

# Uttar Pradesh Inclusive Finance Bulletin

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## PSIG PROGRAMME UPDATES

### PM Launches 101 E-Rickshaws and 501 Cycle Rickshaws at Rickshaw Sangh Program in Varanasi – Co-Sponsored by PSIG-SIDBI

Prime Minister Shri Narendra Modi launched a significant financial inclusion initiative – 101 e-rickshaws and 501 cycle rickshaws and trolleys were distributed as part of American India Foundation's (AIF) Rickshaw Sangh Program in partnership with the Bhartiya Micro Credit (BMC) and co-sponsored by PSIG-SIDBI. AIF-

BMC's Rickshaw Sangh program works with the country's marginalized and exploited rickshaw pullers, promoting asset ownership of rickshaws, pushcarts and trolleys, and protecting drivers from exorbitant rents and cycles of debt by providing the First Loss Default Guarantee (FLDG) to nationalized banks. The programme organized by Rickshaw Sangh was also attended by Uttar Pradesh Governor Shri Ram Naik and State Jail Minister Shri Balram Yadav. Top officials of the American India Foundation, which is one of the organizers of the rickshaw distribution



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drive, and financial institutions such as SIDBI, IDBI, UCO Bank and Bharatiya Micro Credit shared the stage with the prime minister.



*“Our Focus Must Be On How To Make The Poor Self-Reliant. Today, In This Program, We Are Distributing Benefits To Rickshaw-Pullers with the Support Of Banks And The American India Foundation. The Benefits Include An Upgrade From Pedal Rickshaw To E-Rickshaw, Ease Of Commute For Passengers, And Also In These Changing Times How To Leverage Environment Friendly Technology. The Biggest Benefit Of This Experiment Is That The Beneficiaries Present Here Today Have Freed Themselves Of Debt At High Interest Rates, They Will Repay The Loan In Affordable Installments And Get Ownership Of Their Rickshaws. This Program Will Not Only Change The Lives Of A Few Poor Families, It Marked The Beginning Of An Initiative That Would Bring About A Change In The Fortunes Of Varanasi. I Would Like To Congratulate All The Recipients Of Rickshaws Present Here Today.” – The Prime Minister of India (<http://aif.org/>)*

### Fourth Meeting of the State Financial Inclusion Forum

The 4th meeting of UP SFIF was organized in Hotel Golden Tulip, Lucknow on 14th July 2015 on the key theme “Business Correspondent model- Strengths, constraints and opportunities ahead“. The meeting



was attended by various stakeholders such as RBI, DFID, SEBI, BCFI, SIDBI, NABARD, NBFCs, National Banks, Private Banks, Regional Rural Banks, UPMA, UPSRLM, BIRD, Microsave, MFIN, IIM-Lucknow representatives, aggregators & NGOs. The discussion in the meeting centered on the Bank-BC-MFI model which is currently showing remarkable growth. The CGM-SIDBI reinforced that the BC model being an extended arm of banks stands as a pillar of financial inclusion in the remote areas. Microsave presented the findings of the study on “Business Correspondent Models in Bihar- Constraints and Way Forward“. It suggested that necessary measures need to be taken up by Govt,

Banks, MFIs, BCs in strengthening Bank-BC-MFI model at ground level and role of MFI-BCs like CASHPOR, Bhartiya Micro Credit, Sonata, etc. and SHPI like RGMVP should be considered crucial given their established rapport with the beneficiaries. This model can significantly reach out to the areas where brick and mortar branch cannot reach. However, concerns regarding the quality of BCs still remain a challenge, for which the forum suggested that BC agenda needs to be raised at SLBC meetings. As part of action point PSIG team will study the current model of delivery of BC channels and is committed to build partnership among banks and MFIs on Bank-BC-MFI model.

## One day training on 'MIX Gold Reporting Service'

Under PSIG, day long training program was conducted on 4th August, 2015 in Hotel Golden Tulip on "MIX's Gold package" in partnership with MIX. The service provides business users a custom performance monitoring solution for portfolios of microfinance institutions.

The key feature for Gold users is access and support for 'My Data' - MFI data from licensee's portfolio, including data points not available from MIX MFI data. Access to all MIX MFI profile, financial, operational, and social data reported on an annual, quarterly or other interim basis, as reported to MIX, based on industry standards. The training was focused on building understanding of project, capacity building, data reporting requirements, reporting timelines and skills development. In addition the training also emphasized on the role of MIX in data collection, validation, reporting and other steps involved in data processing and publication.

