional Head	SIDBI	Member
3	Ms. Supriya Pattanayak, State Representative	DFID India	Member
4	Ms. Nayana Mohanty, CEO	Swayanshree Mahila Samabaya Ltd	Member
5	Mr. S. K. Kale, Chief General Manager	NABARD	Mr. A. P. Das, DGM
6	Mr. Govinda Pattnaik, MD & CEO	Annapurna Microfinance Pvt. Ltd	Mr. Satyajit Das, Chief Finance Manager
7	Mr. S. Hansda, Sr. Divisional Manager	LIC of India	Mr. A. K. Sahoo (P & GS)
8	Mr. Jagadananda, Member Secretary-CYSD & Co-Chair	Centre for Youth and Social Development (CYSD) & Sa-Dhan	Ms. Kalpana Mohapatra, Programme Manager Mr. Parsuram Nayak, WTD-SMCS
9	Mission Director, OLM	Odisha Livelihood Mission	Mr. B. M. Pattanaik
SFIF Members (Absent)			
10	Dr. S. K. Nandi, Convenor-SLBC	UCO Bank	
11	Mr. Manas Pani, Head	Dhanei- KGFS	
12	Mr. Ambika Prasad Nanda, State Program Officer,	UNDP India	
13	Dr. H. K. Pradhan, Professor	XLRI Jamshedpur	

14	Dr. Haribandhu Panda, Pro-Vice Chancellor	Centurion University of Technology and Management
Special Invitees Present		
15	Mr. A. G. Das, CGM	PFRDA
16	Mr. Parshuram Nayak, Wholetime Director	SMCS
17	Mr. Baburam Parida, AGM (Outreach)	State Bank of India
18	Mr. Govind Dash, Secretary	Gram-Utthan
19	Mr. Md. N. Amin, Managing Director	Adhikar Microfinance
20	Mr. Manoj Satapathy, DGM & Odisha Business Head	IFFCO-TOKIO GIC Ltd
21	Mr. Jugal Kishore Pattnayak, Managing Director	Mahashakti Foundation
22	Mr. Satyaprasad, VP	IIMPS
23	Mr. Kamalesh Mohapatra, Asst. Manager	LIC of India
24	Mr. Neelanchal Pradhan, MD	GU Financial Services
25	Mr. Lingaraj Sahoo, Manager-Operations	Adhikar Microfinance
26	Mr. D. K. Mohanty	SMCS
27	Mr. Ramakrishna Atre	AMPL
28	Mr. Mohan Baliarsingh	MF Consultant
29	Mr. Jeebanjyoti Mohanty	IIMPS
30	Ms. Ankita Mohanty	IIMPS
31	Mr. Bimal Lakra	Sambandh Finserve
32	Mr. Manoj K. Raikalia	Sambandh Finserve
33	Mr. Abhilash Patel	Bandhan Microfinance
34	Ms. Pragnya P. Nayak	Bandhan Microfinance
35	Mr. Ashish	Union Bank of India
Other Delegates present		
36	Mr. Vipin Sharma, CEO	Access Development Services
37	Mr. David Elliot, Sr. Advisor-Private Sector	DFID, India
38	Ms. Ragini Bajaj, Technical Advisor Private Sector	DFID, India
39	Ms. Anjali Sablok, Deputy Programme Manager	DFID, India
40	Mr. Rajesh Kumar, State Director-PSIG	SIDBI
41	Ms. Radhika Agashe, Executive Director	Access-Assist
42	Dr. Amulya Mohanty, Vice President	Access Development Services
43	Mr. Narendra Nayak, Associate Director	Access-Assist
44	Mr. Arjun Pagal, Sr. Project Co-ordinator	Access-Assist

Annex-2:

**Consultative Meeting with MFIs, Aggregators and Stakeholders
On Issues & Challenges: Micro-Pension**

Date: 31st October 2014, Time: 10.00 AM – 2.00 PM

Summary of the Proceeding

A consultative meeting with the Aggregators, MFIs and other related stakeholders was organized in order to deliberate on and make a list pertinent of issues faced by them to increase the enrolments of micro-pension clientele in Odisha. Altogether 25 participants attended the meeting. (*List attached*). The meeting was quite purposeful as the participants shared their practical experiences on micro-pension service delivery along with highlighting the challenges they face in the process. The consolidated feedback based on their valuable points that went on to take the attention of all the senior functionaries and PFRDA official during the deliberations in the 4th State Financial Inclusion Forum meeting in the afternoon of 31st October'2014. The discussion mainly covered the aspects of Swavalamban scheme and the NPS(Lite) for the benefits of poor in Odisha.

