

Odisha Inclusive Finance Bulletin

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Second Meeting of the State Financial Inclusion Forum



The second meeting of the State Financial Inclusion Forum in Odisha was organised at Hotel New Marrion, Bhubaneswar on 21st March 2014. The key theme for

this meeting was “SHG-Bank Linkage: NABARD-NRLM/OLM Convergence and possibilities of Innovations in Odisha”. The meeting was attended by most of the SFIF members and also special invitees-representatives from Canara Bank and SHPIs. The deliberations in the meeting centred mainly on various aspects of the SHG-Bank Linkage Programme. The progress up-dates on SHG-BLP in the state and

efforts made by different stakeholders including NABARD, Banks, OLM etc were shared. Convergence among various stakeholders and programmes were stressed. A few key issues such as growing NPAs in bank lending to SHGs, lack of common MIS and Credit Bureau to capture SHG data were identified. Enhancing quality in group management, capacity building of SHPIs and ensuring better repayment by using community based recovery mechanism were highlighted. Based on the above identified issues and priorities, action points were prepared through discussion with DFID and SIDBI for follow-ups.

Interviews with Sector Experts.....



Mr. S. K. Kale, Chief General Manager, NABARD, RO-Bhubaneswar, talks about various aspects of SHG-BLP in the State...

How has been the experience of NABARD in expanding SHG Bank Linkage Programme (SHG-BLP) in Odisha?

The state of Odisha has been one of the early entrants into the SHG-BLP. There was a lot of government support through “Mission Shakti” and TRIPTI and currently under NRLM/OLM for the programme. As a result of which Odisha continued to be one of the leading states in expanding SHG-BLP in terms of its outreach. However, the overall progress has slowed down a bit in the recent time. Most of the districts appear to have reached saturation level. Fresh formation of SHGs has become slow and credit linkage is not taking up to the desired level because of various reasons including growing NPAs.

What are the key constraints and challenges faced by the stakeholders while

implementing the SHG-BLP in the state?

Despite the good growth in the state, the SHG-BLP faces a few challenges. Involvement of multiple players without a coordinated approach creates overlapping and also at times dilutes the SHG concept. Quality of group suffers in the process. NGOs/CBOs seem to be losing their interest. Because of rising NPAs banks exhibit reluctance to finance SHGs. Inadequate monitoring by banks/promoting agency, lack of adequate marketing support for SHG products, and very poor database which makes monitoring/planning difficult have been some of the other challenges faced in SHG-BLP.

How NABARD and NRLM/OLM work in convergence to expand SHG-BLP further in the state?

NABARD & NRLM/OLM have been closely working to expand the programme in the state. We have been involved right from the beginning. NABARD is a member of the Small Committee of SLBC for NRLM/OLM. The rating formats have been designed with reference to our guidelines. Targets fixed by us for SHG-BLP are being taken as target under NRLM/OLM for the states. We have issued the guidelines on interest subvention for RRBs and Cooperatives. Additionally, in IAP districts, subvention will be routed through us. NRLM/OLM has plans to

hold consultative workshops with our SHPI (NGOs) and DDMs to work out field level convergence. Our DDMs are members in the district level monitoring committees. OLM involves our DDMs in the monitoring of implementation of various OLM activities at district level. It has also agreed to keep our DDMs informed about training programmes to be conducted by it at the district level so as to avoid overlapping of initiatives.

What have been the role of NABARD supported SHPIs in SHG-BLP and in enhancing FI in the state?

NABARD also provides assistance to selected SHPIs and other stakeholders for strengthening SHG-BLP. We have, at present, about 110 active SHPIs (LWE Dist. - 80, others -30) across the state. We have included Financial Inclusion under SHG-2. Under this we are also incentivising the SHPI for opening an individual SB account for SHG member and for covering them under various FI schemes like micro pension, micro insurance, etc. Some progress has been made so far in this regard and it is likely to gather the desired momentum in time to come.

What according to you, are the reasons behind the rising NPA in SHG-BLP? What steps are being taken to improve the recovery position in the bank lending to SHGs?

Growing NPAs in the SHG Portfolio have been one of the major concerns in the SHG-BLP. With a view to better understand the reasons for that, NABARD conducted a study in Jajpur district. Apart from willful default in certain cases, there are other reasons like target oriented lending,

lack of proper rating and loan appraisal, involvement of middlemen, inadequate monitoring, and lack of capacity building of group members, have resulted in NPAs. Some of the pivotal schemes such as interest subvention from GoI and State Govt. Under NRLM, recovery support to

banks through Bank Mitras and Branch Level Recovery Committee (BLRC), and incentive to NGO for recovery of SHG loan under WSHG scheme in 19 LWE districts etc. are likely to improve the NPA position of SHGs at the bank level.



