

UP Inclusive Finance Bulletin

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The Poorest States Inclusive Growth Programme

The Poorest States Inclusive Growth (PSIG) Programme is a UKAid, Department For International Development (DFID) supported program and is being implemented by Small Industries Development Bank of India (SIDBI). Implementation period for the project is 5 years starting from 2012 till 2017.

The main objective of this programme is to improve access of low income households to diverse financial services

in the 4 poorest States of India viz. Uttar Pradesh, Madhya Pradesh, Bihar and Odisha.

Chief components of the programme include:

- Policy Advocacy at the state and national level
- Capacity building of institutions/channels for delivery of financial services and
- Financial literacy and women empowerment for clients.

PSIG is expected to leverage private sector financial and technical resources to reach up to 12 million direct and indirect beneficiaries of which three-fourth are women

The program envisages delivering two key outputs which are: increasing access of financial services for the poor, especially women and, empowering women and augmenting financial literacy among them.

PSIG Programme-Events

Accelerating Access to Finance in U.P. - Bank-MFI Interface

Objectives of MFI-Bank interface:-

- Identify the key concerns and constraints of Banks in lending to MFIs
- Facilitate consultative deliberations among stakeholders
- Explore possible collaborative efforts among various stakeholders for supporting the microfinance sector and enhancing fund flow from banks to MFIs

ACCESS-ASSIST and SIDBI organized a Roundtable on “Accelerating Access to Finance in U.P. Bank-MFI Interface” on 7th March 2014 at Lucknow, Uttar Pradesh, under

the PSIG programme. The Roundtable was inaugurated by the Chief General Manager SFMC, SIDBI and special guest, Chief General Manager of NABARD (Lucknow). The meeting was attended by stakeholders such as the officials from public and private sector banks, representatives from MFIs, delegates from apex development finance institutions including NABARD and SIDBI, Funding organisations (DFID), Rating Agencies, Credit Bureaus, Consulting organizations, technical resource agencies including ACCESS-ASSIST.

Mr. K.S. Singhwan, Chief General Manager, SIDBI, Lucknow set the ball

rolling with his words, “Microfinance Institutions have played an important role in reaching out with formal credit to the unbanked population of the country and continues to hold a significant role. Post the crisis, in 2010, SIDBI has taken proactive measures to support the sector. Setting up of Lenders’ Forum for microfinance SIDBI is likely to be the first initiative of this kind globally. Microfinance Development and Equity Fund of SIDBI has invested in 31 MFIs, of which 14 are in the four PSIG focus states.” Discussion in the meeting centered on risk perceptions in microfinance and mitigates to enhance bank lending to MFIs and innovative financing models.

Workshop on Poverty Outreach Reports for PSIG for UP based MFIs

An orientation workshop on Poverty Outreach reports for PSIG states was organized in Lucknow for UP based MFIs.

“What do the poor really mean in the context of microfinance and financial inclusion?” In essence this question is a mirror to the sector. The main takeaway of the workshop was that Microfinance (MF) sector could not counter or defend itself as it had no concrete data to report who its clients were or demonstrate that it was benefitting them. Microfinance Institutions (MFIs) themselves call their clients by different names – the poor, excluded, economically active poor,

and low-income population among others. There are no standardized benchmarks (Ex: Below X\$ a day) to provide a common terminology within the sector. It is possible (and necessary) for the microfinance sector to measure and understand itself through a strong pro-poor lens and make decisions based on this. PSIG wants to work towards demystifying these client categories, allowing the sector to take credit where due and benchmark itself according to RBI’s and other standards. As an industry, we should be able to say with confidence what % of the poor below a certain poverty level we are reaching - that is the background to this

project. It is also about knowing your clients and tailoring of products based on their needs. The poor is considered to be one homogeneous segment which is not case. The hope is that the project outputs and findings would impact sector-level policies.



Workshop on Financial Literacy & Gender Empowerment

One of the major outputs of the PSIG programme is to enhance women's capacities to address financial and gender issues. Towards this objective, the inception workshop on financial literacy and gender empowerment was held on May 19th, 2014 in Varanasi with key representatives and officials from SIDBI, DFID and 6 of the proposed MFI partners in the project, operating in eastern UP and Bihar.

PSIG, SIDBI has engaged the "Indian School of Microfinance for Women" (ISMW) as a Resource Organization (RO) for implementing the pilot on training of MFI clients through Master Trainers to be placed with MFIs in the UP and Bihar cluster.

The pilot aims to cover 60,000 women clients from micro finance institutions. The intent is to provide minimum 30 hrs of training to the clients on

Financial Literacy, legal entitlement and women empowerment issues. The programme is spread over a fairly long period of up to one year to ensure good retention and change in behavior. This meeting was instrumental in formulating the detailed strategy document along with a result matrix for project implementation and provided deep insights on challenges envisaged therein.

