

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

Poorest State Inclusive Growth programme (PSIG)

23rd December, 2014

NABARD, Mauryalok Complex, Patna

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 fifth meeting of the Bihar SFIF was organized on 23rd December 2014 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 Inclusion in Flood Affected Areas of Bihar***. Apart from SFIF members and PSIG team, the meeting was attended by representatives of SHPIs, MFIs, State Cooperative Bank, Cooperative Fisheries Federation (COFFED) and Govt. Departments.

Meeting started with a brief introduction of the theme by Ms. Radhika Agashe, ED, ACCESS-ASSIST; she expressed ample gratitude towards NABARD for hosting the meeting at their office, followed by self-introductions by the participants.

1. Presentation on PSIG programme in four states by Mr. Prakash Kumar, General Manager, and SIDBI: A brief presentation on PSIG programme was given by Mr. Kumar. He informed the audience about its objective, coverage, output and activities completed till date.

- Objective of the PSIG programme is to enhance the income and employment opportunities of poor people, especially women by promoting access to finance for the excluded section.
- In its target states – Bihar, Odisha, Madhya Pradesh and Uttar Pradesh, it is expected to benefit 12 million beneficiaries through microcredit and non-credit services like savings/ pension, remittances/ insurance etc.
- The three major expected outputs of this project are –

- a) Improved Policy & institutional environment – to work on impediments of policy related matter in these four states and do advocacy at different level, accordingly.
- b) Institutions Providing Diverse Financial Services Promoted–Capacity building support to MFIs/SHPIs/Banks/BCNMs in providing diverse range of financial services. Till date 28 such institutions are being supported under PSIG.
- c) Enhancing women’s capacities to tackle financial and gender issues–partnered with ISMW (affiliate to Sewa Bank) for providing Financial Literacy women in UP and Bihar.

He also updated the forum about the activities undertaken towards achieving these outputs. PSIG programme is not working as standalone programme, but to involve all stakeholders and work towards creating synergies for financial inclusion.

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. Micro-pension Compendium

Action taken: Micro-pension compendium is being edited after receiving feedback from PFRDA. It is expected to be translated in Hindi, which is proposed to be circulated to all pension aggregators in Bihar.

- b. Aggregator’s Forum

Action taken: 2nd Meeting of Aggregator’s Forum was held on 28th November 2014. The meeting was attended by a representative of Pension Fund Regularity and Development Authority (PFRDA), New Delhi. He gave a presentation on NPS Lite Swavalamban scheme and shared developments / changes pertaining to the scheme and also addressed doubts and concerns of aggregators.

- c. Study of BC Commission Structure of different banks

Action taken: A short study on BC commission structure was undertaken to examine the payout structure of different banks. Key findings are placed below:

- Majority of banks have fixed component (first six months) in their commission structure which varies from Rs. 2500 to 5000.
- Fixed commission is always subject to minimum number of transactions.
- Commission on RD/FD, remittance and SHG bank linkage is almost same in most of the banks.
- Almost all banks have fixed or made it mandate to share the certain percentage of commission of BC organization with their BCAs. Percentage varies from 70-80% of total commission.
- To make this channel more viable and profitable for both, BCNMs and banks, few banks have introduced selling other financial products like insurance, pension, micro credit etc.
- Training of BCAs is responsibility of BCNMs not of banks.

- d. Pitch book of MFIs

Action taken: A compendium of selected MFIs working in four states of PSIG is developed; it captures a snapshot of financial and operational highlights of institutions during financial year 2013-14.

3. Scenario of Financial Inclusion in Flood Affected Area of Bihar: A presentation was given by ASSIST about financial inclusion in flood affected area of the state. Highlights of the presentation are as below –

- Bihar is India's one of the most flood affected state with 16.5 % total flood affected area of the country. 20 out of 38 districts are flood affected. Every year of flood ends with loss of people and property.
- Major reason of flood is heavy rains flow coming from mountainous regions in Nepal and further excess down-flow from the dams in India.
- There are challenges in achieving financial inclusion in these areas, which are –
 - a) Underdeveloped communication
 - b) Inaccessibility and poor road connectivity
 - c) Income instability leading to migration of people
 - d) High risk of default, which makes banks more conservative
 - e) Very few credible SHG promoting institutions
 - f) Lack of customized financial products/services

4. Discussion:

- **Improving credit flow** in such areas is a major concern. Although banks are opening accounts through BCs and their ultra small branches, but services of BCs can still be improved. Also, third party can be used to provide their products and services by banks to reach out to remote areas.

In Bihar, there are more than 8,400 Primary Agricultural Cooperative Societies (PACS) and these PACS have good exposure of financial products. Most of them are already doing these activities but they lack capacity and knowledge base to provide on-time quality services which can be made better through required training and capacity building of the staff. Given their accessibility in the districts, PACS can be a potential channel to work as Multi-Service Centers to reach out to the affected people for providing financial services.