### Dipstick Study on Financial Literacy Centers – Updates

To understand aspects related to the overall working of Financial Literacy Centers run by different Banks in the PSIG states, a dipstick study has been conducted by ACCESS ASSIST under the aegis of PSIG and covered various parameters. The PSIG-UP state team visited 7 FLC centers and 3 camps for the purpose of the study and interacted with various stakeholders. Overall, in four PSIG's states a total of 22 FLCs were being surveyed and 91 client interviews were taken. The report is in its designing stages and will be finalized in October. Some of the key highlights from the study are:

#### Highlights:

- Number of activities, especially the outdoor camps under the FLCs ranged from 4-12 per month with an average attendance of 25-30/camp; most of the FLCs conducted village level camps for the clients
- The Financial Counselor is the primary resource person responsible for the various activities
- Book keeping methods adopted to document the activities and outreach.
- Annual expenditure per FLC varied between 3-7 lakhs. Grant assistance is being provided by NABARD to RRBs and Cooperatives Banks to run FLCs at District and Block Level respectively. Up to Rs. 5 Lakhs/FLC is provided as grant assistance for the programme.

#### Issues and Challenges:

- Lack of adequate infrastructure facility
- Interest shown by other banks to use the services of the existing FLCs for FL was not found to be very encouraging.
- Lack of follow-ups on camps and financial diaries despite RBI guidelines; FL modules generally not followed.
- Resistance from local moneylenders
- Indoor activity/walk in customers not an effective mechanism in rural areas.
- The need to enhance remuneration of Counselors and BCAs came out during the course of the study.



## UPDATES FROM OTHER PSIG STATES

### Madhya Pradesh

- 3rd meeting of SFIF, Madhya Pradesh was organized on 3rd Sept, 2015 on key theme of "Strengthening Financial Literacy Centers: Current Status, Constraints and Way forward"
- PSIG has commissioned Chaitanya to undertake a rapid assessment study on the status of SHPIs, SHG bank linkages in MP. The study focused on two core objectives a) to understand the challenges that constraints for accessing credit for SHG members b) to identify and assess institutional capacities of SHPIs engaged in SHG Bank linkage.

### Bihar

- 7th meeting of SF IF was organized on 8th of July 2015 on "Jan Dhan se Jan Suraksha (Insurance) scheme". Apart from SFIF members, banks and insurance companies made presence in this meeting. Opportunities and challenges in implementation of schemes were discussed during the meeting.
- Meeting with BC organizations was organized on 28th of August 2015 to discuss issues and challenges in implementing 'Jan Dhan se Jan Suraksha Yojana'.
- Exposure visit for bankers and government officials to Arohan Financial Services Ltd. was organized on 4th September 2015. Objective of this exposure visit is to help bankers and government officials to understand about working of MFIs.

### Odisha

- 7th SFIF Meeting was organized on the theme "Role of Financial Literacy in Financial Inclusion of the Poor – Initiatives, Challenges and Way Forward". The meeting was well attended by senior officials from RBI, NABARD, SIDBI, Public Sector Banks, RUDSETI, BCs, SHPIs, Academicians and MFIs. The Odisha Inclusive Finance Bulletin was also released during that meeting.
- The 3rd Bankers-MFI exposure visit in Odisha was organized to Sambandh Fin Serve Pvt Ltd based out as Rourkela. Altogether 17 senior bankers from 12 PSU Banks and RRB participated in the day-long programme held on 11th Sept 2015.

## STATE FI STATUS AT A GLANCE: WHAT NUMBERS SPEAK IN UP?

### Self Help Group Coverage

To further advance the financial inclusion agenda in UP, the government has been leveraging on the **Self Help Group Bank linkage programme** under which around 4,13,147 groups have so far been formed in UP till June 2015. In between 2015, April-June, total 2,275 SHGs got linked with banks for credit with the tune of Rs 1,532.17 lakhs and till June 2015 total 3,52,867 SHGs linked with tune of Rs 2,33,064.36 lakhs. It is interesting to note that RRBs have contributed by linking 54.50% SHGs for credit with a tune of Rs768.61 lakhs in between 2015, April-June.