Inception Meeting of the State Financial Inclusion Forum



Setting up of multi-stakeholder State Financial Inclusion Forum (SFIF) in each programme focus state has been agreed as one of the key mechanism to achieve the objectives under the policy advocacy component. The first meeting of the U.P State financial Inclusion forum was held on 26th Aug 2014, under the chairmanship of Mrs.

Supriya Pattnaik Regional Director-RBI. The SFIF is expected to act as an Exchange and deliberation forum and help strengthen the coordination and synergy among all stakeholders in creating an enabling environment and accelerating the process of Financial Inclusion in the state.

The State Financial Inclusion Forum will act as a mechanism for candid and open discussions on the opportunities and limitations of different channels and intervention for access to finance. The scope will include all financial services- credit, savings, insurance, pensions and remittances, and through all channels including direct banking, agent banking, SHG linkage,

MFI channel and community based models such as cooperatives and SHG federations, insurance and pension.

The members including Mrs. Supriya Pattnaik Regional Director RBI, Mr. Sampath Kumar, CEO, RGMVP; Mr. Adarsh Kumar, Mission Director, UPSRLM; and representatives from LIC, Sonata Microfinance welcomed and supported the idea of a forum of this nature at state level. It was however cautioned that the form should synergize with existing mechanisms such as the SLBC, and its sub- committee on Financial Inclusion; committees/forums promoted by NRLM etc. so as not to duplicate efforts.

Bankers' –MFI Exposure Visit to Margdarshak

One of the lead themes under policy advocacy for PSIG is MFIs Funding and Regulation. Recent developments in the sector indicate resumption of lending to MFIs from banks as well as through equity. The loan portfolio climbed to Rs. 26150 Crore in June 2014. The sector now has a framework that focuses on responsible finance and establishes norms of behavior for MFIs. As an effort to further this objective an exposure visit for bank officials at the state and regional levels to Margdarshak financial services Ltd was organized in Lucknow on Oct

27th 2014. The main objective behind organizing this event was to provide senior bankers first-hand information on MFI operations, MIS, internal audit process, code of conduct compliance, etc. through interface with MFI senior management (MD & HoDs), field staff, and clients. The visit was divided into three stages combining both in-class presentations and branch and field visits in Barabanki to make it a learning experience for the bankers. The visit turned out to be very successful as concluding remarks from bankers were very positive. PSIG director Mr. Utpal

added that SIDBI is trying to build confidence of sector by providing technical support to MFI.



Report on Status of Financial Inclusion and Way Forward in U.P

This report focuses on the current status of financial inclusion in the state of U.P with respect to the various formal channels available. Financial services are accessed through various formal and informal channels. However the quantification of informal channels is a task of enormity, the report discusses only the formal channels. Uttar Pradesh's exposure to banking services is very limited and hence per capita availability of financial services is the lowest in the country.

According to the census 2011, there are around 97,942 inhabited villages in Uttar Pradesh; out of which, villages having population more than 2000 are 18,529. Out of these 14,625 villages are

still unbanked. Villages having population less than 2000 are 79,413 out of which 76,780 are unbanked. This is a huge number which still has not been touched by banking in any form either branch banking or BC.

Branch network of Comm. Banks, RRB's and COOP. Banks as on March, 2014						
Banks	No. of Rural branches	No. of Semi Urban branches	No. of Urban branches	No. of Metro branches	Total (March 2014)	Increase from Dec'13-Mar '14
Subtotal of lead banks	3453	1839	1485	1014	7791	274
Subtotal of non lead banks and private banks	629	592	1032	538	2791	252
Subtotal of RRB's	3144	458	183	48	3833	161
Subtotal of Coop. Banks	1238	363	50	7	1658	0
Grand total	8464	3252	2750	1607	16073	687

Source: SLBC report, U.P dated 30th June14

Progress of MFIs and SHG-Bank Linkage in U.P

According to the Sa-Dhan report (2012-13), the number of districts which are being served by MFIs is 43 out of which 24 are the poorest districts. 53 Banks are providing microfinance services out of which there are 20 public sector Banks, 2 private Banks, 10 RRB's and 24 DCCB. Significant loan amount has been disbursed in the State and MFIs headquartered in South such as SKS have shown interest in the State because of huge potential in its microfinance operations. With MFIs flourishing in the State, the gross loan portfolio achieved 55% increase over the last year (2012-13) and witnessed 25% growth in client outreach by end of March 2014. Moreover, a higher growth (72%) in loan amount disbursed this year over the last year is observed in the State as well, which shows a positive sign of development in the State.

