

UP Inclusive Finance Bulletin

Volume 1, Issue 2, March, 2015

Published by ACCESS – ASSIST under the Poorest States Inclusive Growth (PSIG) Programme

2nd Meeting of the State Financial Inclusion Forum (SFIF) On Micro Insurance

The second meeting of the SFIF was organized on **26th Nov 2014** on the theme of **Micro Insurance-Issues & Challenges**. Apart from SFIF members, participants from different insurance companies, MFIs, were present. Mr. Alok Kumar, Secretary & commissioner Revenue Board spoke on Rashtriya Swasthya Bima Yojana (RSBY). He highlighted that the importance of focusing on packages, creating awareness and strengthening their manpower through



capacity building. There were engaging discussions on corporate agent, broker, BC model and the gathering showed a lot of

interest in implementing schemes through the BC model. Mr. Prabhakar Behera, GM (Financial Inclusion department), NABARD also raised the issue of stamp duty waive off for SHG account holders as well as exemption from folio charges. He also raised concern on crop insurance, in UP alone 44 districts are flood prone but the crops are not insured, which in case of natural calamity or mishap leads to disbalance in their life.

PSIG Programme - Events

Poverty Outreach Report, U.P. workshop by Grameen Foundation (February 10, 2015): A workshop was organized on February 10, 2015 in Hotel Levana by Grameen Foundation under PSIG to share the data collected from various districts in UP. This data will form the basis of the Poverty Outreach Report. Ragini Chaudhary from DFID, highlighted that this data could be used for targeting clients & facilitating deeper penetration of financial services. The Study was done on 1st Loan cycle clients on 10 MFIs across 125 branches in 41 districts. The workshop was attended by RGMVP, Fusion, Utkarsh, Ujjivan to name a few.

Finscope kickoff workshop by Finmark trust South Africa (19th Jan 2015): PSIG-SIDBI in collaboration with Finmark Trust, South Africa is implementing the FinScope Survey in the four PSIG states. The kick-off workshop for the same was organized on 19th January 2015 in Lucknow, Uttar Pradesh. The key objective of FinScope survey is to track and measure and profile levels of access to and use of financial services by all bankable adults, across income ranges and other demographics, and making this information available to key stakeholders as policy-makers, regulators, and financial service providers. The FinScope India study will cover 16,000 interviews across Bihar, Odisha, Madhya Pradesh and Uttar Pradesh. The workshop was attended by representatives from NABARD, Grameen bank of Aryavart, Baroda UP Grameen Bank, MFIN to name a few.

Training on Operational & Credit Risk management by UPMA (19th & 20th Dec 2014): A two day common training programme on Operational & Credit risk management for MFIs was organized under the PSIG programme by Uttar Pradesh Microfinance Association (UPMA) on 19th



& 20th Dec 2014 for MFIs. Through the forum, small MFIs can also raise their issues to improve their functionality. The two day training programme was attended by MFIs Utkarsh, SKS, Margdarshak, BMC, and Sonata. The workshop was well appreciated by SIDBI-State PSIG Director requested Mr. Gyan Prakash, CEO-UPMA to encourage more MFIs to be part of UPMA.

National Consultation Workshop for women Empowerment (15th Dec 2014): SIDBI is the implementing agency for the ADB-JFPR (Asian Development Bank - Japan Fund for Poverty Reduction) Project Supporting Micro Entrepreneurship for Women Empowerment which aims to facilitate access to finance for low-income female micro-entrepreneurs in U.P, M.P, Rajasthan, Odisha and Maharashtra. SIDBI organized the National Consultation Workshop on December 15, 2014 at Bankers Institute of Rural Development (BIRD) in Lucknow to disseminate and share the impact and outcome of the JFPR-Project with various stakeholders.

Roundtable on Issues on Credit Data Reporting, (8th Dec 2014): A roundtable on "Issues in Credit Data Reporting in Microfinance" was organized by PSIG, on December 8th, 2014. Highmark presented its insights of the study conducted for analyzing the potential, scope and coverage

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for microfinance in the four PSIG states. The event was participated by Banks (PSU banks, private banks, RRBs and Cooperative banks), Microfinance Institutions, SHG promoting institutions, BCs and BCNMs, Credit Bureau, Technical agencies, IFC and other organizations.

