

Bihar Inclusive Finance Bulletin

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PSIG Programme – Updates

1. PSIG has commissioned MicroSave to conduct a “Drill-down Banking Correspondent (BC) study in Bihar” to improve the current body of knowledge around the status of the BC model in Bihar and provide recommendations to improve its effectiveness and to offer inputs to policy makers. The study is complete and its dissemination is proposed in September, 2014.

2. Meetings were held with RBI, NABARD, SLBC, and Department of Institutional Finance to share activities under the SFIF.

3. Capacity building grant was extended to four partner microfinance institutions namely Arohan, CDOT, Jagaran Microfin, and Saija Finance. The capacity building support is directed towards confidence building, promotion of other financial services, and expansion in underserved districts of Bihar.

4. PSIG is commissioning Poverty Outreach Report of MFI clients in Bihar. This poverty outreach survey will be conducted by Grameen Foundation using a Progress out of Poverty Index a 10 indicator poverty measurement tool. A kick off workshop for MFIs was organised on July 3rd to explain the objective of the study and understanding the context of MFI outreach in the State. The study is underway and data collection is likely to begin in October.

5. A Meeting between Mr. Rakesh Sharma, GM PFRDA and government departments (Labour

Resource and Social Welfare) was organised on 11th August with the purpose of convergence and increasing outreach on Swavlamban Scheme. Both the departments are positive towards opting this scheme. Social Welfare Department has started the process of implementing it as an optional scheme, whereas Labour Resource Department is likely to roll it out soon for construction labourers.

6. As a follow up action of the SFIF meeting, Aggregator’s Forum is being formed after consent of 11 aggregators/sub-aggregators of Bihar. First meeting of Aggregator’s Forum was held on 2nd September 2014. 8 out of 11 aggregators participated in this forum. The forum has discussed over structure

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and role of the forum, policy and operational level issues in implementing Swavalamban scheme. This forum will meet bi monthly. In next meeting official from PFRDA will also be called as special invitee to discuss over issues.

Updates from other PSIG states –

Odisha –

- A pilot study on NPA in SHG portfolio conducted in collaboration with Odisha Gramin Bank.
- Piloting of credit bureau initiative in process in collaboration with Utkal Gramin Bank
- Interface with Royal Sundaram insurance company to develop general insurance product for SHGs.
- Exposure visit of bankers to Annapurna Microfinance Pvt. Ltd. held on 23rd August in Bhubaneswar.

Madhya Pradesh-

- Exposure visit of bankers to Samhita Microfinance organised on 24th July. Senior officials from 9 public sector banks and 3 RRBs visited Samhita. Purpose of this visit was to sensitize bankers to systems & procedures of MFIs.
- SFIF, Madhya Pradesh is in its formation phase.
- A kickoff meeting with MFIs on Poverty Outreach report was held on 18th July 2014.

Uttar Pradesh --

- Formation of SFIF and inception meeting was held on 26th August 2014.

PSIG Programme - Events

SFIF Meeting

Third meeting of the Bihar SFIF was held on 3rd July, 2014 at Hotel Chanakya, Patna. Apart from the PSIG team and SFIF members, Shri M. P. Bhagat, Deputy Director (Banking) of Department of Institutional Finance attended the meeting as a special invitee. ACCESS team had updated the forum on follow up actions taken after the two SFIF meetings. It was suggested by the forum to form an informal association of aggregators to pursue outreach of Swavalamban scheme in the state. Feedback on the newsletter was also sought from members to enrich it.



Standing Committee Report on the Micro Finance Bill was also discussed, and it was agreed that PSIG will support the concerned Government department in coming to a consensus over bill within the state. The next SFIF meeting will be held in September.

BC Workshop

MicroSave in partnership with SIDBI has been commissioned with a **Drill-down study of BC Model in Bihar** in order to analyze BC Model in the state and identify policy, institutional, and CSP level recommendations. A workshop was organized on **9th June, 2014** in Hotel Gargee Grand, Patna in which MicroSave presented their findings and recommendations from the study and took feedback from stakeholders. Apart from PSIG team and MicroSave the workshop was attended by banks, BC organisations and other SFIF members.



Top recommendations based on the consensus that came out of the discussion, are –

- Circulars by RBI should be implemented by banks on regular basis.
- There should be uniformity in services like recognition of CSPs, their remuneration etc.
- There needs to be a platform where problems faced by BCNMs and bankers can be shared and necessary action can be taken by both the entities
- SIDBI and DFID can work together to resolve the issue of working capital for BCNMs, under the PSIG programme.