A total of 11, 634 Women SHGs have been promoted in the 8 backward districts of UP till July 2015, out of which 8,178 and 1,584 have been savings and credit linked respectively. Total number of WSHGs sanctioned to SHPIs is 11,900. (Source SLBC report)

Further Rajiv Gandhi Mahila Vikas Pariyojana (RGMVP), an organization working in Uttar Pradesh by bringing together poor rural women to form Self-Help Groups (SHGs) has covered over 1.5million poor households from 275 backward and poverty stricken blocks by June, 2015. The initiative was supported by-PSIG and UPSRLM. The achievements till June, 2015 are mentioned in **table-1**.<sup>1</sup>

RGMVP Progress Report	
Parameters	Progress till June 2015
Number of SHGs organized	1,30,443
Total households covered	15,04,063
Amount of corpus generated in SHGs	Over 95 Cr.
Number of SHGs credit linked (CCL – I) Sanctioned	32,681
Number of SHGs credit linked (CCL –II) Sanctioned	6,133
Total Amount of CCL-I	309.61 Cr.
Total Amount of CCL-II	84.23 Cr.
Number of Internal CRPs (social capital generated)	4400+
Number of Blocks covered	275
Number of GPs covered	11290
Number of Village Level Organizations (VOs) set up	5,608
Number of Block Level Organizations (BOs) set up	166

Table-1

### Joint Liability Group (JLG) Coverage

Much like the SHGs, **Joint liability Groups** have also been playing a pivotal role to make credit facilities available to the poor and unbanked populations. In UP, upto June 2015, 1,27,680 JLGs have been credit linked with banks. Over the period of three months from April'15 to June'15, total 21,492 JLGs credit-linked with banks. In private banks category (only HDFC) linked JLGs with a total credit of Rs 5,822.19 lakhs which is 84.56% of total credit in the first quarter of financial year 2015-16 (Rs. 6,884.97 lakhs). On the other hand, among Non-

Status of Joint Liability Group (JLG) till June, 2015						
Type of Banks	Advance amount (01-04-15 to 30-06-15)		Advance amount (01-04-14 to 31-03-15)		Cumulative update upto June, 2015	
	No.	Advance Amount (in lakhs)	No.	Advance Amount (in lakhs)	No.	Cumulative updated (in lakhs)
Lead Banks	214	600.65	2,944	2,287.37	51,372	17,241.90
Non Lead Banks	-	-	67	13.52	596	470.64
Private Banks	20,869	5822.19	17,672	22,264.11	39,093	22,851.36
RRBs	419	462.13	6,852	6,051.06	36,619	21,741.17
Total	21,492	6884.97	16,903	18,679.56	1,27,680	62,305.07

Table-2

Lead banks no banks have linked any JLG in first quarter. Data shows that the JLG model is currently playing a very crucial role in effective delivery of microcredit products in the remotest part of the state through private banks. This also indicated that private banks are relying more on JLGs rather than SHGs. Over the period of 12 months from April'14 to March'15, Lead Banks have linked around 2,944 JLGs (10.69%) which is much less as compared to RRBs & Private Banks. 24.88% JLGs are covered by RRBs, 64.18% by Private Banks and remaining by the Non Lead Banks. For more details refer **table-2** (SLBC-UP agenda, March & June, 2015)

### Bank Branch Coverage

As on June, 2015 there are 17,211 bank branches in UP. Over the period of 6 months from Dec'14 to June 15, total 710 new branches have been opened with an increment of 4.30%. It is noticed that in rural areas private banks expanded significantly by 7.07%. Maximum percentage branch growth over this period is by Private Banks (at 8.17%), followed by non-lead banks (at 3.34%) and then by lead banks (at 2.49%). For more detail refer **table-3** (SLBC-UP agenda, June, 2015)

Status of Bank Branches in UP, till June, 2015								
Types of Bank	Rural	Semi Urban	Urban	Metro	June, 2015	Dec, 2014	% In-crease	% Rural-Increase
Lead Banks	3751	2011	1546	1151	8459	8253	2.49	2.93
Non-Lead Banks	597	385	761	418	2161	2091	3.34	4.18
Private Banks	125	271	326	218	940	869	8.17	7.07
RRBs	3283	460	196	52	3991	3913	1.99	2.08
UP Cooperative Banks Ltd	915	363	52	7	1337	1337	0	0
UP SGV Bank Ltd	323	0	0	0	323	323	0	0
Grand Total	8994	3490	2881	1846	17211	16501	4.30	2.39

Table-3

## Kisan Credit Card – Personal Accident Insurance Scheme

In UP a total of 9,65,190 KCCs have been newly issued/updated till June 2015. Out of this 3,16,260 are newly sanctioned and 6,48,930 are updated with tune of Rs. 3,45,224.36 & Rs 6,75,163.75 lakhs respectively.