- Financial inclusion plan of banks should **integrate with larger strategy of Disaster Management Department** through discussion and convergence. There is a need to work on all the 3 aspects of disaster management i.e. economics; sociology; and psychology through an integrated strategy that includes financial services and channels.
- **Scale of finance and schemes for specific crops**, which are of high economic value such as water crops (*laai, makhana, singhada*) to support economy of flood affected area. There is a need to develop specific schemes to support and provide credit for such clusters which will be lucrative over a period of 4-5 years.
- **De-siltation of ponds and promoting pisciculture** – Over 90% of the ponds in the state are affected by heavy siltation. It was shared that bankers have least interest towards promoting pisciculture. Only 12-13% of potential resource is under pisciculture/aquaculture and is still untapped. It can be potential livelihoods for the people. Annual growth of the

fisheries sector of previous year was 19.2% and only 7.92 % this year. So, bankers should be made aware about potential of this priority sub-sector.

- **Pradhan Mantri Jan Dhan Yojana should focus more on credit facility.** This scheme should be more people oriented; only then banks will be able to think on providing credit facility to the people. Because financial inclusion also includes access to adequate credit at affordable cost. The overdraft of Rs 5,000 included as part of the PMJDY is not adequate for capital requirement of livelihoods/enterprises.
- **Credit schemes have to be linked to insurance** because flood affected area has high risk factor in terms of harm to life, animal, and the assets. Generic credit approach will not prove appropriate in this area, there is need to think that what kind of credit should be provided in such conditions.
- **Business Correspondent (BC) is one of the important channels of financial services in flood affected area.** Credit through BCs is gearing up in the state. If regular remittance to BCs is ensured (through boat facility etc.), then people of flood affected area will be getting financial services during flood also. BCs are also providing remittance to people from migrated members of their family in flood affected areas.
- **Credit support to Kisan clubs** can be promoted to give direct benefit to farmers who are flood affected, which will lead to effective and efficient marketing of agriculture products.
- **Promotion of Farmer Producer Organizations (FPOs) based on identified clusters** on commodity basis and then providing credit facility to these FPOs. Awareness of farmer producers companies in state is limited and requires more work upon this.
- **Need for customized financial products** – there is need to conduct gap analysis in current supply of credit services and demand from people of flood affected area. Financial services flow is present in such area but not matching with the requirement of people. We need to identify suitable products for specific area for all financial channels.
- **MFIs need customized products** to serve flood affected area. The standard products of MFIs are not applicable for such areas because individual demand is different and risk for MFIs is high. Holistic approach is needed to serve these areas including credit plus, insurance, skill building, disaster management perspective and government approach towards flood. PSIG can share best practices to support in designing holistic approach for this kind of area.
- **Support for R&D on product development** to Cooperatives, RRBs and banks may help in designing specific products for affected population, under PSIG Programme. There can be co-investment from banks in this R&D project. This will help in designing products on the basis of actual needs of the people..
- **For fishermen, interest subvention is not available** unlike KCC; banks are less interested in financing fishermen. It should be included in national calamity fund. Outreach of insurance should be promoted in fisheries.
- **Women are highly affected** – Health insurance particularly for women should be promoted since health implications of floods are severe. SHG members need to be proactively supported by banks during floods. As male member of family migrates and responsibility

comes to woman's shoulder, need based and timely loan for consumption purposes will improve the condition.

- **Identification of the real client** is very critical. Client level data should accurately capture details of recipients of loans and subsidies. Presently it is not reaching to the real cultivators (lease holders) but to the owners of the ponds and agricultural lands. Based on data, products and services need to be designed to benefit the poor people who are taking the enterprise risk. Repayment of loan should also be designed after taking flood period into consideration.
- **Convergence between different NGOs and other stakeholders.** Presence of local NGO and other organizations in such areas is good; but they are all working in different sector. There is potential for synergies of these organizations with financial services – such as pension, insurance, and BC channel.
- **Role of ICT is crucial** in disseminating success stories.
- For post flood relief, **hassle free consumption loan** is a scheme developed with the help of RBI. Banks should act proactively in implementing this scheme. Post flood, people need financial help to meet their various requirements, and if banks do not have a specific scheme then credit can be given through General Credit Card.

Three Action Points –

1. Looking for possibilities of establishing R&D Cell for financial products, with different stakeholders (Banks, NABARD, MFIs, financial experts etc.).
2. Study of successful model of implementation of any scheme in flood affected area with the help of Fisheries Department.
3. Documentation of activities (beyond A/C opening) of RRBs through their BC channel.

Vote of thanks

Mr. Prakash Kumar, General Manager, SIDBI expressed sincere thanks to all participants for actively participating in the meeting and special thanks to NABARD for hosting the meeting. He also thanked the forum to come out with different innovative ideas promoting Financial Inclusion in Flood Affected Areas of Bihar. He informed the audience that the next meeting of SFIF will be held in March, 2015.

ANNEXURE I – List of Participants

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