

### **3rd State Financial Inclusion Forum Meeting, Uttar Pradesh**

**Key Theme: “Micro Pension for poor”**

**Date: 11<sup>th</sup> March 2015, Time: 10:30 AM – 2.30 PM**

**Venue: Bankers Institute for Rural Development,  
North block, Lucknow**

#### **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. 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 Uttar Pradesh, Bihar, Odhisa, 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 multifarious 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 2<sup>nd</sup> SFIF meeting held on 26<sup>th</sup> of November, 2014, the 3<sup>rd</sup> meeting was organized on the underlying theme of “**Micro-pension for the Poor**”. Based on a small study and interactions with various relevant stakeholders, a background note on micro pension with special reference to its progress, potential, issues and challenges in UP was prepared and shared with all the participants. In addition to the SFIF members, a few key stakeholders from the micro pension sector including MicroSave, IIMPS, Aggregators, Banks etc were invited to share their inputs. The list of SFIF members and other participants of the meeting is provided in **Annexure 1**.

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

The meeting started with a welcome note from Ms. Radhika Agashe, Executive Director, ACCESS-ASSIST where she highlighted on the theme. She gave a brief introduction on Atal Pension Yojana recently announced by the Government in the annual budget. Atal Pension Yojana (APY) will replace the earlier Swavalamban Yojana NPS Lite scheme. The new scheme will be launched on June 1 and focus on the unorganised sector. All subscribing workers below the age of 40 would be eligible for pension of up to Rs 5,000 per month on attainment of 60 years of age.

Mr. Pradeep A Malgaonkar, CGM, SIDBI appreciated the forum, and said that this forum is created to advocate for the people of weaker section of the society and together we need to synergize with all the stakeholders to work towards the common goal.

A date was also sought for exposure visit to Vimo Sewa, part of action point of last SFIF which is now proposed in the month of May. Nabard’s regular efforts for exemption of stamp duty for SHG accounts were well appreciated as the file is now pending only for the cabinet approval.

#### **2. Overview on “Micro-Pension – The Indian Experience” by MicroSave**

The MicroSave team had carried a study on pension need in India “Securing the Old Age the Indian story of Micro

Pension". Dr. Ravi Chandra shared the study highlighted the changing scenario of the Indian Culture, traditionally, joint family structures in India worked as a hedge against old-age economic crisis and a support network that precluded the need for third-party pension instrument. UN population Division estimates that by 2050 in India there will be 21.16% of the population above the age of 60 as compared to 60.34% aged between 15 to 59 years. The study also speaks of ageing and urbanization changing the absolute numbers and the dynamics of family support in old age. Overall elderly people are expected to double in the next 30 years and the rise of nuclear families will strain the family support. There are 4.2 million Swavalamban subscribers in which maximum contribution comes from the MFIs (Micro Finance Institutions) as Aggregators. The MFIs in UP currently do not have significant contribution; their active cooperation is important for the successful implementation of the Swavalamban scheme in the state.

### 3. Experience sharing by Aggregators

- **Cashpor Micro credit:** Mr. Sumanyu from Cashpor Micro credit shared a short update on NPS lite-Swavalamban, the role of aggregators & the incentive structure. He also shared the promotional activities carried on field to create awareness, by organizing financial literacy workshop in which focus is more on Old Age Pension Scheme. Cashpor launched NPS-Lite program in 26 districts of eastern UP & Bihar in November 2012 and as on 28<sup>th</sup> Feb 2015 has enrolled 1,84,433 subscribers. He highlighted the issue of PRAN Cards not reaching the beneficiary, and the lack of clarity on the monthly pension amount due to uncertainty on return on contributions. He gave suggestion for the statement of transaction to be bilingual.
- **Prathama Bank:** Mr. N Shekhar, GM from Prathama Bank shared about the pilot project in 2012 on micro pension run in association with NABARD & IIMPS in Moradabad district to provide pension facility to the customers of Prathama Bank. IIMPS designed micro pension model for low income group and was authorised by UTI to distribute retirement benefit pension fund. IIMPS through Prathama Bank facilitated collection, pooling, reconciling & transferring periodic pension savings of customers to UTI. A total of 10,927 customers were enrolled under the pilot project since inception. Nearly 36% of all the workers enrolled under the project are women. The pilot run project earned great satisfaction from customers and was able to cultivate the habit of micro savings.
- **Margdarshak Financial Services:** Mr. Kulshrestha, AVP, Margdarshak started his presentation with a brief intro about Margdarshak and its operations in the state. The NBFC-MFI is currently operating in the districts of UP, Bihar & Haryana. The team raised the concern of incentive for the aggregator's which is only for eligible accounts to be revised as the cost of operating on the field is very high. Incentives 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. The team gave suggestions that the Govt. should focus on creating awareness, educating people, and aggressive marketing of the scheme to get people on board.

### 4. Providing Assurance to the Elderly- IIMPS

Mr. Ayan Dev from IIMPS highlighted the three prominent trends in relevant for the context - (i) increased life span of people, (ii) disintegrated family concept rising in India and (iii) increasing health expenditure. By 2030, there will be more than 1 billion people aged 65 and above and overall, (long-term) care solutions will be one of the biggest challenges the facing society in the coming decades. He shared the IIMPS "Micro-Pension" model which provides the poor with easy, single-window access to the full micro-savings ecosystem. It uses financial literacy to bridge the gap between the supply and the huge aggregate demand for retirement savings among the poor. A central back-office, and extensive use of IT in record-keeping, administration and electronic, straight-through processing of transactions and payments leads to lower costs through economies of scale and significantly lower operations risk. IIMPS also operates a multilingual call centre to resolve the queries of the subscribers.