Financial Inclusion Updates

- Honourable Prime Minister, Shri Narendra Modi launched “*Jan-dhan*” yojana to boost Financial Inclusion on 15th August 2014.
- Every households of Bihar will have bank account by 15th Aug. 2015 – Finance Minister, Bihar.
- RBI has formally recognized MFIN as the Self Regulatory Organization (SRO) for NBFC – MFIs.

Microfinance in Bihar - Overview

Bihar grows out to be one of the most potential fields for financial inclusion initiative identified by MFIs. Bihar ranks 6th, in terms of NBFC-MFI operations, among various states. Gross Loan Portfolio (GLP) in the state grew by 56.9 % in the last financial year. Large MFIs like Ujjivan, Spandan, SKS, Bandhan, and Share are functional in the state, home grown MFI like Saija have shown an impressive performance as well. Saija, a Bihar based emerging MFI as per CRISIL, has shown GLP growth rate of 108% for FY 2013-14 over FY 12-13, the client base increased to 48,000 as on March 2014, registering a 57% increase. C-DOT, another home grown MFI, is instrumental in providing services through their

BC operations and extending micro pension services to more than 8,000 customers as an aggregator for the Swavalamban scheme assisted by Govt. of India.

Greater regulatory clarity, including recognition of the industry body, MFIN as a self-regulatory

organization by RBI, and a stable operating environment has enhanced stakeholder confidence in the state. The state has shown better penetration level too by venturing into extend to 36 out of 38 districts of Bihar. The performance indicators on financial health of NBFC-MFIs in Bihar are shown below:

Particulars	Q4 FY 2013-14	Q1 FY 2014-15	% increase	Rank (among various states)
NBFC – MFI count	17	17	-	6th
GLP (Rsbn)	15.56	16.15	3.79%	6th
Clients (mn.)	1.73	1.81	5%	6th
Average loan amount disbursed (Rs.)	16, 741	17, 548	4.82%	--
Branches	624	637	2.08%	8th
Employees	4, 166	4, 422	6.14%	--

Source: MFIN, Micrometer issue 10, June, 2014

Drill Down Study of BC Model in Bihar –By MicroSave

PSIG had commissioned MicroSave to conduct a “Drill-down Banking Correspondent (BC) study in Bihar” to improve the current body of knowledge around the status of the BC model in Bihar and provide recommendations to improve its effectiveness and offer inputs to policy makers.

Findings from Institutional Assessments

Success Factors

- Strong relationships with banks that the BCs are associated with.
- Stringent CSP selection criteria which has provided strong on-ground presence.
- Direct support & involvement of senior management of BCs, especially in field operations.
- Access to sources of working capital which in turn has enabled BCs to manage liquidity.

Risks and Challenges

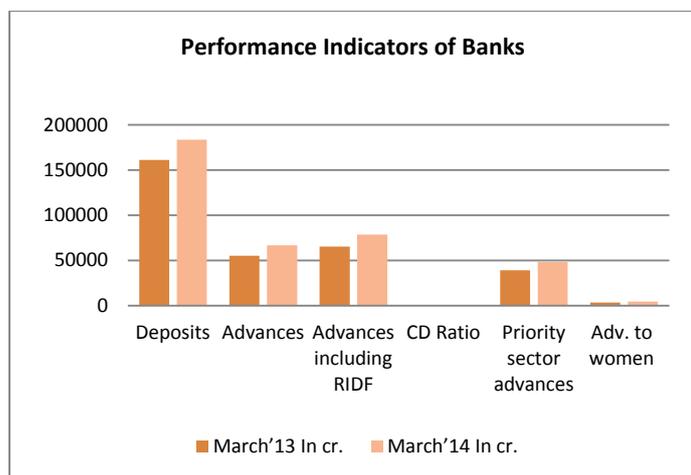
- Lack of enabling infrastructure (power, road and GPRS connectivity).
- Lack of on ground support and ownerships of the model by bank branches.
- Low levels of financial literacy among customer base.
- Unsustainable business models

Recommendations

- Ensure sustainability of CSPs
- Building trust in BCs as an alternate, (but legitimate!) channel
- Establish better support systems
- Standardize Client / CSP protection systems

Glimpse of SLBC Report

The 48th SLBC meeting was held on 27th May 2014 in Patna. Banks have shared their performances from last financial year. After giving a Looking at the data shared by various banks, it is obvious that Bihar has shown growth in several indicators in banking performance vis-à-vis previous year indicators.



