





INCLUSIVE FINANCE STATUS REPORT ODISHA-2020



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FOREWORD

Dear All,

Greetings!

I am happy to share that we at OSAFII are in the 3rd year of our Financial Inclusion Conclave and glad to present the Inclusive Finance Status Report to all stakeholders. The financial inclusion in context to India aims to provide access to formal financial services in an affordable manner, broadening & deepening its roots and therefore promoting financial literacy & consumer protection through broad convergence of action involving all the stakeholders at the bottom of the pyramid.

Financial inclusion is increasingly being recognized as a key driver of economic growth and poverty alleviation across the world. Access to formal finance can boost job creation, reduce vulnerability to economic shocks and increase investments in human capital. Without adequate access to formal financial services, individuals and firms need to rely on their own limited resources or rely on costly informal sources of finance to meet their financial needs and pursue growth opportunities. At macro level, greater financial inclusion can support sustainable and inclusive socio-economic growth for all.

Women, in this regard, are particularly important because they constitute half of the world's population and their untapped potential as economic resources are not fully utilized and so gender equality and women's economic empowerment need to be ensured. With greater control over their financial lives, women can help themselves and their families to come out of poverty; reduce their risk of falling into poverty; eliminate their exploitation from the informal sector; and increase their ability to fully engage in measurable and productive economic activities.

Odisha, being one of the poorest states in India need to be financially inclusive for the growth of its economy as well as to make its people financially stable, especially the rural mass. In Odisha, about 50 financial institutions including 28 NBFC-MFIs operate and offer diversified financial services such as micro credit, micro insurance, pension services, etc. to this segment. Collectively they cover most of the districts in the state and have reached out to about 3 million households. We look forward to contribute towards a more inclusive society so that the excluded segments of the people are able to utilize the inclusive banking and other financial services.

I, on behalf of OSAFII, take this opportunity to extend our heartfelt gratitude to all our esteemed representatives from Government line Departments, Regulatory Bodies, Apex level Support Organizations, Investors, Donors, Banks, MFIs, NGOs/CBOs, Cooperatives, Industry Associations, Financial Institutions and other stakeholders, and most importantly our clients for taking your valuable time and effort to be here and for sharing of your valuable knowledge and experience.

Thanking you, Mr. Dibyajyoti Pattanaik President, Odisha State Association of Financial Inclusion Institutions

PREFACE:

The Financial inclusion landscape in India has changed dramatically over the last few years. In the recent times, this has become an integral part of most of the welfare and development programmes that are designed and implemented to promote inclusive growth among poor. In India, the Govt., RBI and other stakeholders have been taking various measures to promote and expand financial inclusion in the country. The Financial Inclusion Plans (FIP) by Banks, Government's Pradhan Mantri Jan Dhan Yojana (PMJDY), Business Correspondents (BC) as last mile delivery channels and expansion of branch network, Small Finance Banks and Payments Banks as differentiated banks for enhancing financial inclusion, Mobile Money, Aaadhar linked KYC, RuPay debit cards, MUDRA Bank, Digital Payments etc have been some of major institutional, technological and policy changes which are set to hasten financial inclusion further in India.

Financial inclusion (FI) is very relevant to the state like Odisha. Most of the poor communities in the state depend on casual labour and informal sector employment. The tribal living in remote and hilly areas face extreme financial and economic exclusion due to a range of factors including their remote geographical habitat, cultural and psychological barriers, low literacy and inadequate financial literacy. With a view to cover large number of poor households into the fold of financial inclusion, the Govt of Odisha has taken a number of initiatives like creation of Mission Shakti, promotion of SHGs & their federations, providing financial and CB support to them, implementation of large scale projects with FI components etc. The SHG-Bank Linkage programme (SBLP) has been one of the most significant channels to deliver financial services to poor women in the state. As reported, nearly 70 lakh women are involved with over 6 lakh SHGs in the state through Mission Shakti. The Odisha Livelihoods Mission (OLM) has been also promoting the SHG federations at the community level and strengthening them. Additionally, other key stakeholders such as RBI, NABARD, SLBC, Banks, NGOs, MFIs, and SHPIs etc too are contributing positively for the growth and strengthening of SHGs in the state.