Leaders for field orientation workshop by Grameen Foundation (16th Oct 2014): Grameen foundation along with PSIG organized an orientation workshop for managers of MFIs. The main purpose of this workshop was to enable managers to meet current demands and position them to be the next generation of senior leaders in the organization. The workshop was attended by 8 MFIs; SIDBI PSIG team was represented by Mr. Utpal Chakraborty & Mr. Amar

Gender Sensitization workshop by (13th & 14th Oct 2014): PSIG organized a two day Gender sensitization workshop for senior executives of partner MFIs from UP and Bihar on October 13 & 14th 2014 at Varanasi. Main objective of the training was to sensitize key staffs of the MFI to appreciate the relevance of women empowerment in promoting efficiency of microfinance interventions and to identify strategies / practical actions in promoting women empowerment in microfinance and organizational processes. It was attended by 27 participants from 7 partner MFIs from two states.

Updates from the Financial Inclusion Sector

Creation of Mudra Bank: The finance minister in his budget for 2015-16 proposed creation of the Mudra Bank, with a corpus of Rs 20,000 crore, and credit guarantee corpus of Rs 3,000 crore. Mudra Bank, he said, “will refinance microfinance institutions through a Pradhan Mantri Mudra Yojana”

Atal Pension Yojana (APY) was announced by the Finance Minister in his budget speech for citizens in the unorganised sector. The Central Government would co-contribute 50% of the subscriber's contribution or Rs. 1000 per annum, whichever is lower, to each eligible subscriber account, for a period of 5 years, i.e., from 2015-16 to 2019-20, who join the NPS before 31st December, 2015 and who are not income tax payers. The APY would be launched from 1st June, 2015

Pradhan Mantri Suraksha Bima Yojana for accidental Insurance will be made available to people between 18-70 yrs of age with bank account for a premium of Rs. 12 per annum. The insurance provides risk cover up to Rs. 2 Lakhs.

The Pradhan Mantri Jeevan Jyoti Bima Yojana will be made available to people between 18-50 yrs of age at a premium of Rs. 330 per annum. The risk cover extends to Rs. 2 Lakhs in case of death for any reason.

RBI releases Names of Applicants of Small Finance Banks and Payments Banks: The Reserve Bank of India on February 4th, 2015 released the names of applicants of small finance banks and payment banks, stating it received, in its Central Office, 72 applications for small finance banks and 41 applications for payments banks

RBI declared a scheme of interest subvention on credit to women SHG's in 150 districts through a circular dated December 9th 2014. The scheme allows all women SHGs an interest subvention on credit up to 3 lakhs at 7% per annum. These SHGs will be provided an additional of 3% on timely repayment of

loans.

Financial Education & Awareness from RBI: The RBI recently released guidelines on Criteria for Institutions, who can seek Financial Assistance from the Depositor Education and Awareness Fund. It aims to grant financial assistance to institutions/ organizations/associations for taking up various activities relating to promoting bank depositors education and awareness.

LPG subsidy to be provided in bank account from 1st Jan'15: The GoI has decided to transfer cash subsidies for LPG to bank accounts w.e.f from 1st Jan'2015. According to the scheme, consumers will have to either link their Aadhaar number into their bank accounts and their LPG consumer ID or, they will have to link their bank accounts directly with their 17-digit LPG ID to receive subsidy on LPG.

Rashtriya Mahila Kosh: The GoI has announced revamping of the Rashtriya Mahila Kosh (RMK). The RMK will no longer extend loans to SHGs, rather, women will be taught to make investments, market their skills and products and manage enterprises.

Bhoomi Heen Kissan: GoI has proposed encouraging financing of Joint Farming Groups during the financial year. The Hon'ble Finance Minister of India has specifically mentioned financing of Joint Farming Group for “Bhoomi Heen Kissan” with the help of NABARD. NABARD has been assigned the responsibility of monitoring financing of 5 lakh Joint Farming Groups.