Branch Opening –

Types of branches	Number (March 2013)	Number (March 2014)	% Increase
Rural	3143	3468	10.34%
Semi-Urban	1149	1362	18.54%
Urban	978	1078	10.23%
Total no. of branches	5270	5908	12.11%

Out of 1, 695 unbanked villages with population above 5,000/10,000, banks have, so far covered 1694 villages. 143 villages have been covered by Brick and Mortar Branches and 1551 villages have been covered by USBs. Out of 3052 unbanked villages with population of 1,600 to 2,000, banks had so far reported coverage of 2,732 villages. For population below 2,000, up to March'2014, 9,294 villages have been covered out of the targeted 11,403 villages for this financial year.

Finance to Self Help Groups (SHGs) –

Banks have credit-linked 41,714 SHGs during financial year 2013-14, with total bank finance of Rs. 310.72 crore. Year-wise performance under SHG financing is given in the table below:

Year	Number of SHGs Credit Linked	% increase	Amount of finance (in cr.)	% increase
2008-09	25,696	--	211.44	
2009-10	30,241	17.69%	295.05	39.54%
2010-11	26,055	-13.84%	198.13	32.85%
2011-12	22,714	-12.82%	179.64	9.33%
2012-13	30,297	33.38%	197.68	10.04%
2013-14	41,714	37.68%	310.73	57.18%

Against the target of 60,000 units, all banks could sanction credit to 30232 JLGs amounting to Rs. 340.09 crore during review period of 2013-14.

Opening of No- frills accounts and transactions done by BCAs:

According to SLBC 48th review meeting report, a total of 40,47,560 no-frill accounts were opened during FY 2013-14. Thus a total of 1,37,34,235 accounts have been opened till 31st March, 2014. Out of these, 78, 85,776 (57% of total accounts) accounts are operational. The performance of Business Correspondents and Business Correspondent Agents are given in the table below:

Particulars	Numbers
Total Banks involved in BC operation	16
No. of BC engaged	292
No. of BCA engaged	10, 456
No. of Accounts opened during 2013-14	26, 36, 715
Amount (in lacs) during 2013-14	14, 238
No. of debit/credit transaction made in A/C during 2013-14	1, 44, 49, 806

“Financial Literacy” – vital for Financial Inclusion

Initiatives by RBI

Financial literacy as one of the initiatives of RBI was initiated in the year 2005 to achieve financial inclusion. In year 2007, a Financial Literacy initiative was made through comics which were distributed, in camps, to NGOs working directly with the people. RBI as a regulator has initiated several guidelines on Financial Literacy for scheduled commercial banks to conduct outdoor financial literacy camps at least once in a month in order to reach the household who don't have basic financial services.

In the state of Bihar, RBI is promoting financial awareness by organising outreach programmes in villages. Forex awareness camps in institutions like IIT Patna and Organising visits to schools in and around Patna. In the last one year, sixteen financial literacy programmes have been conducted in different districts. To take this move a step ahead, RBI has put an interactive Financial Literacy gallery named “Pathshala” at RBI's

South Gandhi Maidan Building, Patna. Many schools from in and around Patna have visited “Pathshala” at RBI and interacted with the Regional Director. RBI also organized all India RBI Quizzes for senior students of schools in Patna on August 01' 2014. RBI makes visits to various educational institutions like colleges and management institutions and interacts with their students explaining to them the nuances of banking, financial planning and the role of RBI. Recently RBI has visited institutions like L N Mishra Institute of Social Sciences, Chandragupta Institute of Management and A.N. College, to name a few. It is noteworthy that the RBI team visiting these institutions

is headed by RBI RD for Bihar and Jharkhand, Sri M. K. Verma who himself interacts with these students.

Apart from focusing on basic themes like advantages of a monetary system over a barter system, the role of banks in the development of economy and the role & functions of RBI, interactions also put special emphasis on some cautionary advice issued by RBI to the general public like responding to any fictitious offers of money, never falling in the trap of very high return from any unknown deposit mobilizing entity and the role of Banking Ombudsman in grievance redressal.