State Govt., apex financial institutions, NGOs need to work in synergy with a systematic and well-executed approach for effective expansion of financial inclusion in the State”, says, **Mr. P. K. Biswal, Director-Institutional Finance, Govt. of Odisha.** Mr. Biswal is also Director of Local Fund Audit under the Finance Department and a member of State Finance Commission.

Excerpts from an interview with the ACCESS-ASSIST team.

What are the different initiatives undertaken by the Directorate in order to strengthen the financial inclusion drive in the state?

The State Government has embarked upon an ambitious plan for Financial Inclusion in the state. It is now targeted to establish in all the four thousand plus unbanked GPs a brick and mortar branch of a scheduled commercial bank within the next three years. These banks will play a vital role in enrolling all the households under the banking system.

What according to you are the major challenges in extending financial services to the far reached rural areas in the state?

To my mind the major challenge for extending financial services to the rural areas is unavailability of banking facility within reach of rural population. There is hesitation on the part of the banks to extend their operation to rural areas on grounds of non-viability; hence there is more concentration of banks in urban centres. The State Govt. has decided to provide 400-500 sq. feet of space in the Rajiv Gandhi Seva Kendra Premises in the GP headquarters for opening of bank branches. Besides, the panchayat funds and the direct benefit transfers will be routed through such banks, which on the other hand will make them viable to operationalise.

How do you think ICT can help the banks in reaching the remote areas of the state?

ICT is definitely an effective tool to reach the remote areas, where physical penetration is difficult for some reason or other. Particularly, banking through mobile phones will be very useful for this purpose.

Which are the areas you feel urgent actions are required so as to make the financial services delivery accessible to all?

Basically, there needs to be a two pronged strategy. Firstly, creating awareness among the public is of utmost importance. Secondly, banking facility in some form or another should be made available to the citizens within their reach.

What are your views on the role of convergence between the related stakeholders, including the Govt to strengthen financial inclusion and access to finance initiative in the State?

There is no doubt a need for convergence of all the stakeholders to carry forward the agenda of financial inclusion in the state. The State Govt., the Reserve Bank of India, Commercial Banks as well as NGOs should come forward and work in a synergized and planned way to achieve the goal within a reasonable time-frame. The roles of PSIG and Access-Assist in this regard are commendable.

PSIG Event Updates in Odisha

Confidence Building Measures: To enhance the confidence of the lenders, Loan Portfolio Audit was commissioned to external professional organizations under PSIG in respect six MFIs in the State. The assignment has been completed and all the reports have since been received. Besides, Social Performance Rating and Process Mapping were also commissioned in respect of two MFIs each. The findings of the above reports are encouraging which will enhance the creditworthiness of the MFIs in the State and smoothen credit flow to the sector.

Automation: To upgrade the existing software to an online platform, an interaction of the PSIG partners were organised with a leading software vendor at Bhubaneswar. The interface encouraged the MFIs to upgrade their MIS to a online platform on a real-time tracking and monitoring of loans.

Leaders' for the Field Programme: To strengthen the HR aspects, a training programme by Grameen Foundation was organised for the PSIG partners in the State to inculcate leadership concepts in the senior/middle level managers of MFIs so as to enable them to develop into leadership roles. The programme completed successfully benefiting 25 participants.

Odisha Financial Inclusion Update

SHG Bank Linkage Programme (SHG-BLP) in the State: Current Status & the Road Ahead

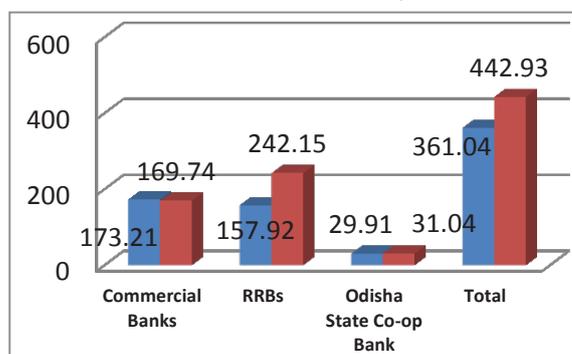
The SHG-Bank Linkage Programme (SHG-BLP) has demonstrated itself as one of the most potential models that facilitate access to finance for the poor, especially women. The Govt. of Odisha also positively supported the SHG movement in the state, earlier through Mission Shakti and currently through Odisha Livelihood Mission (OLM). Under the umbrella of NRLM, the OLM is providing livelihood support to rural poor women through SHGs and their institutional building mechanism.