Largest Funding: Ujjivan has been able to raise Rs. 600 crore funding from UK's Commonwealth Development Corporation, PE investors CX Partners, Newquest and from a unit of Bajaj Group; making it the single largest funding in the microfinance sector. The sector seems to be reviving again with CRISIL estimating the assets of Indian microfinance industry would reach a whopping Rs. 45000 crore by FY 2016!

Updates from other PSIG states –

Odisha –

- 5th State Financial Inclusion Forum meeting organised on 29th January, 2015 on “Financial Inclusion through BC Model”
- Secondbankers' exposure visit to Mahashakti Foundation organised on 15th November 2014. 14 Senior Bankers from 11 Public Sector Banks participated in the visit.
- Joint meeting of Utkal Grameen Bank, PSIG and senior BMASS officials organised in Berhampur on 28th to revive SHGs under BMASS.

Madhya Pradesh –

- Second meeting of the SFIF organised on February 23rd, 2015
- Kick-off workshop of FinScope Survey organized in Bhopal on 12th January 2015

Bihar –

- 4th State Financial Inclusion Forum meeting was organized on 18th September 2014. The theme was Pradhan Mantri Jan dhan Yojana (PMJDY).
- Second meeting of Aggregator's Forum of Bihar organized on 28th November 2014 at CDOT. Mr. Devesh Mittal, AGM, PFRDA also attended the meeting and updated the aggregators about new regulations and initiatives taken by PFRDA.

Banking License to Bandhan Financial Services: On 2nd of April, 2014 RBI “in-principle” approved **Bandhan Financial Services Pvt. Ltd**, a leading microfinance institution in India, to function as a private bank with full focus on rural areas of India. This initiative, aims to envelop marginalized sections of the society into the formal financial system.

Financial Inclusion Status - UP

Branch network of Comm. Banks, RRB's and COOP. Banks (as on September, 2014)

As per plan for fiscal 2013-14 30,515 villages were to be covered against which till March 14, 14782 villages were covered which was 49% of annual target. The latest numbers as on 30th September 2014 as many as 37,967 villages having less than 2,000 population have been cumulatively covered by various Banks by providing Banking services through various modes.

Banks	Rural branches	Semi Urban branches	Urban branches	Metro branches	Total (Sept. 2014)	Increase from June'14-Sept '14
Subtotal of lead banks	3,606	1,897	1,518	1,066	8,087	181
Subtotal of non lead banks and private banks	675	605	1,053	554	2,887	43
Subtotal of RRB's	3,172	454	193	48	3,867	11
Subtotal of Coop. Banks	1,238	363	52	7	1,660	0
Grand Total	8,691	3,319	2,816	1,675	16,501	235

Source: SLBC Meeting Report, Sept, 2014.

SHG Bank Linkage

Many SHGs in Uttar Pradesh have been linked with banks to ensure credit supply. SHGs have several members who apply jointly to subscribe for loans. Among the various banks in the State, Regional Rural Banks ensure the maximum number of groups formed. This is closely followed by Commercial Banks as they cater to loan requirements of 95.36% of the SHGs formed. Regional banks give credit to only 81% of the groups that bank with them. The smaller percentage of groups linked for loan with RRBs and Cooperatives, and low repayment rates by SHGs with all the banks were due to the inherent problems surfacing between the SHPIs and banks. The lack of bank staff particularly in the RRBs, poor attitudes by the bank staff towards opening of SHG account, loan application processing, and insistence on rigid KYC norms contributed to the poor results in SHG bank linkages. Similarly, inadequate role played by SHPIs in loan recovery and in developing quality groups due to constraints faced by the promoting agencies with funds, or irregular release of sanctioned budgets by the donor/supporting agencies has caused hindrance to the process (SLBC report sept, 2014)

Institutions	Group formed (Lakhs)	Cumulative Groups linked for loans (Lakhs)	Cumulative loan amount (Lakhs)
Comm. Banks	1.6	1.58	1400
Coop. Banks	0.21	0.06	53
RRB's	2.15	1.76	780
Total	3.96	3.4	2233

Status of MFI Coverage in U.P

The microfinance sector in India has experienced a rollercoaster trend in the last one and half decade, during which various changes and amendments took place under the legal and regulatory ecosystem. The much awaited and long standing MFIDR Bill 2012 got lapsed in the parliament while the sector has experienced various regulatory changes in the last fiscal year. In addition, RBI has also allowed NBFC-MFIs to work as Business Correspondents. Bank licensing, guidelines on Small and Payment banks, technological innovations and above all, the business potential at the base of the pyramid is driving the agenda of financial inclusion in a big way, under a very fast changing landscape. Portfolio of MFIs in now more evenly distributed across various regions.