Under KCC-PAIS 1,88,70234 farmers are covered since inception. In the first quarter of FY 2015-16, total 10,57,902 farmers are covered by all banks; out of this 42.5% are covered by Cooperative banks. In terms of settlement of claim, Cooperative Banks settled 784 out of 938 (83.58%) complaints claim whereas commercial banks settled only 13 out of 294 (2.04) complaints claimed in this quarter. Total 1,303 claim complaints were received by all banks, out of which only 835 are settled till June, 15. For more details refer **table-4** (SLBC-UP agenda, June, 2015)

Settlements till June, 2015 under Personal Accident Insurance Scheme (PAIS)/Kisan Credit Card Scheme						
Types of Bank	Farmers Covered during 01.04.15 to 30.06.2015	Cumulative since inception	Lodgment of complains (in lakhs)		Claims Settled In first quarter 01.04.15 to 30.06.2015	
			No.	Amt.	No.	Amt.
Commercial Banks	371546	8079273	294	146.10	13	6.00
Cooperative Banks	449780	5159640	938	469.00	784	392.00
RRBs	236576	5631321	71	36.00	38	19.50
Grand Total	1057902	18870234	1303	651.10	835	417.50

Table-4

## Coverage of Microfinance Institutions

The Microfinance industry in UP is playing an important role in improving the living standards of the poor by offering various need based products and services. In terms of highest gross loan portfolio (Rs. 33.91 bn) UP falls in the category of top five states with a yearly growth rate of around 69.9%. 17 prominent MFIs are currently operating in UP with an outreach of around 820 branches all over the state. Some of the prominent local players in the state are Margdarshak, Sonata, Utkarsh, Fusion, Disha and Cashpor. The performance indicators of the MFIs operating within the state are mentioned below in **table-5** (MFIN micrometer March, 2015)

Coverage of MFIs			
Indicators	2013-14	2014-15	Change %
Gross Loan Portfolio (billions)	19.96	33.91	69.88
Loan disbursed (billions) annually	25.12	42.30	68.39
No. of Clients (lakhs)	18.39	23.92	30.07
Branches	692	820	18.49
Loan OS/ Client	17,594	17,570	(-)0.1
Loans disbursed annually	1,427,622	2,407,308	68.62
Employees	4,969	6413	29.06

Table-5

As shown in the table, GLP and loan amount disbursed increased substantially during the year with a growth rate of around 69.88% and 68.39% respectively. The branch

outreach across state has grown by 18.49% but at the same time the number of clients has increased by 30.07%, pointing towards loan officer's efficiency in managing and maintaining Risk Par Ratio. The number of employees of MFIs has also increased by 29.06%. UP is among the top seven states in the country in terms of GLP, amount disbursed, number of clients and number of branches for FY 2014-15.

## UP based top four MFIs based on their GLP as per MFIN-Micrometer

As shown in table-6 the quantum of GLP increased substantially during the year with the average growth rate of more than 100%. Margdarshak GLP has increased by 178% which shows the strength of the state in microfinance sector. The expansion of the home based MFIs have done very strategically

by maintaining GLP per Loan Officer. This makes portfolio at risk remain well under 1% & productivity ratio has been improving significantly. Average Loan Outstanding per client of MFIs, on a pan India basis is Rs. 13,160 and in UP it is 17,570 however; three out of top four MFIs showing less than the average

growth. **Table-6** (MFIN micrometer March, 2015)

In UP, Cashpor Microcredit is one of the largest MFIs among all State based organizations. In 2014-15, GLP is 999.2cr distributed in the 422 branches among 8,64,551 clients and managed

Status of top four MFIs in UP (table-6)									
MFIs	Year	GLP (cr)	Average loan outstanding per client	Loan Amount Disbursed annually (cr)	Average Loan Disbursed per account (rs)	Branches	Loan officers	GLP per loan officer	Clients per loan officer
Utkarsh (operating in 8 states)	13-14	306.2	9560	469.8	15,987	151	577	53.1	555
	14-15	728.1	11,970	898.9	16,972	240	972	74.9	626
Sonata (operating in 6 states)	13-14	345.6	12,322	465.7	16,751	172	729	47.4	385
	14-15	595.1	14,626	701.7	20,065	209	864	68.9	471
Fusion (operating in 5 states)	13-14	137.8	10,800	167.5	15,777	41	203	67.9	628
	14-15	294.8	13,354	326.4	20,111	62	356	82.8	620
Margdarshak (operating in 3 states)	13-14	37.4	9,064	39.5	12,139	40	110	34.0	375
	14-15	104.2	12,600	67.3	14,685	52	155	67.2	533

