

6th State Financial Inclusion Forum (SFIF), Odisha

Theme: “PMJDY: Beyond Opening of Accounts”

Date: 20th April 2015 (2.00-5.00pm)

Venue: Hotel New Marrion , Bhubaneswar

Proceedings of the Meeting

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-credit 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 5th SFIF meeting held in January 2015, the 6th meeting was organized on the underlying theme of “**PMJDY–Beyond Opening of Accounts**”. Based on the interactions and feedback collected from various relevant stakeholders, a Background Note on the above theme with special reference to its progress, potential, issues and challenges in Odisha was prepared and shared with the participants. In addition to the SFIF members, a few special invitees from RBI, PSU Banks, RRBs, OSCB, MFIs, BCs and SHPIs etc were invited to participate in the meeting. The list of SFIF members and other participants of the meeting is provided in ***Annexure 1***.

SUMMARY OF PROCEEDINGS

Action Update from 5th SFIF:

Following the suggestion made during the meeting on the theme “Financial Inclusion through BCs”, the SFIF Secretariat facilitated the follow up with SLBC on the BC capacity building/training and exploring the possibilities to form a separate sub-committee on BCs within SLBC. It is understood that IIBF along with the SLBC of the respective states has been organizing Training of Trainers (TOTs) for the better functioning of the BC model as well as the CSPs. The training modules are being developed by IIBF and are used across the country for the training programmes targeting BCs. Two of such TOTs have been conducted in Bhubaneswar during March 2015. The Secretariat also followed up with UGB and High Mark on the credit bureau piloting. The RRB has shown its interest to initiate the piloting in its 1-2

branches in next month-May 2015, in collaboration with PSIG & High Mark. Additionally, the SFIF Secretariate had continuous follow-up with banks to facilitate increased funds flow for MFIs and SHGs in the state.

1. **Overview of PMJDY**

The 'Prime Minister Jan Dhan Yojana (PMJDY)' is one of the most comprehensive Govt. initiatives on financial inclusion with the mandate to cover all households in the country with banking and other financial services. PMJDY has envisaged a Six Pillar Approach which includes: (1) Universal Access to Banking Facilities, (2) Providing Basic Banking Accounts with Overdraft Facility and RuPay Debit Cards to all households, (3) Financial Literacy Programme, (4) Creation of Credit Guarantee Fund, (5) Micro Insurance, and (6) Access to unorganized sector pension schemes like Swavalamban.

Key Features: As a flagship programme, PMJDY has a few unique features in comparison to previous initiatives on financial inclusion, such as, focus on households and not only on individuals; coverage of both urban and rural areas; consideration of Sub Service Areas (SSAs) for coverage of the entire country; account opening integrated with DBT, credit, insurance and pension; inter-operability through RuPay Debit Card, AEPS (Aadhaar Enabled Payment System) etc.; simplified KYC/e-KYC; dedicated financial literacy cells in rural branches of banks; overdraft facility of Rs.5,000 as an incentive after six months; consideration of minimum remuneration (Rs.5,000) to the Bank Mitra/Business Correspondent (BC); structured monitoring mechanism at Centre, State and District levels; only online accounts in CBS of the bank; and provision of Credit Guarantee fund (Rs.1,000 crore) are potential game changers. The key features of PMJDY accounts come with the following guidelines:

Basic Savings Bank Deposit Account (BSBDA) – At least one account per household has been targeted. The existing “No-frill” accounts are to be converted into BSBDA accounts.

Life Insurance Cover:

- Individuals who have opened account between 15th August , 2014 to 26th January 2015 are only eligible for life insurance
- One person per family will get life cover of Rs. 30,000 under PMJDY
- Individual must have a valid RuPay card

RuPay Card and Personal Accident Cover:

- All the Account holders will be issued RuPay Debit Card
- Personal Accident Insurance of Rs.1 lakh is open to RuPay Cardholders from the age of 18 years to 70 years.

Overdraft (OD) Facility: All account holders are eligible for running Overdraft facility on following terms & conditions:

- Accounts must have operated satisfactorily for at least Six Months.

- OD will be granted to the earning member of the family, preferably woman. Age must be between 18 years to 60 years
- Accounts should have regular Credits under Direct Benefit Transfer Scheme.
- Accounts should be seeded with AADHAR for avoiding duplicate benefit.