Junior, an interactive robot an initiative of RBI, Patna is creating a supporting role of financial literacy. Junior explains everything in his own words. Junior moves around the gallery on his tricycle while explaining finger points of display to visitors. He responds to any query posed during the tour and even cracks a joke. It is hard to believe that Junior is just a robot with chips, motors and power cables. His role is that of a teacher, friend and guide, just like a true professional.

SIDBI has been implementing, DFID supported, Poorest States Inclusive Growth (PSIG) programme to improve financial services for poor, in Bihar, M.P, Odisha and U.P. PSIG endeavours to focus specifically on women's empowerment through microfinance interventions. Composite training on financial literacy and women's empowerment is a key strategy by adopting a holistic approach and weaving both financial and non financial aspects into the programme. The prime objective is to widen the social and economic space of women for them to participate effectively in the economic growth. In this regard, PSIG has engaged “Indian School of Microfinance for Women” (ISMW) as a resource agency for implementing the pilot on training of master trainers of MFIs in UP and Bihar cluster, with the aim to cover over 60,000 women clients of the leading MFIs in the earmarked geography.

PSIG has extended support to Saija Finance to initiate a pilot on financial literacy (FL) and Women Empowerment. Under this the agency would provide financial literacy and gender orientation training to its borrowers, also organise monthly discussions on gender issues.

Financial Literacy Programme – NABARD

“Financial Literacy doesn’t just mean teaching people currency literacy or opening a savings bank account. It is also equally important to help develop a proper understanding of the various financial products. A financial product is one which is built on small sums of money and by purchasing the same through payment of these small sums of money either from future incomes (credit or loan products) or present incomes (savings/deposits, insurance, mutual fund or remittance products), a person gets a usefully large sum of money at present or at a future date. Along with loan products, people should be simultaneously encouraged to purchase at least one or two product(s) from out of their present incomes. Further, financial literacy should also aim to save people from credit abuse. People should be guided to develop the right asset structure that is capable of serving all their liabilities after meeting their own expenses.” – RK Das, CGM, NABARD, Bihar RO.

The Financial Inclusion Fund (FIF) and Financial Inclusion Technology Fund (FITF) were setup with NABARD for meeting the cost of developmental and promotional interventions, and meeting the cost

of technology adoption for financial inclusion, respectively. Some of the initiatives undertaken by NABARD under FIF-FITF are:

1. Financial Literacy Campaigns/ Workshops/ Awareness programmes through Nukkad Natak/ Stage Shows/ FI Quiz were organized by NGOs, Banks with financial support from NABARD. DDMs of NABARD are conducting programmes in all 38 districts of the state.
2. Training/ capacity building/ Exposure Visits of Bank officials are arranged.
3. For creating awareness about financial inclusion among students, interactive sessions with them are organized. Also, through All India Radio, 15 minute interactive programme and info-entertainment radio programmes were broadcast in rural areas.
4. For creating awareness about opening zero balance accounts, KCC, interest subvention, etc., Radio Jingles were prepared and broadcast in AIR.
5. For distribution of standardized

Financial Literacy Material developed by RBI, FL material was printed & distributed to the banks through the SLBC convenor (SBI).

6. To educate people about rural and urban areas with regard to various banking products and services, financial support has been provided to UBGB, MBGB, BGB and DCCB, Gopalganj for setting up of Financial Literacy Centers (FLCs). UBGB, BGB and MBGB have set up FLCs in 18, 9 and 11 districts, respectively. DCCB, Gopalganj has set up one FLC in Gopalganj.
7. NABARD has provided financial support to BGB and UBGB for bringing them under CBS platform.
8. The computerization process of all co-operative banks, i.e. BSCB and 22 DCCBs have been completed under the guidance and support of NABARD.
9. Financial support is being provided to all RRBs and co-operative banks for issuing RuPay Kisan Card.

Functioning of Financial Literacy Centers (FLCs)

FLCs are functional in all the districts in the state. 1,53,397 persons participated in 3,179 outdoor activities undertaken by FLCs during FY 2013-14. 42,891 persons availed indoor services undertaken by the FLCs during FY 2013-14.

As per the recent instructions received from GoI, all rural branches have to conduct at least one financial literacy camp every month and financial literacy material provided by RBI, have to be used by the branches in the camps.