The contributions made by the banking fraternity, MFIs, NGOs, CBOs etc. have

also been encouraging. As a result of which Odisha continues to be one of the leading states in expanding the programme in terms of outreach and linkages. According to the recent SLBC Agenda (135th), a total of 37926 SHGs were credit linked with an amount of Rs. 442.93 crores between 01.04.2013 to 31.03.2014 and the balance outstanding as on 31.03.2014 is Rs. 1532.39 crores in 256575 accounts. The savings amount of SHGs in banks has shown a marginal increase in the year 2014.

The bank-wise achievements made under SHG-BLP during last two years, as reported by SLBC, are represented in the diagram

Loans Disbursed to SHGs by Banks



Appropriate leadership, fund management, record keeping and achieving sustainability among SHGs have still been the areas of concern for many SHGs. Similarly, support services in terms of entrepreneurship development, enterprise-managed marketing and extension services, etc. have not been adequately met for their graduation and growth. The programme lacks consistent reliable data for proper planning

and monitoring. SHG data not yet captured by any established credit bureau. Growing NPAs in the SHG portfolio have been, perhaps, a major concern in the state. Because of that, many of the banks have not been viewing SHG bank lending

as a business proposition. In view of these challenges, there is an urgent need for all stakeholders to work in a collective & a convergent manner to expand SHG-BLP in the state and achieve greater financial inclusion for poor in the state.

NABARD has focused a potential to provide credit assistance of Rs.1000 Cr for the year 2014-15 as per the State Focus Paper on the potential of SHG bank Linkage. According to this projection all the SHGs in the State shall receive credit linkage from the Bank irrespective of their promoting institution like anchor NGOs in LWE districts, Mission Shakti, OLM, OTELP, IWMP etc. Interest subvention shall be available to all WSHGs which avails a Bank Loan upto Rs.3 lakh from any Bank subject to prompt repayment.

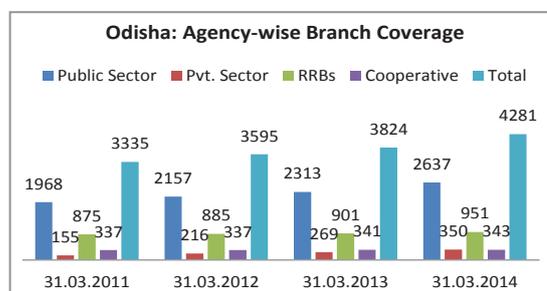
above. Among the banking fraternity, the RRBs are leading in linking the SHGs with credit especially in 2014.

However, despite the growth of SHG-BLP so far in the state, there exist a few challenges.

Basic Savings Bank Deposit Account (BSBDA) Status in Odisha (as on 31st March'14)

		Pub. Sect. Bank (mn.)	Pvt. Sect. Bank (mn.)	RRBs (mn)	Total (mn.)
BSBDA through Branches	No	3.38	0.21	1.71	5.30
	Amount	5277.16	102.31	2280.23	7659.72
BSBDA Outstanding through BCs	No	3.33	2.03	0.12	5.49
	Amount	1089.98	21.56	686.76	1798.31
BSBDA (Bank as a whole)	No	6.71	2.23	1.84	10.79
	Amount	6367.15	123.87	2967.00	9458.03
OD Facility Availed in BSBDA	No	0.06	0.00019	0.00	0.07
	Amount	29.60	0.095	0.00	29.69

As reflected in the alongside table the progress on financial inclusion coverage by the banking fraternity through opening of basic savings bank deposit accounts and bricks and mortar branches etc has made a reasonable progress in all fronts during the last quarter. However, availability of OD facility was an exception as it experienced a downward trend.



The graph shows that, a total of 946 new bank branches have been opened by all the agencies during Mar'11-Mar'14. The majority of them (669) were opened by the public sector banks. The contribution of the Pvt Sector Banks has been reasonable (195). Out of total 76 branches opened by the RRBs in the last four years, as many as 51 branches being opened during the last financial year, mainly by the two RRBs after amalgamation. That indicates the RRB's intent to expand their outreach in reaching out rural areas across the state. The co-operative banks have been able to establish only 6 branches in last four years. All these new branches have collectively been able to expand financial services for the poor in the state.