Indicators	Q2 14-15	Q 3 14-15	Percentage increase
Gross Loan Portfolio (in Billions)	23.51	25.95	10%
Loan Amount disbursed (in billions)	9.44	9.58	1.40%
No. of clients (in Millions)	1.93	2.07	7%
Branches	751	791	5%

Source: MFIN Micrometer Dec 2014 issue

Rajiv Gandhi Mahila Vikas Pariyojana

Rajiv Gandhi Mahila Vikas Pariyojana is implementing a large-scale SHG programme in UP since 2002. As of June 2014, RGMVP has promoted 1, 09,828 women SHGs across 42 backward districts in 264 Blocks covering 12, 77,824 poor households. Since 2007, RGMVP has adopted the SHG Federation model in collaboration with SERP, Govt. of AP and NABARD and nurtures the SHG Federations both at village and block level. These Federations not only provide continuous hand-holding support to the SHGs but also act as community based resource organizations to expand the SHGs with the help of identified best SHG practitioners (who are called as Community Resource Persons- CRPs). Focus areas of RGMVP are access of Rights & Entitlements, PRI, Financial Inclusion, Livelihood, Health, and Education through social a platform (SHG Federation and Young Women SHG's). RGMVP is the national resource organization for NRLM and a MoU has been signed with 5 states i.e., Uttarakhand, Jammu & Kashmir, Himanchal Pradesh, Punjab & Haryana. DFID through SIDBI has partnered with RGMVP for deepening financial inclusion through PSIG to ensure that each SHG member invests at least 50,000/- over a period

in multiple doses and comes out of poverty. It also supports for promoting Young Women SHGs besides financial literacy initiatives.

Happy Faces: - Maya

Maya lives with her husband and four children in the village of Malikpur Barna of Harchandpur block, Uttar Pradesh. Maya's life has dramatically changed in the last two years after she was introduced to RGMVP's SHG platforms and she joined a SHG of her own comprising of 13 members called Jai Shankar ji Swayam Sahayata Samooh in 2011. Maya first took out 2000/- from her SHG from which she bought two goats. From the CCL Maya borrowed 25,000/- and used 5000/- of her own savings to buy a buffalo, by selling the milk the buffalo produced, Maya was

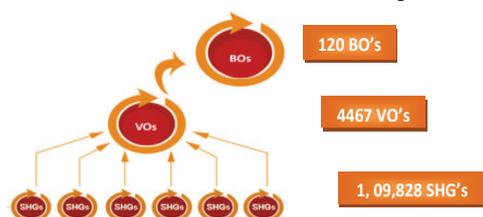


able to pay back her loan. Maya took another 8000/- from her SHG to rent a piece of land near her village where she grows rice and wheat. Maya has attended various trainings given by RGMVP's Samooh Sakhis. After gaining knowledge through these trainings she has set up her own kitchen garden in her back yard where she grows garlic, spinach, gourd, chilies and coriander. Maya says that her greatest achievement has been to build a small house for her family by borrowing

Rs 30,000/- from her SHG. Today with her house, cattle, kitchen garden, compost and small fields, Maya lives a self sustained life and is an example for others in her village.