As per requirement of Banks and as decided in the 20th sub-committee meeting of SLBC held on 19th December 2013, financial literacy materials, related to branch opening and IT enabled financial inclusion, have been printed by SLBC and already distributed among banks in the state.

FL initiative by JEEViKA

Financial Literacy, one of the major components to achieve financial inclusion, for deprived communities was piloted in the year 2012 in Pilkhi Panchayat in Rajgir Block. Later on in May’ 2013, it was expanded to 20 blocks of 9 districts. It is a community managed, community driven approach, where trainers, called “*Vitta Mitra*”, are selected from community with a vision of taking up this initiative within the community. During FL program, through comprehensive module and flip charts, the efforts are being made to layout the importance of having individual account for the purpose of savings, credit access, remittance, overdraft and insurance. The community is also being sensitized on issues of social security entitlements like old age pension, disability pension, and widow pension. Financial diary, distributed through the initiative is helping management of funds at household level. As on March’ 2014, 267 *Vitta Mitra*, are facilitating the process in 307 villages, 6,085 SHGs have been trained covering 70,000 members. 37,500 accounts have either been opened or document submitted in local CSPs and commercial banks.

FL Initiatives – Bihar Gramin Bank (BGB)

Bihar Gramin Bank, a Regional Rural Bank, sponsored by UCO Bank, came into existence vide Government of India notification dated 15th October, 2012 with amalgamation of 2 RRBs namely Bihar Kshetriya Gramin Bank, a UCO Bank sponsored RRB and Samastipur Kshetriya Gramin Bank, a SBI sponsored RRB. Bihar Gramin Bank has penetrated into 9 districts of Bihar and extended a helping hand in the growth process of the area.

Financial Literacy:

Financial literacy is an important initiative by Bihar Gramin Bank. The BGB has set up Financial Literacy Centers in all 9 districts which are managed by ex-bank employees. The main reason for involving them is that being experts in the banking services, they will be able to deliver better.

Nukkad Natak is one of the initiatives BGB is following to increase awareness among villagers about financial services. They are now in the process of initiating a new concept, “Chaplin2” which will go along with “vehicle of financial literacy” and do plays that attract villagers to understand financial services that the bank has initiated.

Women CSP of Bakhda Village, Begusarai



Chanda Devi is working as BCA in Bakhda Village of Begusarai district. She is working as a BCA since last 9 months and now very happy that her villagers do not need to take pain of travelling to the block for even small withdrawal or deposits. She has opened 1350 accounts so far, out of which more than 900 customers have got their smart cards. She is able to earn more than Rs. 3,000 every month and happy to work for the villagers. She has been promoted as Business Facilitator (BF) by BGB.

“Financial Literacy should be a Result Oriented Programme” –Shri A S Shekhawat, Chairman, BGB

- Q. Do you see any relation between no frills accounts and Financial Literacy?**
- A.** Through Financial Literacy workshops, first importance of financial planning is explained to people through different tools like audio visual assistance, nukkad natak etc. These workshops help them understand various aspects & benefits of opening no-frills accounts. Under “Big JEEViKA” scheme, overdraft facility of Rs. 500 is given to each account holder. As BCAs are from the local areas only, recovery is ensured. Moreover, BCAs get an advantage by opening bulk accounts during these workshops.
- Q. What is the future plan and strategy of BGB towards Financial Inclusion activities?**
- A.** Major plans of the bank are:
- To expand credit facility to people through BCAs to make credit accessible to people and for viability of CSPs.
 - Tie up with insurance companies and sell insurance products through BCAs.
 - Expansion of Swawlamban scheme in all the 9 districts.
 - If performed well, BCAs can be promoted in Ultra Small Branch (USBs) and USBs can be promoted to Brick and Mortar Branch. Till date 291 BCAs have been converted into USBs. Similarly, 20 USBs were converted to Brick & Mortar branches.
 - Achieve 100% coverage of villages through BCAs by 2016.
- Q. In your view, what is the status of Financial Literacy in Bihar?**
- A.** Overall, Bihar requires a lot of work to be done for financial literacy. As Chairman of Bihar Gramin Bank, I observe that after opening of FLCs at all our 9 districts, a lot of work for financial awareness has been done and now people are found to be aware of various financial/bank products. As such in other districts similar efforts are required to be invested in.
- Q. How RRBs are an effective channel for spreading Financial Literacy in rural areas?**
- A.** Since RRBs have effectively penetrated in rural areas at a large scale and are working in these areas since long with active support of the local staff that has knowledge of the local language and socio-cultural dynamics, they can create better awareness. This is the reason people in rural areas feel more comfortable in banking with RRBs.
- Q. To make Financial Literacy programmes more effective, what policy level changes are required?**
- A.** I think following policy level changes are required to make it more effective;
- a. It should be channelized to the bottom level i.e. at least up to block level.
 - b. More and more retired Bankers, being experts in the banking services particularly with rural experience, should be engaged to run the FLCs. Remuneration paid to them should be reimbursed to ensure viability of RRBs.
 - c. To provide ICT based financial services at door step, more technological and financial support have to be provided to RRBs so that they work more effectively for financial inclusion. Connectivity problems in rural areas should also be addressed.