With Financial Inclusion emerging as a major policy component in India, microfinance through its inclusive financial services is also promoted across India. Delivered mainly by Banks, SFBs, NBFC-MFIs etc through SHG and JLG models, microfinance has been able to reach out to a large section of people in the country/state. The state of Odisha emerged as a potential microfinance market in the region and projected a rich diversity of models, practices, tools and products etc. As reported, about fifty financial institutions including NBFC-MFIs work in Odisha and offer diversified financial services such as micro credit, micro insurance, pension services etc to poor at their door steps. Collectively they cover most of the districts in the state and reached out to about 30 lakhs members with gross loan portfolio of around INR 6000 crores as on Dec'2019.

In order to coordinate various sector building activities, MFIs together have formed OSAFII-a state level association in Odisha. As part of its sector building initiatives, OSAFII has made sincere effort to capture the progress updates of different channels on financial inclusion and publish that in the form of "Inclusive Finance Status Report-Odisha. The Report highlights the status of the state in the field of financial inclusion. The penetration and contribution of microfinance across the districts of Odisha have been assessed and presented. The revenue division-wise progress updates of Odisha has been clearly differentiated and reported.

On behalf of OSAFII, we express our sincere thanks and gratitude to DFID and SIDBI for extending financial assistance for this initiative through the project ' Poorest State Inclusive Growth (PSIG) program. Our thanks also go to Equifax Credit Bureau System for kindly agreeing to our request for preparing and sharing the status updates of SBLP and microfinance channels, given in chapert-3 of the report. It is worth mentioning the efforts made by member MFIs to visit fields, interact with clients, and collect information to prepare and share the Impact Assessment Data. OSAFII also appreciates very much the kind support and timely guidance of Shri Ahok Ranjan Samal in preparing the report. The constant efforts made by Shri Alok Pattnaik, AVP, Ashirvad Finance is very much appreciated, truly he took a lot of initiatives for this report. We also acknowledge the hard work put up by our consultants Ms. Kirti Agarwal, Smt Sujata Pattanaik and Bighanaraj Padhy in compiling the document within a short span of time. So also the sincere efforts made and timely support extended by Mr. Bipin Mohanty in designing, developing, finalizing and printing the report has been quite commendable. OSAFII hopes that the report will provide useful information and reading for all stakeholders and microfinance practitioners.

Narendra Nayak CEO-OSAFII

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Acronym

| FI | Financial Inclusion |
|--------|---|
| RO | Regional Office |
| MF | Microfinance |
| BC | Banking Correspondent |
| FL | Financial Literacy |
| SC | Scheduled Caste |
| ST | Scheduled Tribe |
| RBI | Reserve Bank of India |
| RRB | Regional Rural Bank |
| CLF | Cluster Level Federation |
| SHG | Self-Help Group |
| FIP | Financial Inclusion Plan |
| APY | Atal Pension Yojana |
| ATM | Automated Teller Machine |
| AWW | Anganwadi Worker |
| CBO | Community Based Organization |
| NGO | Non-Government Organization |
| MFI | Microfinance Institutions |
| SDG | Sustainable Development Goal |
| OLM | Odisha Livelihoods Mission |
| NRLM | National Rural Livelihoods Mission |
| GPLF | Gram Panchayat Level Federation |
| FLWE | Financial Literacy and Women Empowerment |
| ICDS | Integrated Child Development Services |
| IRDA | Insurance Regulatory and Development Agency |
| RSBY | Rashtriya Swasthya Bima Yojana |
| DFID | Department For International Development |
| PSIG | Poorest States Inclusive Growth Programme |
| SLBC | State Level Bankers Committee |
| SIDBI | Small Industries Development Bank of India |
| PMSBY | Pradhan Mantri Suraksha Bima Yojana |
| PMJDY | Pradhan Mantri Jan Dhan Yojana |
| PMJJBY | Pradhan Mantri Jeevan Jyoti Bima Yojana |
| NABARD | National Bank of Agriculture and Rural Development |
| OSAFII | Odisha State Association of Financial Inclusion Institutions |
| OTLEP | Orissa Tribal Empowerment and Livelihood Programme |
| MUDRA | Micro Units Development and Refinance Agency Bank |
| TRIPTI | Targeted Rural Initiatives for Poverty Termination and Infrastructure |
| WORLP | Western Orissa Rural Livelihood Programme |
| UNCDF | United Nations' Capital Development Fund |