Highlights of PMJDY in Odisha: The PMJDY evoked great aspiration and enthusiasm among the common people and also the bankers in the state of Odisha. Overwhelming response of the masses in the state, efforts of Bankers and support from the Govt have made it possible to achieve significant progress in implementation of this mission. As per PMJDY Website all banks collectively have made a remarkable achievement in the state. The highlights of the achievement, as on Feb'2015, are given below:

- 4.8 million accounts opened
 - 3.5 million in rural areas
 - 1.3 million in urban areas
- 75% opened with zero balance
- Rs. 428 millions (42825.27 lakhs) Deposits made
- 3.9 million RuPay cards issued (81%)
- 1.4 million accounts are Aadhaar seeded (31%)

However, despite the progress of PMJDY so far in terms of its speed, scale and publicity, the scheme is faced with a few challenges, especially at the implementation stage mainly because of its excessive emphasis of target on “numbers” without adequately considering the infrastructure availability. Also there seem to be limited conceptual clarity among some of the banks, BCs and other stakeholders at state and district level on various products and services of PMJDY.

2. Key Points from the Openhouse Discussion :

The participants present had an interactive deliberation on PMJDY, shared their experiences on its progress, benefits, issues and challenges involved in the process and also expressed their views on how to strengthen the programme further in the state. Some of the key points emerged out of the deliberations include:

- The efficacy of the scheme largely depends on the “active usage” of accounts. Specifically in Odisha around 75% accounts are opened with zero balance. Past experiences show that a large number of “no-frill” accounts remained dormant. It is feared that similar situation may occur to a sizable accounts opened under PMJDY as well, if close monitoring and follow-up are not done. Collective efforts therefore must be made to activate all these accounts at the earliest possible.
- The shortfall in terms of distributing of RuPay Debit Cards to beneficiaries is still experienced in many places (81% achieved). Both the RuPay card and PIN are given simulataneously. As a practice the account holders have to personally collect RuPay cards and PINs from bank branches, failing which some cards may remain at the branches.

- The process to provide the cards for individual account holder through bank branches and BCs may be accelerated. So also proactive measures including sensitization programme for the card holders should be taken to activate all the RuPay Debit Cards issued already. It is understood that 80% of the RuPay Debit Cards distributed in the state so far are activated.
- The RuPay Debit card has an inbuilt accident insurance coverage of Rs. 1 lakh which can be availed if the debit card has been used at least once in the last 45 days. The insurance coverage linked with RuPay Debit cards has been considered as an innovative measure under PMJDY. However, the terms and conditions required to avail the claim are not fully understood by bank staff and BCs which can lead to rejection of claims by the insurance company.
- Life insurance cover of Rs. 30,000/- will be available to all account-holders (with RuPay Card) who are the bread winners of the family and have opened their bank accounts for the first time. Experience shared by LIC revealed the fact that they have received a very few (4) cases for claim settlements so far under Bhubaneswar division, however, not a single case has been settled.
- No usage of overdraft facility by PMJDY account holders has been reported so far. The level of awareness among people on the terms and conditions including six months of active transactions in the accounts, flow of regular credits under DBT/DBTL scheme, requirement of Aadhaar seeding etc. is still relatively low.
- Along with the banking channel, the BCs also have a key role to implement and take forward the financial inclusion mission under PMJDY. It aims to hire an additional 50,000 BCs. In fact many of the banks took the help of their respective BCs to open the accounts and distribute RuPay Debit cards to people. However, past experiences and studies suggest that the problems of viability, cash flows, capacities etc. within the BC model continue to affect the progress, which need to be streamlined to better utilize their services for PMJDY. BCs should be fully trained on all banking products and services including term deposits and savings schemes, pension, Immediate Payment System (IPS) and Aadhaar enabled payment system etc. so that they are able to intermediate for all products rather than just for opening accounts and enabling transactions. BCs can also serve as recovery agents for banks.
- It is understood that many of the BCs do not have adequate understanding on PMJDY-its products and services. Even some of the bankers are not fully conversant with the scheme. As a result of which BCs are not able to deliver effectively on client awareness building. With a view to enhance the capacity of BCs, the SLBC in collaboration with IIBF has already conducted two batches of Training of Trainers on BC/ BF programme under PMJDY in March 2015. It is proposed that similar trainings will be conducted at district levels by these Trainers. SFIF is closely coordinating with SLBC in this regard. It was suggested that BC training may be organised in partnership with Universities/Academic institutions so as to create a cadre of trained and well groomed professionals available in the market for serving as bank agents