Performance indicators of 15 MFIs operating in U.P. (2012-13 and 2013-14)

Indicators	FY 2012-13	FY 2013-14	Percentage Increase
Gross Loan Portfolio (in billions)	12.89	19.96	54.8%
Loan amount disbursed (in billions)	14.53	25.12	72.8%
No. of clients (millions)	1.47	1.84	25.2%
Branches	578	692	19.7%
Loan Outstanding/Client (INR)	8,751	10,850	24%
Avg. Loan amount disbursed	14,725	17,594	19.4%
Employees	4,298	4,969	15.6%

Source: MFIN Micrometer, May 2014 edition.

The MFI's working in the State have made positive impacts in promoting entrepreneurship and small businesses in the urban and semi urban areas. The financial products offered to clients are loans in the form of common service directly from their company. MFIs like CASHPOR, Disha work in the underserved poor regions and Grameen Banks, RGVM, GDS work in poorer regions including Bundelkhand.

Within credit, there are few special products offered by MFIs like CASHPOR and Utkarsh that have several innovative client protection processes in place. Notable among them is a grievance redressal system in which a client can call the head office from a toll free number and share any concerns they might have. CASHPOR has designed an 'energy loan' for members to buy smokeless stoves, solar lamps and other devices, health loan for members to invest in toilets and safety loans to meet emergency situations like flood, fire, earthquake, epidemic, serious accident, etc. Thus MFIs are not only fulfilling credit needs, but also working in social development through by means of training and capacity building, health and sanitation, livelihood intervention, education etc.

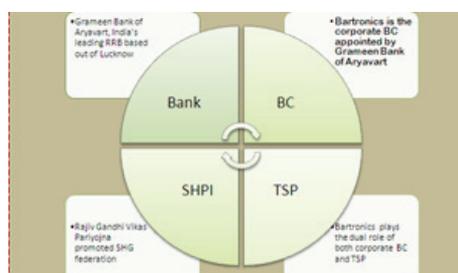
Status of SHG-Bank Linkage in U.P as on March, 2014

Institutions	Group formed (Lakhs)	Cumulative Groups linked for loans(Lakhs)	Cumulative loan amount(Lakhs)
Comm. Banks	1.99	1.90	1700
Coop. Banks	0.21	0.06	54
RRB's	2.20	1.80	698
Total	4.40	3.76	2452

Source: SLBC report, U.P dated 30th June14

Pilot project on leveraging SHG networks for building a sustainable CSP network by Gramin Bank of Aryavart

Business Correspondents have played a vital role in India's financial inclusion strategy to ensure delivery of banking services across the country. An important milestone of having a bank agent or a CSP (Customer Service Point) in all villages with a population of more than 2,000 has been achieved. But despite the remarkable progress, significant challenges remain in complete coverage.



The Gramin Bank of Aryavart (GBA) in cooperation with the GIZ-NABARD Rural Financial Institutions Programme (RFIP) identified a well-functioning SHG ecosystem that has been promoted by Rajiv Gandhi Mahila Vikas Pariyojana (RGMVP) for this pilot project. Bank Sakhis; selected SHG members who have been acting as a link between the SHGs and the bank – were trained and equipped to carry out the function of CSPs in Sumerpur block of Unnao district in UP, where access to formal banking services and its usage has been poor.

Outreach and usage of ICT-based banking services:

As of 30th April 2014, the SHG federation through the network of

Bank Sakhis, has taken the ICT-based banking services to the door-step of over 11,000 households spread over 85 villages at 24 gram panchayats. Over 35% of bankable citizens have been enrolled to formal savings services of GBA. 65% of SHG members have opened individual savings accounts. The SHG institution is committed to take the banking services to each and every under/un-banked household in the project villages. It is interesting to note the usage pattern amongst the account-holders.

A total of 5697 clients have been provided with smart cards to operate their savings accounts. The reason for behind less than 50% customers being able to operate their accounts is due to incomplete application forms and KYC documents, delay in approval of application forms, and delay in printing of customer smart cards. The number of deposits has been higher than the number of withdrawals. It can be inferred that the clients trust and appreciate the ICT-based banking services offered by SHG networks.

Key learnings from this pilot



- SHG based networks can be leveraged to formalize effective BC agent networks to provide door to door banking services.
- Community driven BC models leveraging technology need to be replicated further. With SHG networks, community ownership becomes the driver of BC agent distribution network.
- With SHG federation members recommending CSP agents, who happen to be members of their federation and are from the village, the trust factor and reliability of the clients on them is high.
- Banks need to provide a diverse range of products and services through the CSP platform to ensure sustainability and viability of CSP revenue and evince interest
- Social respect, economic empowerment, and pride of being associated with a Bank are the socio economic benefits of being a CSP agent for a Bank

Kusuma (Bank Sakhi) shares that being CSP agent for a bank has given her social respect among community, economic empowerment, strength and thought for future growth.

Shailendra Singh (Villager) - happily shares, "whenever I feel like depositing, I deposit, and whenever I need to spend, I withdraw".

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

For sending feedback and queries please contact

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