Chapter-1

Financial Inclusion Landscape in India and Odisha

1.1 Introduction: Financial inclusion (FI) is the delivery of financial services at affordable costs to all sections of disadvantaged and lowincome segments of the society. Experience from different regions has already substantiated the fact that financial inclusion greatly helps families, especially poor households in the process to build their assets, manage risks, and smoothen consumption. It also provides capital for microenterprises to grow and employ more people. In the process financial inclusion brings informal economic transactions into the formal system and integrates financial services for poor with the process that ensures easy and affordable access. In the long-run financial inclusion is set to contribute positively for the financial stability and inclusive growth of the nation.

The financial inclusion process in India got an impetus with the report of the Committee on Financial Inclusion [2008] appointed by the Government of India, headed by Dr. C. Rangrajan. The Committee defined Financial Inclusion as a "process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost." The Committee, had interalia suggested taking up financial inclusion in mission mode at the national level and providing access for comprehensive financial services to all households by 2015.

In the recent times, financial inclusion has become an integral part of most of the welfare schemes and development programmes that are designed and implemented to promote inclusive growth among the poorer communities in India.

1.2 Government & RBI Initiatives: In view of its importance, the Government of India, Reserve Bank of India (RBI) and host of other stakeholders have been taking various measures to promote and expand financial inclusion for the poor and excluded families in the country. Indeed, the financial inclusion landscape in India has changed dramatically over the last few years. The Financial Inclusion Plans (FIP) by Banks, Government's Pradhan Mantri Jan Dhan Yojana (PMJDY), Business Correspondents (BC) as last mile delivery channels, expansion of branch network, Small Finance Banks and Payments Banks as differentiated banks for enhancing financial inclusion, Mobile Money, Aaadhar linked KYC, RuPay debit cards, MUDRA scheme etc. have been some of the major institutional, technological and policy changes which are set to hasten financial inclusion.

In India, the RBI has been pioneering to expand financial inclusion in a mission mode through a combination of strategies ranging from relaxation of regulatory guidelines, encouraging use of technology, provision of innovative products and delivery channels. Launched by the Hon'ble Prime Minister as a National Mission on Financial Inclusion on 28th August'2014, the "Prime Minister Jan Dhan Yoyana (PMJDY)" has perhaps been one of the most comprehensive Government initiatives with the mandate to cover all households in the country with banking and other financial services. As reported, a staggering of 369 million accounts had been opened by Sept'2019 and an amount of Rs.1026 billion has been mobilized as deposits from the accounts holders across the country as of Feb'2020 (PMJDY Website).

1.3. Overview of Financial Inclusion

Initiatives in Odisha: The need and relevance of financial inclusion is strongly felt in the state of Odisha which has a sizable number of poorest people including Scheduled Caste (SC) & Schedule Tribe (ST) population. Most of the poor depend on casual labour and informal sector employment. The tribal living in the remote and hilly areas faces extreme financial and economic exclusion due to range of factors including their remote geographical habitat, cultural and psychological barriers, low literacy and inadequate financial literacy. In order to fight poverty, access to institutional or formal financial services is very important which can play a critical role in generating employment and income at micro level for them.

With a view to bring large number of poor households into the fold of financial inclusion. the Government of Odisha has taken a number of initiatives. Creation of Mission Shakti, promotion of Self-Help Groups (SHGs) and their federations and extending financial and capacity building support for them, implementation of large scale development projects with FI components such as the Targeted Rural Initiatives for Poverty Termination and Infrastructure (TRIPTI), Western Orissa Rural Livelihoods Programme (WORLP), Odisha Tribal Empowerment and Livelihood Programme (OTELP), and Odisha Livelihoods Mission (OLM) etc. are considered to be some of the progressive measures in this regard. The programme of OLM with its comprehensive strategies and focus on financial inclusion through SHG approach, institution-building, capacity development, seed capital assistance, etc. has great potential to accelerate access to finance for poor and strengthen their household livelihoods.