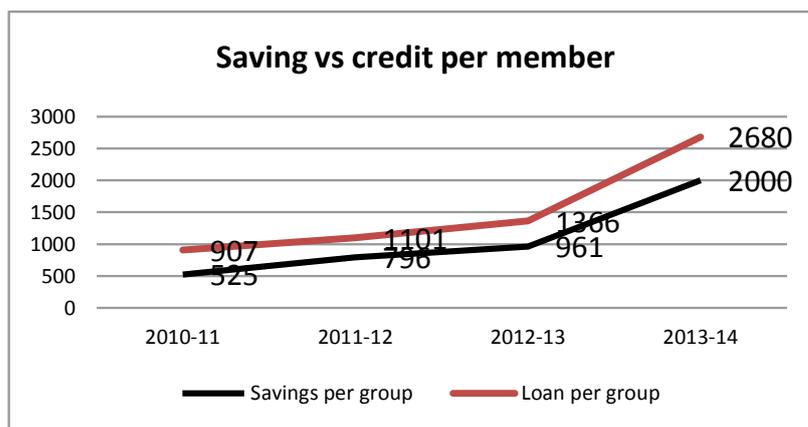
Financial Literacy Initiative - Aga Khan Rural Support Programme (AKRSP-I)

AKRSP has initiated financial literacy with around 1,000 savings groups – CBSG (community based saving group) and SHG+ in 5 blocks, 72 villages of Muzaffarpur and Samastipur. It initiated FL activity in 2011 with technical support from ACCION, Bangalore. The training module comprised of modules on savings, credit, remittances and insurance was conducted and then rolled out with all the savings groups in the field. To increase awareness among the members, a well designed passbook and register is given to the clients in which visible symbolic methods are used for their understanding. The training is done through role play and skits to make them more aware and impressive about the concept. To accomplish the FL initiative, the funding support was provided by the Marshall Foundation, USA & currently it is carried out with financial support from NABARD.

Impact:

Interestingly, almost all the groups have increased their stamp value from Rs. 10 to Rs. 20 in 3 years which is significant; out of 440

groups about 50 groups have increased their stamp value from Rs. 10 to Rs. 50 to increase their savings which is significant symbol of increased habits in savings since last three years. Chart given below is showing positive change due to faith on peers within the group which CBSG model has created, increases the savings ability and credit consumption two folds.



AKRSP(I) in Bihar envisions to cover all groups (village institution) with this training support from NABARD. After training, they aim to develop a strategy to cater to other financial needs/demands like insurance and bank linkages.

FL Initiative by Samhita, Madhya Pradesh

Samhita Microfinance, together with its technology partner **eCubeH Research Labs** launched a Financial Literacy training campaign in 2010. The program focuses on providing training to the women in management of savings, expenditures, debt, investments, risk mitigation tools, and financial planning for the present and the future to utilize existing financial resources, optimally. Around 10,000 women from slum areas in Bhopal were trained under this initiative.



The Poorest States Inclusive Growth Program (PSIG): The DFID assisted PSIG programme is being currently implemented by SIDBI in 4 poorer states viz. Bihar, Madhya Pradesh, Odisha and Uttar Pradesh. The program is envisaged to benefit the poor and vulnerable people, especially women by providing financial access to 12 million poor people, thereby helping in enhancement of their income and employment opportunities in the above four states including Odisha. ACCESS-ASSIST is managing the policy component of the program.

For sending feedback and queries please contact:

Aparna Shukla (aparna@accessassist.org) Shubhangi Jaiswal (shubhangi@accessassist.org)