Table-6

by 1,919 loan officers. Cashpor is again one of the biggest partners with private banks in BC-MFI model. The enrollment under the project demonstrates that the initiative has helped meet the demand for a reliable and safe place for Cashpor customers to keep their funds. The savings service is offered at 188 branches in 7 out of 14 regions where Cashpor operates. As of March 2015, more than 2,76,863 customers have opened accounts with an average savings balance per member of INR 263, total Loan Clients – 3, 02,005, total outstanding amount – 406.21 cr.<sup>ii</sup>

### Coverage of Pradhan Mantri Jan Dhan Yojana (PMJDY)

Banks have opened 17.74 Crore accounts under PMJDY with deposit of more than 22,000 crores. Aadhaar has been seeded in 41.82% of account opened under PMJDY. To ensure universal banking access more than 1.26 lakhs Bank Mitras have been deployed with on-line devices capable of e-KYC based account opening and interoperable payment facility. 1,31,012 Mega Financial Literacy camps were organized by banks under PMJDY ‘in coordination with various agencies and 89,876 Financial Literacy counters, to spread awareness on PMJDY, use of RuPay cards etc. 1,47,418 students in 2567 schools/colleges were imparted training on Financial literacy from September 2014 to April 2015. More than 10 lakhs accounts have been found eligible for Overdraft facility. Out of these overdraft facility has been availed by 1,64,962 account holders. 847 Claims Life cover of Rs. 30000 and 389 Claims of accident insurance cover of Rs. 1 lakhs have been successfully paid. The status of Uttar Pradesh is mentioned in **table - 7**.

#### PMJDY progress Report as on 12-08-15

Population of UP (as per 2011 census)	199,581,477
Total Account Opened	276,96,387
Rupay cards issued	256,29,258
% Rupay cards issued	92.54%
Aadhar seeded accounts	73,53,100
% Aadhar seeding	26.55%

Table-7

### Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY), Pradhan Mantri Suraksha Bima Yojana (PMSBY) and Atal Pension Yojana (APY)

In UP, as on 18th August, 2015, approx 1.02 crore beneficiaries have been enrolled under the Pradhan Mantri Suraksha Bima Yojana (PMSBY) and 34.35 lacs have been enrolled under Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY). 58.31 thousand account holders have been enrolled under Atal Pension Yojana (APY). National level, zero balance accounts in PMJDY have declined from 76% to 45.74% from September 2014 to 19th August 2015. ([www.pmjdy.gov.in](http://www.pmjdy.gov.in))

### Coverage of Business Correspondent

In Uttar Pradesh, out of 1, 07,753 villages’ total 34,297 villages are having fixed BCs and 26,446 villages are those where BCs visit weekly and once in fortnight for direct meeting with underserved population. Upto June’ 15 there are 34,297 fixed BCA points in the state, out of which approximately 19.50% are covered by RRBs, 0. 3% by Private Banks and remaining by the commercial nationalized Banks. Business Correspondent Model using ICT has been used widely to make financial services available to the remotest village. (*SLBC-UP agenda, June, 2015*).

### Coverage of Financial Literacy Centers (FLCs)

Financial Literacy Centres across the country has been established by Commercial Banks, RRBs & Cooperatives in urban, semi-urban and rural areas. By March 2015, 1,181 FLCs were operational in the country, which has increased from 942 as at end March, 2014. During the period April 2014 to March, 2015, 84,089 activities were conducted through which 52,38,358 persons participated. In UP, total 75 FLCs are running and out of this only 9 is operationalizing in rural areas and rest in the semi-urban/urban areas.

### Suraksha Bandhan

On the occasion of Raksha Bandhan the Finance Ministry launched “Suraksha Bandhan”. Suraksha Bandhan facilitation drive with Suraksha Deposit Scheme (Rs. 201), Jeevan Suraksha Deposit Scheme (Rs. 5001) and Jeevan Suraksha gift cheques (Rs. 351) for enrolment under PMJJBY, PMSBY and APY. This is basically to reach out to eligible bank account holders who are still out of the ambit of these schemes. The last date for enrolment under PMSBY and PMJJBY schemes has been extended till September 30, 2015 (*SLBC-UP agenda, June, 2015*)