1.4 Banks & Their Initiatives: Availability of bank branches plays a key role in achieving access to finance for poor through banking services. Coordinated by the State Level Bankers' Committee (SLBC), all the banks operating in the state have been collectively rendering their valuable services including providing linkages services to SHG members and engaging BCs etc to expand financial inclusion in the state. To further step up the opening of branches in rural areas so as to improve banking penetration and financial inclusion rapidly, the need for opening of more bricks and mortar branches, besides the use of Banking Correspondents, is being taken up by them. Accordingly, banks have been mandated to open branches and RBI has also given a lot of flexibility for that. As per the SLBC Report (157th Meeting), there are about 5,395 bank branches in Odisha including 2,838 branches in the rural areas which play pivotal role in promoting financial inclusion and providing banking services for the people in the state.

1.5 SHG Bank Linkage Programme: The SHG-Bank Linkage Programme (SBLP) is considered as the largest microfinance model in the world. Micro-Credit has proven to be the most effective tool for poverty alleviation and livelihoods promotion. Bank Linkage plays a vital role in meeting the credit requirements of rural households mobilized into Women Self-Help Groups (WSHGs) through formal financial institutions including Banks.

With the support of banks and other stakeholders, the Self-Help Groups (SHGs) have played an instrumental role in bringing millions of women into the fold of financial inclusion by enabling them to be members of the groups initially and later linking them with various banks and financial institutions. Launched by NABARD in the year 1992, the SBLP proved to be an important strategy in



Smt. Chandrabati Rout

Dairy milk / Farming is a class of Agriculture for long – term production of milk, which is processed at a dairy plant, either of which way may be called a dairy product. One can increase their earnings and access more nutritious food for their families. promoting financial inclusion and inclusive growth. The programme which started as a pilot project to finance 500 SHGs across the country has made a significant progress. The RBI recognized SHG lending as a mainstream credit activity for banks and classified it as a priority sector lending in 1996. Since then SBLP has taken the shape of a movement in the country.

Over the years, SBLP has made tremendous progress in the country, given its phenomenal growth and on-going evolution from a tool of social engineering to planned linkage program, to becoming a vehicle for creation of livelihoods for women and their households. According to NABARD's Status of Microfinance in India Report (2018-19), SBLP has reached many milestones with a total membership of about 1 crore groups covering 12.5 crore households across India. The program has made an indelible mark on the Indian financial landscape by extending loans to the extent of Rs. 87,000 crore to 50.77 lakh SHGs as on March 31, 2019. No doubt, NABARD was the original spearhead agency for the program; however the Government-both at the central and the state levels, has now emerged as a much larger primary promoter of SHGs & SBLP in the country.

The SBLP program has made significant progress in Odisha and it continues to be one of the leading states in expanding the program in terms of outreach and linkage. The Government of Odisha has been taking up various need-based initiatives including providing financial and capacity building assistance to the SHGs, mainly through Mission Shakti, Odisha Livelihoods Mission and other line departments.

Mission Shakti: Mission Shakti has been a flagship programme, started in the year 2001 by Government of Odisha with the aim to empower women across the state. Lunched

on 8th March, 2001- International Women Day, under the aegis of Department of Women and Child Development (DWCD), the main purpose of Mission Shakti was to expedite the SHG movement in the State. Since inception Mission Shakti with the support from the Integrated Child Development Project (ICDS) staff started promoting SHGs programme across the state. In particular, the Anganwadi Workers (AWWs) under the guidance of Sector Supervisors and Child Development Project Officers (CDPOs) of ICDS; and Mission Shakti Coordinators spearheaded the formation of SHGs in the community and scaled up that in a significant manner. Initially a target was fixed to form at least one lakh SHGs by the end of 2005 and that was exceedingly achieved (1.49 lakhs SHGs) by Mission Shakti within the stipulated time frame. Later on the SHGs were aggregated to form Federations of SHGs at the local levels.

Mission Shakti, after covering a long journey of 19 years holds a bold background with many troughs and crests being obvious in this sector. But the main motive of this movement has thus far succeeded in bringing smiles on the face of the rural women by empowering them and giving them a position to stand and make a difference in this ever-changing society. Till date about 70 lakh women are part and members of the existing SHGs in Odisha and statistically about 6 lakh SHGs have been formed under this mission, which itself is a matter of pride for the state as well as for the nation.

