

Third meeting of Aggregator's Forum, Bihar
Poorest State Inclusive Growth Programme (PSIG)

24th of April, 2015

Venue: Madhya Bihar Gramin Bank (MBGB), Head Office
Meena Plaza, South of Museum, Patna-800001

Bihar has shown progress on several economic indicators over the past decade, but has not achieved good results in terms of spreading banking and financial services to a vast section of the society. Bihar is still in the bottom five of CRISIL index of Financial Inclusion. Among other important efforts, 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 to financial services to low income households in 4 poorest state 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 programme.

ACCESS- ASSIST has been contracted by SIDBI to coordinate the initiatives on policy and advocacy in the above four state 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 a deliberation forum to promote effective coordination and synergy among various stakeholders for accelerating the process of financial inclusion in the state. As per the consensus built in the third meeting of SFIF, an **Aggregator's Forum** has been formed in Bihar and till date three meetings of the forum has been organized. The third meeting was organized on 24th of April, 2015, which was attended by 17 representatives of 10 aggregators and PSIG SIDBI and ACCESS ASSIST state team. List of participants is given in ANNEXURE I.

Summary of Proceeding

Background: In third meeting of SFIF, held on 3rd of July 2014, a consensus was built over formation of informal Forum of Pension Aggregators in Bihar. The idea was shared with the aggregators/sub-aggregators or facilitators ; 11 aggregators/sub-aggregators agreed to join the forum, and post second meeting, few more aggregators were contacted and two (Margdarshak and Bank of Baroda) confirmed to join the forum.

The Government of India is extremely concerned about the old age income security of the working poor and is focused on encouraging and enabling them to join the National Pension System (NPS). To address the longevity risks among the workers in unorganised sector and to encourage the workers in unorganised sector to voluntarily save for their retirement, who constitute 88% of the total labour force of 47.29 crore as per the 66th Round of NSSO Survey of 2011-12, but do not have any formal pension

provision, the Government had started the Swavalamban Scheme in 2010-11. However, coverage under Swavalamban Scheme is inadequate mainly due to lack of clarity of pension benefits at the age after 60.

The Finance Minister has, therefore, announced a new initiative called Atal Pension Yojana (APY) in his Budget Speech for 2015-16. The APY will be focussed on all citizens in the unorganised sector, who join the National Pension System (NPS) administered by the Pension Fund Regulatory and Development Authority (PFRDA) and who are not members of any statutory social security scheme. Under the APY, the subscribers would receive the fixed pension of Rs. 1000 per month, Rs. 2000 per month, Rs. 3000 per month, Rs. 4000 per month, Rs. 5000 per month, at the age of 60 years, depending on their contributions, which itself would vary on the age of joining the APY. Meeting of Aggregator's Forum had been called to take suggestions of aggregator's, that which are the important points to be incorporated in guidelines of APY to make it clear on merger of Swavalamban scheme with APY and effective implementation of APY.

Third meeting of Aggregator's Forum-Bihar was formally initiated with welcome address by Mr. Kshitij Kumar, Senior Manager MBGB followed by introduction about the meeting and forum and then participants introduced themselves to the forum. Ms. Sonmani Choudhary, State Director, PSIG, SIDBI shared about PSIG programme. PSIG programme is funded by DFID, UK and being implemented by SIDBI in four states (Bihar, MP, UP and Odisha). Duration of PSIG programme is seven years and it is formally initiated in year 2012. This programme has four major components –

- Policy and Advocacy
- Access to Finance
- Impact Assessment
- Gender and Women Empowerment

She told that ACCESS ASSIST is consortium partner of SIDBI for Policy and Advocacy work in these four states. She also briefed about background of aggregator forum the two aggregators' forum meeting. Objective of third meeting of this forum is to collectively discuss APY and come up with the suggestions for PFRDA to develop guidelines for merger of Swavalamban scheme with this Yojana and make the guidelines workable for APY.

Presentation on Atal Pension Yojana by ASSIST – Aparna Shukla of ACCESS ASSIST made a small presentation on Atal Pension Yojana, in which she briefed the forum about features of APY and its comparison with Swavalamban scheme. Some features of APY are more clear than Swavalamban scheme like getting certain amount of pension on certain contribution. But guidelines of implementation and merger of Swavalamban scheme into APY should be clear and should cover all the doubts of aggregators as well as subscribers.