### Weavers Credit Card Scheme

The scheme for issuance of Weavers Credit Card (WCCs) to the eligible artisans is being implemented by the banks in the State. The Directorate of Handlooms & Textile, GoUP is the identified nodal agency which forwards the duly filled in application of the eligible Weavers’ to the bank branches. In against of the annual target received, the progress & the issues related to the successful implementation of the scheme have been discussed in detail during the State Implementation Monitoring & Review Committee & National Implementation. Till date 4727 application received by the UP’s banks out of this 1443 accepted, 186 rejected and 3098 is pending. Total amount sanctioned is Rs 752 lakhs out of which 597.09 lakhs has been disbursed to 1,112 applicants out of 1,443 accepted applications. (*SLBC-UP agenda, June, 2015*)

### Artisan Credit Card Scheme

All artisans involved in production/manufacturing and other wise are eligible for credit facilities. Existing artisan borrowers enjoy credit facilities up to Rs 2.00 lakhs. Artisans registered with Development Commission (handicrafts) shall be given preference. SHG of artisans or cluster of artisans shall also be taken into consideration. Artisans, who availed loan through other Government sponsored Scheme, are not eligible under the ACC Scheme. In the first quarter of financial year 2015-16 total 1072 credit card issued with a tune of Rs. 725.88 lakhs, out of this Rs

642.75 lakhs disbursed by commercial bank and rest Rs 83.13 lakhs disbursed by RRBs. Punjab National Bank topped by disbursing Rs 185.90 lakhs then State bank of Patiala Rs 125.00 lakhs. In RRBs, especially PRATHAMA Bank disbursed Rs 30.28 lakhs and Rs 29.00 lakhs by Kashi Gomti Samrudhi Bank, rest is by other commercial banks and RRBs. Till now 92,524 credit cards issued with tune of Rs 57,091.38 lakhs. (SLBC-UP agenda, June, 2015)

### SIDBI-CGTMSE Scheme

Uttar Pradesh is on top in implementing and achieving

targets under SIDBI-CGTMSE scheme. Total 12,682 approvals have been made by banks in between 01.04.15 to 30.06.15 with quantum of Rs 61,114.82 lakhs. Bank of Baroda has given maximum numbers of approvals viz. 3,088 with tune of Rs 12,296.85 lakhs, then after Union Bank of India 1612, Bank of India 1550, Punjab National Bank 1409, Allahabad Bank 1405 & other banks approvals respectively. The maximum approvals show in Varanasi district, which is 993 then Allahabad 831, Lucknow 651, Kanpur 557 & others respectively. (SLBC-UP agenda, June, 2015)

### Annual Loan Scheme

Under annual loan scheme 2015-16, UP received total target of Rs 1,36,356.88 cr and according to SLBC quarterly report Rs 27,884.12 cr (20.45%) has been disbursed by the banks in three major sector viz. agriculture, small business, services (education, home loan etc) in first quarter till June 2015. The achievement in the first quarter has been noted in small business, it is 31.78%. The ratio in between loan and saving, Cooperative banks shows remarkable increment from June, 2014 to June, 2015 is 12.97% as compare with other types of banks in UP. (SLBC-UP agenda, June, 2015)

## RECENT DEVELOPMENTS IN THE FINANCIAL INCLUSION SPACE

### Payment Banks

The RBI granted 'in principle' approval for payment banks to 11 entities, including big names like Reliance Industries, Aditya Birla Nuvo, Tech Mahindra, Airtel and Vodafone. Payment Banks are new stripped-down model of banks, which are expected to reach customers mainly through their

mobile phones rather than traditional bank branches.

**They can:** Raise deposits of upto Rs. 1 lakhs, and pay interest on these balances just like a savings bank account does; Transfer and remittances through mobile phone; automatic payments of bills, and purchases in cashless, cheque less transactions through a phone; transfer

money directly to bank accounts at nearly no cost being a part of the gateway that connects banks; Issue debit cards and ATM cards usable on ATM networks of all banks; provide forex cards to travelers, usable again as a debit or ATM card all over India; offer forex services at charges lower than banks; offer card acceptance mechanisms to third parties such as the 'Apple Pay.' **They can't:** Offer loans. (ToI)

*The name of 11 entities to set up payment banks are Aditya Birla Nuvo Ltd, Airtel M Commerce Services Ltd, Cholamandalam Distribution Services Ltd, Department of Posts, Fino Pay Tech Ltd, National Securities Depository Ltd, Reliance Industries Ltd, Dilip Shantilal Shanghvi (Sun Pharma promoters), Vijay Shekhar Sharma (CEO of One Communication, which runs Paytm), Tech Mahindra Ltd, Vodafone m-pesa Ltd.*