- Lack of clarity on the scheme-its eligibility criteria and and low understanding of account holders-on their roles and responsibilities still prevails, especially in the rural pockets. Customers' queries on RuPay Debit cards, insurance coverage, OD facility etc remain either scarcely responded or un-addressed. As such the need for continuous financial literacy sessions together with awareness campaigns/ drives through mass media by all stakeholders including the line Departments, Banks, BCs, MFIs, NGOs, Coop etc was strongly felt to educate account holders on various processes, products and services of PMJDY. Undertaking Financial Literacy programme for the people has been an in-built strategy of PMJDY (Pillar No.3).
- Quite a few initiatives have already been taken on financial literacy in the state. NABARD has provided financial assistance for setting up over 300 Financial Literacy Centres (FLC) through RRBs and Cooperative Banks. So also the PSU Banks, MFIs, NGOs etc run their literacy programmes for their respective clients. The Odisha Livelihood Mission (OLM) is also organising financial literacy programmes, for the women SHG members in the state. Financial Literacy programmes for students are being taken up by academic institutions in the state. The Centurion University has made it a part of their course curriculum for students. Perhaps there is a need for convergence of all these initiatives for achieving greater impacts of financial literacy among the target population. The federations formed under OLM and other govt. programmes can be utilized for financial awareness programmes.
- Low remuneration or incentive is still considered as a major concern by the BCs operating in the state. As reported by some BCs whatever remuneration they get in a month, the amount is not adequate enough to cover their own cost, costs of client education, technology etc. As a result many of them feel discouraged and leave the BC work , even without informing to their respective Corporate BCs or Banks . In view of this BCs need to be trained to improve their performance and also paid well . PMJDY has the provision to increase the remuneration of BCs to Rs. 5,000.
- The SFIF in its last meeting had taken up BC theme, facilitated an elaborate deliberation on the issues relating to BC model including on low remuneration of BCs and requested the Banks, SLBC and Directorate of Institutional Finance, Dept of Finance, Govt of Odisha to enhance BCs remunerartion in line with the provison of PMJDY. It was also suggested to have a separate small/sub-committee on BC within SLBC to specifically deals with the issues faced by BCs and strengthen them further in the state. The Director, Institutional Finance, Dept of Finance, Govt of Odisha reported that a 'Sub-Committee on BC' has been formed within the SLBC in the state. It is expected that this sub-committee will be able to specifically deliberate on various issues including the capacity building and low remuneration for BCs and address that effectively. The Director requested all stakeholders to compile pertinent issues affecting to BC operation and share that with the sub-committee for redressal.
- Close coordination among all stakeholders including banks and backing of State Govt. is very important to ensure outreach of the benefits of PMJDY scheme to poor. There should be a nodal

agency which is accountable to ensure proper and timely implementation of the programme across the state. To address this, a State Level Implementing Committee consisting of the Heads of major banks, Regional Head of RBI and NABARD, Insurance Companies and other stakeholder has been formed under the leadership of the Finance Dept, Govt of Odisha to better monitor the progress of PMJDY in the state. The SLBC coordinates with all key stakeholders including banks and share the progress updates on PMJDY on a weekly basis .

3. Way forward

- Expand the coverage and effectiveness of financial literacy and financial capability programmes for the account holders through sensitization and mass awareness building programmes on various processes involved in the services offered under the PMJDY scheme.
- Improve further the conceptual clarity and understanding of BCs/Bank Mitras, bank staff and other relevant stakeholders on PMJDY through training and orientation programmes at district level.
- Enhance the remuneration of BCs in line with the provision of PMJDY which would motivate them positively to work with renewed spirit and achieve the desired business scale.
- Take up advocacy initiatives with Govt to make the prescribed terms and conditions related to insurance coverage, OD facility etc. flexible for people to understand and comply with. If possible, there should be at least 'One Years Moratorium' for application of all the terms and conditions so that the account holders are able to start utilizing the services without much hassle.
- Facilitate creation of the required infrastructure, connectivity etc. at the last mile and use of technology for delivering and expanding financial services for poor
- Strengthen coordination among different stakeholders such as Government departments and programmes, Banks, MFIs, NGOs, BCs, SHPIs, Pension Aggregators, Insurance Providers etc.