Ms. Afsana- success from Dairy enterprise

Afsana has a family of 6. Her husband, the only earning member worked as a labourer and could earn at the most Rs 2000 a month. To meet the family needs she had to borrow money from sahuks at 10% monthly interest rate. In 2010 she became a member of Rasool Allah Swayam Shayata Samooh and borrowed Rs 20,000 and purchased a cow. She started earning Rs.100-150 per day by selling milk. Afsana borrowed Rs 10,000 from first CCL, Rs 1, 10,000 in three installments after SHG got its second CCL sanctioned and Rs 1, 20, 000 from Gram Sangathan in three installments and bought buffaloes to open a dairy of her own. Today she gets a production of 200 liters in her dairy earning Rs. 3000-4000 per day. She sells nearly 125 liters every day at Rs 40/ liter and rest of the milk is sold as paneer or khoya. Presently she owns 6 cows and 7 buffaloes. Her children who were previously studying in primary school now go to Ryan International School.



Theme for the Quarter: Micro Insurance-Issues & Challenges

Uttar Pradesh is the most populous state in the country with the highest number of people below poverty line. The state is affected by natural disasters like floods, heat waves, forest fire, epidemics etc. Regions like Bundelkhand experience very low rainfall resulting in frequent droughts every year. The health hazards as experienced by poor, especially in rural pockets, are many and health facilities are dismal. In view of the above, micro insurance products and services are becoming increasingly important for risk reduction.

Central & state governments have supported micro insurance by providing premium subsidy across sectors such as life, health and agriculture insurance which contributes to large outreach. While government schemes have large coverage, they may face challenges in the future due to high claims ratio and dependence on political will. Insurance companies have a variety of distribution channels like NGOs, MFIs, community based institutions and banks. However substantial outreach of life and personal accident insurance products may not be attributed to the informed demand for such products Life insurance products are found relatively easy to distribute as they are linked with other

products like credit and also distributed through channels which have relatively better outreach.

The major challenges in increasing penetration in the micro insurance segment are: first, the ticket size being small, cost of distribution becomes more than the premium, thus, making the whole proposition commercially unviable. Therefore, insurers need to come up with newer distribution strategies & the Govt. needs to intervene by incentivizing such efforts. Village Panchayats could be utilized as distribution channels as well by linking the funds to the Panchayats.

Second is the shortage of disposable income amongst the down trodden. Payment of insurance premium is still considered as an avoidable expense. It is more so for the poorer sections of society where the absolute value of the loss is much less. Risk mitigation comes only when there is perceived risk. Hence, a demand for risk mitigation tools needs to be created.

Almost all the MFIs have at some point, created and piloted health, livestock, crop or other insurance products but at present very few of them provide non-life insurance. Marketing voluntary general insurance is



difficult and not a lucrative proposition which has partly dampened enthusiasm to sell more general products. Many insurers report increasing distribution through banks, RRBs and cooperatives than through MFIs and SHPIs.

Micro insurance is a difficult business segment and developing viable products and delivery models for poor and low income households is a challenge. Therefore, micro insurance & skill development for sustainable livelihood need to be worked upon simultaneously with development of a robust distribution channel with intervention from the Govt. and development banks. The sector is yet to attain a level of development in which well designed products are widely available and effectively used by clients.

Fusion Microfinance Pvt. Ltd. Awarded Microfinance Organisation of the year 2014 (Small & Medium)

The "Microfinance India Awards" instituted by ACCESS in 2009 and supported by HSBC India, seek to recognize the stellar contribution of several thought leaders, practitioners, policy makers, promoters and researchers as well as institutions towards responsible growth of the microfinance sector in India. In the five years, they have come to be recognized and respected as an important sector initiative and have been conferred upon several eminent and respected institutions and individuals in the sector.

Fusion Microfinance Pvt. Ltd. was this year awarded under the category, Microfinance Organisation of the year (Small & Medium) for working in rural and semi-urban areas providing financial services to women belonging to the economically and socially deprived section of the society. Fusion is a PSIG-SIDBI supported MFI and responsible finance and client protection have strengthened Fusion as a brand that strictly adheres to RBI directives and industry guidelines. It operates in North India particularly Uttar Pradesh Madhya Pradesh,



Delhi & Uttarakhand. Fusion currently has a client base of 1,27,581 in 4 states across 34 districts. Fusion also provides financial literacy awareness programmes, basic health awareness programmes etc.



The Poorest States Inclusive Growth Program (PSIG): The DFID supported Poorest State Inclusive Growth (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.

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