*Looking forward to the introduction of Payment Banks, Communications Minister Ravi Shankar Prasad said that as banking and financial services are not available in most of the over 600,000 villages, India Posts' payment bank would help in financial inclusion of the rural poor. He also hoped over 500,000 new jobs would be created over three to five years, with special focus on rural and tribal women. (HT)*

### Microfinance Bank – Small Finance Bank

The RBI shortlisted 10 micro lenders to set up small banks to advance loans primarily to the small businesses, farmers, micro and small industries; and unorganized sector entities which do not have access to finance from the larger banks. Total 10 entities granted

in-principle approval to transform into banks, eight are microfinance providers, one a local area bank and one a non-banking finance company. Small finance banks are similar to regular commercial banks except that their scale of services will be much smaller. These new type of banks should generate at least 75% of their business from the priority sector (largely agriculture) and mainly from

areas where large banks are not present. Besides, 50% of their loans should be of ticket sizes under Rs 25 lakhs. RBI's decision to grant licenses to only 10 players would have resulted in a lot of disappointment as there were as many as 72 applicants, the names of the 10 players are mentioned ahead:

### SIDBI signs MoU with Snapdeal

Small Industries Development Bank of India (SIDBI) signed a Memorandum of Understanding with Snapdeal, an e-commerce major in India, to provide financial support to its MSME vendors. The MoU was signed on 14th July, 2015 at SIDBI office in Mumbai.

*1. Au Financiers (India) Limited, Jaipur 2. Capital Local Area Bank Limited, Jalandhar 3. Disha Microfin Private Limited, Ahmedabad 4. Equitas Holdings P Limited, Chennai 5. ESAF Microfinance and Investments Private Limited, Chennai 6. Janalakshmi Financial Services Private Limited, Bangalore 7. RGVN (North East) Microfinance Limited, Guwahati 8. Suryoday Micro Finance Private Limited, Navi Mumbai 9. Ujjivan Financial Services Private Limited, Bangalore 10. Utkarsh Micro Finance Private Limited, Varanasi*

## STRENGTHENING FINANCIAL LITERACY IN UP: EXPERT SPEAKS

*“DURING the initial phases, we were not completely versed with the idea of financial literacy programme and mostly took it as a compliance activity. Later when I attended the first FL-camp organized by FLC counselors, I realized the importance of financial literacy in achieving Cooperative bank goals. Now we inculcate financial literacy programmes in our business plan with proper implementation and monitoring mechanism through several technologies in six different locations; five are being taken care by bank itself and one is supported by NABARD. As a cooperative we have resources like mobile van with generator, ATM machine, projector, screen, audio visual, pamphlets and six FLC counselors those are dedicated for creating awareness and knowledge of our products/State/Central Govt schemes. As a result we achieved our targets in Kisan Credit Card, Rupay Card, Aadhar seeding, PMJDY, loan/interest management etc., and it impacted positively for our micro-lending business which is growing significantly in financial year 2014-15. We have approximately 97% return rate on micro lending. “* – **Shri Anjum Khan, CEO-District Cooperative Bank Ltd. Rampur, UP**

### INTERVIEW WITH SHRI D V DESHPANDE, DIRECTOR - BANKERS INSTITUTE OF RURAL DEVELOPMENT (BIRD)



**1. BIRD is organizing several capacity building & training programmes for the financial counselors of banks. In your view is the idea useful? Whether provision of only one financial counselor in a district or block is enough to fulfill RBI agenda on Financial Literacy?**

The initiative of setting up Financial Literacy Centers (FLC) by engaging full time counselors is a very noble idea which can help in augmenting of financial literacy among all classes of population, especially those belong to, what Prof. C K Prahlad called- ‘Bottom of the pyramid’.

Bankers Institute of Rural Development (BIRD) (including its associated centers at Mangalore in Karnataka and Bolpur in West Bengal) has conducted

several training programmes to build the capacities of about 400 financial counselors in the country in the recent past and the effort is continuing this year also.

Financial literacy encompasses awareness generation among current and potential clients of banking institutions, concerning banking and new banking financial services available to them. Such financial literacy initiatives need to be imparted across the country which has several ‘underserved’ and ‘unserved’ regions. Therefore, in our opinion, huge potential exists for extending financial services, for which FLCs need to be opened in much larger numbers, preferably every bank in each district with minimum staff and infrastructure. Nonetheless, a beginning has been made by the banks by opening one centre with one counselor and hopefully the network will be strengthened further in future.