Major suggestions on Atal Pension Yojana –

- **Calculator or chart for calculating contribution** for a person of certain age. Although government has recently released clarity contribution for beneficiaries at certain age (years), but when a person is say, 23 years and 5 months old then what will be his/her contribution to get certain pension at the age of 60 years.
- **Incentive of Aggregators** – Provisions in APY is different from Swavalamban scheme for eligibility of government contribution. Like under Swavalamban scheme, to take government contribution of Rs. 1000, subscriber had to contribute minimum of Rs. 1000 in a year. But in case of APY, subscriber will get additional 50% of their contribution, maximum upto Rs. 1000, from government. Incentive of aggregators was also linked to contribution; aggregators would get Rs. 100 on minimum contribution of Rs. 1000. But in APY what will be the incentive of aggregators and what will be condition for that. It needs clarity in guidelines.
- **In case of subscriber's death between 18 – 40 years** –In case of death of a subscriber before attaining 40 years of age, what should be the corpus to give pension to his/her spouse. Whether spouse will get the entire corpus amount or s/he will get pension. If pension will be given then at what age spouse will start receiving it, immediately or after attaining 60 years of age. So, these points should be indicated with clarity in the guidelines.
- **Merger of Swavalamban scheme in APY** – Recently released FAQs of APY have made some clarification of merger of Swavalamban scheme in APY. All the registered subscribers under Swavalamban Yojana aged between 18-40 yrs will be automatically migrated to APY with an option to opt out. However, the benefit of five years of Government Co-contribution under APY would be available only to the extent availed by the Swavalamban subscriber already. This would imply that if, as a Swavalamban beneficiary, he has received the benefit of government Co-Contribution of 1 year, then the Government co-contribution under APY would be available only for 4 years and so on. Existing Swavalamban beneficiaries opting out from the proposed APY will be given Government co-contribution till 2016-17, if eligible, and the NPS Swavalamban continued till such people attain the age of exit under that scheme.
 - Other subscribers above 40 years who do not wish to continue may opt out of the scheme with lump sum withdrawal.
 - Subscribers above 40 years may also opt to continue till the age of 60 years and eligible for annuities.
 - The existing Swavalamban scheme may be automatically migrated to APY

Some more clarity is needed like, many Swavalamban subscribers do not have bank accounts, or their bank details are not with aggregators. But under APY, bank account is a must. So guidelines should come to handle such situation. There are cases, where subscriber is enrolled and money is also submitted, but PRAN is not generated. How merger will happen in this case?

- **Pre mature exit policy for APY** - Recent release of FAQs of APY have made clear that the exit before age of 60 will be permitted only in exceptional case i.e. in case of death on beneficiaries on in case of terminal disease. But some more details in case of terminal disease is required.
- **Clarity on Government Contribution to End Beneficiaries** – GoI will also co-contribute 50% of the subscriber's contribution or Rs. 1000 per annum, whichever is lower. Government co-contribution is available for those who are not covered by any Statutory Social Security Schemes

and is not income tax payer. So, tax payer may opt this scheme but not eligible for government contribution. Clarity will be required that what an aggregator will communicate to the clients and what document (for e.g. self declaration of income) will be accepted to PFRDA as proof of non tax payers.

- **Promotion of Integrated Product** – Insurance schemes like Jeevan Suraksha Yojana (premium of Rs. 12 per annum) and Jeevan Jyoti Yojana (premium of Rs. 330 per annum) can be clubbed with this pension scheme and premium along with contribution for APY can be deducted from bank account of the subscriber. This will be easy task for bank as well as government and outreach of such schemes can be increased.
- **Simplification of documentation** - For enrollment in APY, bank account is a must so registration form and other documentation can be simplified as data may be available with Banks already. This will reduce burden of aggregators.
- **Role of Aggregators other than Banks** – As bank account is compulsory for this scheme, what will be the role of other aggregators, who are not banks. Because contribution may be deducted directly from their bank accounts. Also, what will be the role of BCs, because in remote areas, BCs are working on behalf of bank. So roles of each stakeholder should be made clear in guideline.
- **Delivery of PRAN Cards** - Out of discussion it was learnt that delivery of PRAN card should be done through Banks or aggregators only. Because, due to error in address delivery of PRAN gets affected. Courier service is not available in rural area and ordinary post does not reach at time. Also, E-PRAN should be considered as a valid document. In case PRAN could not got delivered then E-PRAN will be a valid document just like E-Adhar.
- **Updated Subscriber care center** - Agency which manages Subscriber Care (toll free number) of PFRDA should have updated information to avoid confusion and miscommunication.
- This was the suggestion of the forum that **government contribution may be increased from 5 years** to make it more profitable for subscribers.
- Clarity over **minimum contribution at the time of registration** under APY should come in guideline.

Follow up Action Point –

- Training of frontline staff of aggregators about the scheme after launch of APY.

Next meeting of aggregators' Forum-Bank of Baroda has expressed interest to host next meeting of Aggregator's Forum, Bihar which will be held after launch of APY and PFRDA will be requested to attend the meeting.

Vote of Thanks – Mr. R K Agarwal, GM, MBGB gave vote of thanks to aggregators. He mentioned that change is natural and good, so we need to take this scheme as positive change. Subscriber wants to know that what s/he is going to get at the end of the day and this scheme is very clear in this aspect. We need to think about welfare of the society. Maximum number of people should be get enrolled in APY from Bihar, on the launch day of scheme. Mr. Gajendra Kumar, GM, MBGB also thanked participants to

take active participation in discussion and come up with good suggestions. He said that this is a very good scheme and we need to work towards our social obligation. Bihar should be leading in this scheme.

ANNEXURE I

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