The list of issues/challenges that came out of the meeting are briefly explained below:

- Aggregators are not well equipped to deliver effectively on client awareness & unable to address the queries on return: As the product is very new in the market and the calculations on its periodical return after a certain age is not understandable.
- Trust Issues with MFIs/NGOs: After the Aandhra Pradesh crisis and the ongoing chit fund cases, currently the collection of such amount linked with any additional services becoming very tough.
- MFI as an aggregator, there exist another challenge of serving clients for many years beyond the credit loan cycle. Mis-match between credit relationship and pension structure/services.
- Inadequet/insufficient incentive structure: The low incentive structure is not enough to cover client education and to upgrade technological support. When forced to club micro-pension with their existing products, the collection of the premium several times becoming a point of concern. (Because of the trust issue)
- The public sector aggregator like LIC too has limited coverage in Odisha-only 2 offices as aggregator. Deposit of subscription other than LIC counters becomes quite difficult.
- Banks who are the listed aggregators (in PFRDA website) seem to be ignorant about the existence of the scheme/product. Some banks even refuse to accept the micro-pension premiums/periodical contribution. Very selected banks anly accept micro-pension premiums.
- Operational Issues: It takes several days to get the PRAN (number & card); correction in PRAN cards and access to the micro-pension account status.
- There is unclear guidelines about when a client migrates to another city how he/she would tackle the issue of depositing premiums.

IIMPS Experience & Initiatives:

The Invest India Micro Pension Services (IIMPS) promotes micro pension services in collaborations with a few key stakeholders including LIC & UTI and NGOs/MFIs. In the year 2011 IIMPS piloted a Retirement Literacy and Pension Inclusion project in Odisha in collaboration with NABARD, UTI AMC and Baitarani Grameen Bank. From the inception, roughly 5000 rural low income workers were educated and enrolled for a long-term savings program in the state. Along with Sharing their own experiences on micro pension so far and understanding the challenges faced by the Aggregators/MFIs, the IIMPS explained how to address them with various innovative solutions including use of technological devises.

As a professional and technically equipped organization, IIMPS has come out with a set of support systems mainly to address many of the issues and concerns raised by the Aggregators/MFIs, especially at the operational level. The support system includes a unique technology platform, proprietary training model, customer education, Single Window Back office Solution, cash-less transaction solutions, on-line MIS & Service portal, Third Party Payment Network (TPPP) and a dedicated national level helpline in regional languages. Under their strategic tie-up, IIMPS has worked out a customized plan of operation which includes two pension savings products offered as a bundle of UTI-Retirement Benefit Pension Fund (RBPF) and NPS-Lite (Swavalamban Scheme).

List of Participants		
01	Mr. Kamalesh Mohapatra, Asst. Manager	LIC of India
02	Mr. Parshuram Nayak, Wholetime Director	SMCS
03	Mr. D. K. Mohanty	SMCS
04	Mr. Govind Dash, Secretary	Gram-Utthan
05	Mr. Neelanchal Pradhan, MD	GU Financial Services
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08	Mr. Ramakrishna Atre	AMPL
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18	Mr. David Elliot, Sr. Advisor-Private Sector	DFID, India
19	Ms. Ragini Bajaj, Technical Advisor Private Sector	DFID, India
20	Ms. Anjali Sablok	DFID, India
21	Mr. Rajesh Kumar, State Director-PSIG	SIDBI
22	Ms. Radhika Agashe, Executive Director	Access-Assist
23	Mr. Narendra Nayak, Associate Director	Access-Assist
24	Mr. Arjun Pagal, Sr. Project Co-ordinator	Access-Assist

Annex-3

Action Taken Report (ATR)

On the agreed Action Points from 3rd SFIF Meeting, Odisha (June'2014)

The key theme of the 3rd SFIF, Odisha meeting was “Financial Inclusion through Micro-insurance in Odisha: Issues & Challenges”. Follow-up measures were taken by the Secretariat (ACCESS-ASSIST) on 3 agreed Action Points from 3rd SFIF held in June'2014. As per the practice, the up-dates on the action points-‘Action Taken Report (ATR)’ was supposed to be presented during the 4th SFIF meeting held on 31st October'2014, however, because of time constraint it was not possible to do that. Below is given the summary of the ATR;

- The SFIF Secretariate had several visits and meetings with the public and private sector insurance companies, MFIs and other stakeholders during the period. It is understood from deliberations with the public sector insurance companies that the National Insurance Company is the nodal agency for Eastern Region and it has given 14 locations each to the other three insurance companies to open the micro-offices. Already opened but most of these micro offices found out to be non-functional due to the remote locations to which the staffs are hesitant to go and work. More details are given below.
- The team had also close interactions with 6 MFIs including 4 PSIG partners in Odisha (SMCS, SMSL, MSF, AMPL GU & KGFS) in order to document their experiences on offering micro insurance services to clients. The list of issues and challenges faced by them are compiled and put in this up-date.
- The Directorate of Institutional Finance, Govt of Odisha had sought feedback from SFIF-PSIG on the draft MFI Bill 2012. To respond to that, a small team consisting of members, mainly from DFID, SIDBI-PSIG, ASSIST & Sa-Dhan viz. Dr. Supriya Pattanayak, State Representative DFID, Mr. Rajesh Kumar, AGM, SIDBI-PSIG, Dr. Haribandhu Panda, Pro-VC of CUTM & SFIF Member, Mr. Parsuram Nayak, Director-SMCS (MFI) & Sa-Dhan Board Member, Mr. Md. Amin, MD-Adhikar (MFI) & Sa-Dhan member, Mr. Susanta Behera, State Coordinator, Sa-Dhan and Mr. Narendra Nayak, ACCESS-ASSIST was formed to review the document. The team had two rounds of discussions at the state DFID office on 18th & 23rd September'2014. Having shared the output initially, the team collected further feedback on that, finalized the document and shared that with the Directorate.