**2. We have recently conducted a research on Financial Literacy Centers and one of the facts that we found is related to salary discrimination among financial counselors by different banks. What is your concern on this?**

While I agree that there are variations in the salary and perks/facilities of

the counselors provided by different banks, but I also realize that they are having certain limitations. RRBs & Cooperative bank’s FLCs are receiving support from NABARD while other banks are not. Such factors are also contributing to variations to some extent. Having said this, salary and other remuneration to FLCs is fixed by individual banks after taking into account several factors like, cost and benefit analysis as perceived by the banks within the overall business of the bank, particularly in that area. Perhaps banks can evolve standardized norms with mutual consultation.

**3. It is well known that value added resources like infrastructure, transportation etc., improves the performance of employees. What are your views on the availability of resources in Financial Literacy Centers?**

Yes, it is right that availability of right resources at right time surely help in improving the performance of employees. Provision of adequate resources allocated by banks for FLCs, including human resources and infrastructure such as separate office, equipment (projector, computer etc.), vehicle and petrol expenses, internet connectivity, etc. could improve the

implementation of mission of financial literacy effectively and efficiently.

However, as discussed above, Banks have to evolve norms for allocation of human resources as well as infrastructure, to optimize the performance of FLCs. Further, a standardized rating system for performance assessment of FLCs could also be evolved in order to motivate FLCs to deepen and widen the scope of their services. However, such norms need a national level discussion

among Banks, FIs and Policy advocacy farmers.

#### 4. What are your suggestions to strengthen the financial literacy efforts in Uttar Pradesh?

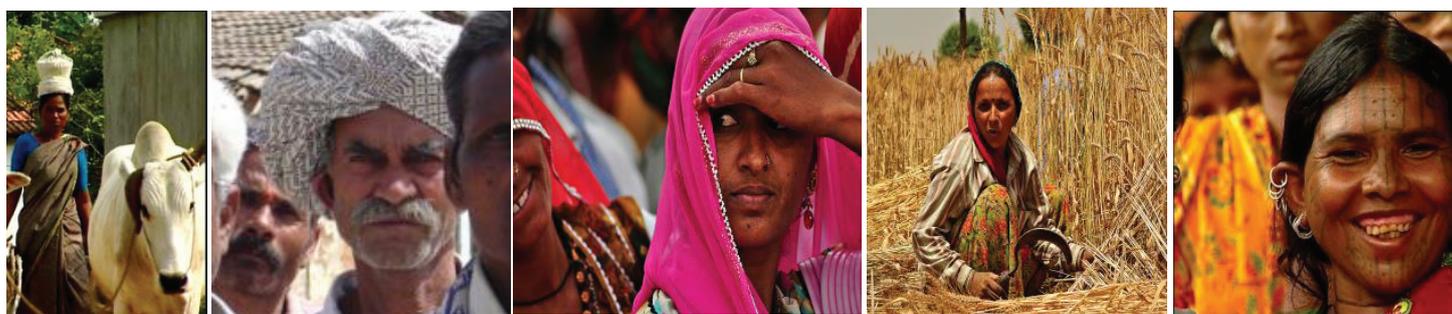
Role of government- both central government and state government - is very important in the success of any community based programmes. However all stakeholders like RBI, NABARD, banks MFIs, DIF, schools and colleges, etc., need to evolve a

joint strategy to intensify the financial literacy efforts in the state. Youth need to be involved in all the initiatives.

UP being a big state, requires regional focus taking into consideration the needs of a cluster of districts. Financial literacy efforts need to be supported by flexible need based and appropriate financial products and services. Special efforts are needed to reach out to less developed districts and Bundelkhand region due to their poorer status of development and vulnerability.

<sup>i</sup> 4th Uttar Pradesh-State Forum Inclusive Finance meeting, 2015

<sup>ii</sup> RRB exposure visit report-PSIG – 2015



## About us:

The **Poorest States Inclusive Growth Programme (PSIG)**: The DFID supported PSIG programme, implemented by SIDBI, aims to increase access of financial services to 12 million low income clients in the 4 State of UP, MP, Bihar and Odisha. This £30m, 7-year project has three distinct outputs – policy advocacy, capacity building and financial literacy & women empowerment. ACCESS-ASSIST is managing the policy component of the programme.



*For sending feedback & queries please contact:*

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