MFI Coverage in Odisha

Name of MFI/NBFI	As on 31st March'14				
	No. of Borrowers	Amount of Loan O/S (Rs Crore)	No. of Districts Covered	No. of micro insurance clients	No. of micro pension enrolled
AMPL	158732	170.53	26	158732	—
Mahashakti	11057	11.08	6	10588	40
SMSL	16319	16.87	3	16319	148
Sambandh	20583	19.70	4	20374	71
GU	61862	54.98	11	61862	—
SMCS	30562	33.36	13	8071	—
Adhikar	45927	40.00	15	31773	1477
KGFS	19943	40.59	1	67859	10123
Ujjivan	34822	37.40	7	34822	—
Asmitha	113898	92.71	22	NA	NA
Suryadoya	19329	23.58	6	19329	—
L&T MF	120000	94.00	12	NA	NA
Spandana	180452	132.22	25	100988	—
SKS	605924	411.33	27	NA	NA
BSFL	16972	36.24	14	16972	-

The table aside gives the list of MFIs operating in the state. It captures and compares the active borrowers, loan outstanding and outreach in terms of no. of districts covered, of the MFIs. There is a clear indication that there has been an increase in the loan portfolio and the no. of borrowers. It is also encouraging to see that some of the MFIs including the local ones are expanding the outreach in the state. A few banks have also started looking positively for MFI lending. However, barring a couple of MFIs, the quarterly growth in terms of portfolio is not that significant for the rest of the MFIs.

The data from the aside table suggests that most of the MFI clients are covered under various micro insurance schemes. As many as five MFIs started distributing micro pension to their clients where Dhanei KGFS lead the lot with over 10,000 borrowers enrolled under micro pension.

The Sector Expert Views....



Financial Inclusion in the State & Steps taken to address its barriers.....as opined by **Mr. S. P. Singh, Convenor-SLBC, Odisha.**

What we have done in Odisha: Following RBI's priorities, the banking system in Odisha has taken all possible steps to ensure successful implementation of the financial inclusion process in true spirit.

To begin with, 1877 villages of the state with population above 2000 were identified for the purpose of providing banking services. The villages were allocated to various banks and were advised to ensure availability of banking services in the identified villages by 31st March, 2012. Banks operating in the state rose to the occasion and completed the task of financial inclusion in a time bound manner. As many of the villages were covered through

Business Correspondents (BC), the banks were advised to open Ultra Small Branches (USBs) in those centers on a priority basis. As of 31.03.2014, 560 USBs have been established in the state.

Subsequently, under the instructions of RBI, the SLBC prepared a roadmap for providing banking services to 45778 villages in Odisha with population

below 2000. The progress is being closely monitored by RBI and regularly reviewed at the quarterly SLBC meetings.

Besides, the SLBC is also in the process of finalizing a road map for opening of the regular branches in all the 4600 unbanked GPs. Govt. of Odisha has also agreed to provide space, free of cost, for a period of five years in Panchayat Offices. Accomplishment of such a gigantic task is not possible all at once. Therefore RBI-RO has asked different Banks to submit their Board approved plans for achieving financial inclusion for the years 2013-16 and is stressing for achievement on a monthly basis. All these above initiatives are being periodically updated on SLBC website and easily accessible to all.

On Financial Awareness & Literacy:

To create financial awareness, Rural Self Employment Training Institutes (RSETIs) / Financial Literacy centres (FLCCs) have been opened by Banks in all Districts of the State. Their functioning is also being closely monitored and reviewed by RBI and also reviewed in all the SLBC meetings. Various Financial Literacy materials devised by RBI have been translated in Local languages and sufficient numbers have been printed and distributed to all the LDMS, FLCs in order to ensure wide publicity.

Viability of the BC Model: Working of BCs has not yet totally stabilized, but improving day by day. Once the BC model stabilizes, the rural population will be able to get basic banking services at their doorstep. Process is on to make

the job of BCs remunerative by enlarging the number of products / services other than DBT and also involving them in the process of recovery.

SHG-BLP-Curbing Defaulters & Room for Manoeuvre: The Govt. of Odisha has set up an ambitious plan of forming 1, 00,000 (one lakh) SHGs and providing credit linkage to them. Against a target of about one lakh SHGs, about 38,000 SHGs have been credit linked. The not so encouraging linkage can be attributed to increased slippage of SHG borrowal accounts to NPA category, and that has been an area of concern for the Banking fraternity. Although assessment of factors responsible for higher NPAs in this sector is in process, in the mean time Govt. of India / Govt. of Odisha have come out with a noble scheme of providing credit to SHGs at cheaper rate of 2% by providing an interest subvention. This will be available to the SHGs where account is running regularly with all disciplines observed by SHG borrowers to a great extent by way of regularization of their account. Besides, SHG borrowers will be sanctioned Cash Credit limits instead of Term Loan which will reduce overdue, as in Cash credit they are required to service interest only.

NABARD is also involved in the process of formation of SHGs and extending all sorts of hand holding activities with the help of Anchor NGOs appointed in all the Left Wing Extremism (LWE) affected districts of the state. We hope with the active participation of the Banking Fraternity in the state, under the able guidance of RBI and inducement from the Govt. of Odisha, the dream of banking at every doorstep will soon be a reality.



The Poorest States Inclusive Growth Programme (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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