SI No	Action Point	Up-dates/Follow-up Actions
01	Mapping of micro-offices of insurance companies and USBs of banks	<ul style="list-style-type: none">• Meeting with Insurance companies: Held separate meetings with both the public and private sector insurance companies banks for collecting the list of micro offices and USBs. Collected from 24 locations. The bankers, however, are hesitant to share the list of their USBs. Obtained the list only from UCO bank. Will continue to continue collect from other banks and insurance companies• Key Challenges identified: Located mostly in the remote rural area, staff not inclined to stay in the location. Low premium, High operation cost, sustainability is questioned, Limited or no BC/BF available, lack of effective coordination between bank USBs and micro-offices• Revised MI products from Royal Sundaram: Collaborative efforts with Royal Sundaram (RS) in terms of visits, meetings and interface with MFIs (SMSL & SMCS) resulted in bringing out the revised micro insurance products on health, asset, livestock by the company.• Efforts Required: Coordinated efforts among all stakeholders supported financial literacy to generate demand and offer diversified financial services for poor. <p>Follow-up: Insurance companies suggested for undertaking a detailed study to prepare area specific plans and implement that with convergence of resources. A joint meeting of 4 PSU insurance companies, SLBC/Banks, Govt line departments can</p>

		be organized in order to better use the resources of both the lastmile services.
02	Collecting/compiling the issues and challenges faced by MFIs & the service providers in delivering micro insurance services and understanding their costing process in developing MI products	<p><u>Issues & Challenges faced by MFIs:</u></p> <ul style="list-style-type: none"> • Lack of awareness among clients on micro insurance--MFI has to invest considerable time and resources to educate people and offer the services, • Low demand and affordability among the clients, Lack of expertise and professional staff to manage MI . Require long hours of training by IRDA to be a certified trainer, • Operational cost is high, especially when dedicated staffs hired for MI, Inadequate incentive structure-commission not matching to the op. cost, • Some of the products not customized according to the local needs and availability of limited non-life products • Difficulty in collecting renewal premium, • Claim settlements are delayed at times- getting postmortem/FIR report is time consuming activities, • Cheques issued in the name of 'Nominee' who sometimes do not pay back balance outstanding loan amount to MFI ,Irregularities in collecting and depositing the premium by some agents, Delayed grievance redressal • <p><u>Issues & Challenges faced by the Service Providers/Insurance Companies:</u></p> <ul style="list-style-type: none"> • Lack of demand for MI among the clients and also the MFIs • Pressure for rural penetration -quite challenging • Lack of long-term partners-MFIs/NGOs/CBOs • Strict adherence to KYC/AML norms • Lack of dedicated resources-HR and budget • High operational costs-sustainability is time taking • MIA registration regulations pertaining to MFIs are complex • Claim settlement norms restricting the MIAs to pursue an efficient business • Delay in transition from the subsidy regime to a commercially viable arrangement <p>Note: No substantial information was shared by the companies on their costing process for developing new micro insurance products.</p> <p><u>Follow-Up:</u> Advocacy at higher levels including at IRDA may be taken up to better familiarize them with ground realities and bring necessary policy level changes to help expand micro insurance for the poor.</p>
03	Review of the draft MFI Bill- 2012 and provide the consolidated feedback to the Directorate of Institutional Finance	<ul style="list-style-type: none"> • Shared the document initially with a few SFIF members with a request to send their expert views • Reviewed the draft bill in a small team consisting of Representatives from state DFID, SIDBI-PSIG, Sa-Dhan, ASSIST and MFI • Held two rounds of discussions on 18th & 23rd Sept'2014) and shared the output internally to get feedback on that. • Finalized the output, prepared the consolidated feedback and shared /explained each of the point and submitted that to the Directorate. The Directorate has thanked for the efforts and also assured to refer the points while making its own recommendations to Central Govt on the draft Bill 2014.

In addition to the above follow-up actions, the team also undertook multiple visits to and meetings with aggregators in Odisha in order to prepare the Background Note on the focus theme of 4th SFIF meeting ***"Micro-pension for the Poor"***. Based on their feedback the Background Note was prepared and shared with SFIF members and other Delegates of the 4th SFIF meeting in Odisha.