4. Next Steps:

Based on the deliberations and suggestions made in the meeting ,the Secretariat will work on the following key action points and report progress up-dates on that during the next SFIF meeting:

- I. Compile the available information on PMJDY in the form of Kit and share that with stakeholders in the state (PMJDY-Kit for Ready reference)
- II. List the issues and challenges faced by stakeholders including Banks, BCs, SHPIs etc. in implementing PMJDY and share it with SLBC/Sub-Committee on BCs for redressal
- III. Explore further advocacy with other involved stakeholders to find out the gap in relation to the capacity building of BCs, CSP, FLCs etc and create awareness among stakeholders by listing out and disseminating the identified gaps.

About Next SFIF Meeting:

It was suggested by the SFIF members that "MUDRA Bank & Financial Inclusion" to be the key theme for the next SFIF meeting. Accordingly, SFIF Secretariat will develop a background note and share that. The date and venue for the next meeting will be finalized later in consultation with SFIF Members, PSIG-SIDBI & DFID.

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 | Dr. Haribandhu Panda, Pro-Vice Chancellor | Centurion University of Technology and Management | Member |
| 6 | Mr. Manas Pani, Head | Dhanei- KGFS | Member |
| 7 | Mr. S. K. Kale, CGM | NABARD | Mr. R. K. Roy, DGM |
| 8 | Mr. B. P. Samantaray, Convenor | SLBC (UCO Bank) | Mr. U. Jagada, Senior Manager |
| 9 | Mr. Govinda Pattnaik, MD & CEO | Annapurna Microfinance Pvt. Ltd | Mr. Satyajit Das, Chief Finance Manager |
| 10 | Mission Director, OLM | Odisha Livelihood Mission | Mr. B. M. Pattanaik, |
| 11 | Mr. S. Hansda, Senior Divisional Manager | LIC of India | Mr. A. K. Sahoo DM-P& GS,LIC |
| SFIF Members (Absent) | | | |
| 12 | Mr. Ambika Prasad Nanda, State Program Officer | UNDP | |
| 13 | Mr. Jagadananda, Co-Chair & Mentor | Sa-Dhan & Centre for Youth and Social Development (CYSD) | |
| 14 | Mr. H. K. Pradhan, Professor | XLRI, Jamshedpur | |
| Special Invitees Present | | | |
| 15 | Mr. Tapan Kumar, AGM | Reserve Bank of India | |
| 16 | Mr. Prakash B. Divekar, Chairman | Utkal Grameen Bank | |
| 17 | Mr. S. S. Acharya, DGM | SIDBI | |
| 18 | Mr. R. K. Swain, DGM | Canara Bank | |
| 19 | Mr. M. P. Panda, Senior Manager | Canara Bank | |
| 20 | Mr. K. D. Sharma, Chief Manager | Union Bank of India | |
| 21 | Mr. F. M. Mohanty, GM | OSCB | |
| 22 | Mr. B. Maharana, AGM | State Bank of India | |
| 23 | Mr. Bindusagar Nayak,AM | Bharatiya Mahila Bank | |
| 24 | Mr. Devarshi Negi, Director-Finance | Mahashakti Foundation | |
| 25 | Mr. S. R. Mohanty, Senior Manager | Syndicate Bank | |
| 26 | Mr. James Raj, COO | Sambandh Finserve Ltd | |
| 27 | Mr. Manoj Jena, State Head | ZMF | |

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| 31 | Mr. Manoj Kumar Das | ZMF |
| 32 | Ms. Prabhat Nalini Tripathy | SAHAJ e-Village |
| | | |
| Other Delegates present | | |
| 33 | Ms. Ragini Chaudhary, Advisor-Private Sector Development | DFID India |
| 34 | Mr. Rajesh Kumar, State Director-PSIG | SIDBI |
| 35 | Mr. Pravanjan Mohapatra, Theme Leader | SIDBI |
| 36 | Ms. Radhika Agashe, Executive Director | Access-Assist |
| 37 | Mr. Narendra Nayak, Associate Director | Access-Assist |
| 38 | Mr. Arjun Pagal, Sr. Project Co-ordinator | Access-Assist |
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