### 5. Key Discussion points:- ISSUES

The participants present had an interactive deliberation on the Swabalamban scheme and on the future of Atal Pension Yojana, 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:

- Aggregators unanimously raised the issues of incentives in NPS-Lite as it depends upon the number of subscribers and not the contribution collected (general practice in pension and insurance industries is to provide commission based on contribution). Current aggregators of NPS-Lite have so far struggled to convert their

subscription into revenues. It is believed that NPS-Lite will be viable only if distributors leverage existing client networks and infrastructure while using incentive to meet incremental cost.

- Bankers raised the concern on the need for basic guidelines/ training so they can resolve the queries of people especially regarding the transition from Swawalamban to Atal Pension Yojana.
- PRAN cards are not delivered to the subscriber and are misplaced very often. This negatively affects payment of next premium by subscribers and their trust on the aggregators.
- States and UTs can also launch new pension schemes or States may share a fixed percentage of total burden or increase the share of beneficiary. It is better if State Governments provide additional contribution to the Central Government scheme instead of launching separate pension scheme.
- 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.
- Training for the staff of welfare board, NGOs, MFIs and sub aggregators of LIC to sell micro-pension products with existing products.

## **6. SUGGESTIONS**

- Link PRAN Cards with UIDAI for address verification and develop a mechanism for passbook updation and provide facility to deposit subscription through Nationalized Banks.
- Advocacy needs to be done to reduce paperwork by end to end e-KYC.
- Usage of e-KYC to all the bankers & aggregators for the ease of clients & policy implementers.
- Necessary measures need to be taken up by Govt, banks, MFIs, NGOs in promoting, creating awareness about Atal Pension Yojana (APY) through financial literacy programs at ground level. Role of bank branch managers in the respective locations is crucial who already have an established rapport and can significantly help creating awareness.
- Develop the scheme based on amount of monthly pension needed for basic quality of life instead of current affordability of clients to contribute.
- Potential of Post Offices in rolling out pension with the coverage in rural area need to be explored.
- Promotions through radio and television & local newspapers have maximum outreach. Advertising on Bank passbook was also suggested as an effective tool in promoting the scheme.
- In house training required for NGOs, MFIs and sub aggregators of LIC to sell micro-pension products with existing products and in house sensitization workshops for govt. institutions for successful implementation.
- Explore the potential of organizations/programme with large outreach in the state such as SRLM and RGMVP to roll out pension.
- Explore linkages to sell Atal Pension Scheme by utilizing KCC, Rupay Card etc.

## **7. Action to be taken:-**

The meeting concluded with following action points:

- To highlight and share the key policy issues and challenges faced by aggregators with regulatory authority PFRDA and get more insight on Atal Pension Yojana.
- To support the activities under financial literacy run by various MFIs, banks, NGOs.
- To organize sensitization workshop with aggregators and bankers at state & district level to bring more clarity on Atal Pension Yojana & role of aggregators in carrying forward the same.

## **8. Vote of Thanks:-**

The Vote of Thanks was proposed by Mr. Prakash kumar, GM, SIDBI. He thanked all the SFIF participants & presenters for their whole hearted participation and he emphasized to take up the issues discussed forward with regulatory authorities to work on strategies and come up with solutions.

**ANNEXURE 1**

<b>List of Participants</b>			
<b>Sno</b>	<b>Name</b>	<b>Designaton</b>	<b>Organisation</b>
1	Santosh Kr Verma	Sr. Manager	Allahbad UP Gramin Bank
2	Bimal Kishore	Divisional Manager	LIC of India
3	Mahesh Pahad singh	AGM	NABARD
4	S K Bhargav	Financial Advisor	Sonata Finance Ltd
5	N Shekhar	GM	Prathama Bank
6	Deepak Narang	AGM	RBI
7	D P Gupta	GM	Baroda UP Grameen Bank
8	Jogi Meghnath	GM	RBI
9	Pradeep Malgaonkar	CGM	SIDBI
10	Prabhakar Behera	GM	NABARD
11	Prof Sourinder Bhattacharjee	Associate Professor	IIM Lucknow
12	Trilok Nath Shukla	COO	Utkarsh Micro Finance
13	Ayandev Saha	VP	IIMPS
14	Sumanyu Agarwal	Program Manager	Cashpor
15	R P verma	Sr Manager	Gramin Bank of Aryavart
16	PS Mohanan	SPD	RGMVP
17	Dr. P L Yadav	SPC	RGMVP
18	Anup Narayan		RGMVP
19	S K Kulshreshtha	AVP	Margdarshak
20	Shashi shekhar Upadhyaya	Manager	Margdarshak
21	V D Dubey	AD	Postal Department
22	Dr. Rav Chandra	BID Manager	Microsave
23	Prakash Kumar	GM	SIDBI
24	Utpal Chakraborty	SD-PSIG	SIDBI
25	Amar Gupta	AM	SIDBI
26	Ragini Chaudhary	Pvt. Associate advisor	DFID
27	Radhika Agashe	ED	ACCESS ASSISST
28	Priyanka Pathak	Manager	ACCESS ASSISST
29	Md Azhar	Sr. Project Coordinator	ACCESS ASSISST