Odisha Livelihoods Mission (OLM): The Odisha Livelihoods Mission has been another key Government agency that promotes SHGs and their federations in the state. OLM is a Society registered under the Societies Registration Act 1860. It is under the administrative control of Panchayat Raj and

Drinking Water Department of Government of Odisha. OLM has been entrusted with the responsibility of implementation of the programmes sponsored by National Rural Livelihoods Mission (NRLM) in the state of Odisha. NRLM/OLM stands on the three pillars of Social Inclusion, Economic Inclusion and Financial Inclusion. The programme is implemented through well-structured community institutions like the Women Self Help Groups (WSHG), Cluster Level Federation (CLF) at village level and Gram Panchayat Level Federation (GPLF). While covering the entire state through its programmes, OLM has been making efforts to deliver both livelihoods and financial services to the poor women SHG members. Financial Inclusion has been a major area of intervention of it. Under Financial Inclusion the objective of the mission is to ensure access, availability, and affordability and hassle free Savings, Credit, Insurance, Pensions, Remittance services and Financial Literacy. As per the NRLM/OLM Website, OLM has been able reach out with services to about 4, 10,450 SHGs having 44, 03,775 women members in Odisha by December'2019. Altogether 31,675 Cluster Level and 4,135 Gram Panchayat Level Federations of SHGs have been formed and provided with capacity building support. In the demand side of Financial Inclusion, OLM works on capacity building of SHGs with focus on Financial Literacy.

There are other key stakeholders such as RBI, NABARD, SLBC, Banks, NGOs, MFIs, and SHPIs etc. that are also contributing positively for the growth and strengthening of SHGs in the state. Below is given brief progress update of the SBLP;

| Particulars | FY: 2018 | -19 | FY;2019- (upto Se | |
|-------------------------------|----------|------------|----------------------|-----------|
| | Physical | Financial | Physical | Financial |
| SHG-Bank Linkage Target | 135000 | 2041.30 cr | 1,64,650 | 2,300.00 |
| Achievements | 162400 | 1781.87 cr | 66,826 | 1,047.33 |
| Performance | 120% | 87.29% | 40.59% | 45.53% |

Source: SLBC-Odisha 157th Report

1.6. Pradhan Mantri Jan Dhan Yojana (PMJDY): Status & Progress in the State: The

state of Odisha also demonstrated a significant progress in implementing the PMIDY mission and its schemes for expanding financial inclusion. Overwhelming response of the masses, concerted efforts of Bankers and supports from the Government have made it possible to make remarkable achievement in Odisha. As per SLBC-Odisha Report (157th), about 145.31 lakh PMJDY accounts were opened w.e.f. 16.08.2014 to 30.09.2019 in the state. The percentage of Zero Balance accounts and Aadhaar Seeded accounts are 12.67% and 71.96% respectively. The updated figure as per the PMJDY Website, banks collectively have opened 1.56 cr accounts for beneficiaries as on Feb 20, 2020. A total of 1.26 cr Rupay Cards are being issued to the beneficiaries in the state.

1.7.Banking Correspondent: With the objective of ensuring greater financial inclusion and increasing the outreach of banking sector, RBI issued guidelines on January 25, 2006 for outsourcing of financial services by banks through Business Correspondents (BCs) & Business Facilitators (BFs). The BCs are authorized representatives of the banks to offer services such as cash transactions where the lender does not have a

branch. The PMJDY scheme also gives considerable importance to it. To give the financial inclusion drive under PMJDY a fillip, banks are being advised to ensure that the foot soldiers (or business correspondents) undertaking the task on their behalf will get the compensation. A number of corporate as well as individual BCs/BCAs are being engaged by various banks in Odisha to channelize banking services for people staying in the unbanked and remote areas. However, the BC model is also faced with a few challenges including its viability and use of technology.

The usefulness of BC model is dependent on the kind of support provided by the bank branches. It is understood that BCs are not making enough income due to its catering of services to low-income customers with low volume transactions. For optimum usage of BCs in reaching the poor villagers, BCs have to be adequately compensated so that they are sufficiently incentivized to promote financial inclusion as a viable business opportunity. For effective supervision of BC operations and for addressing cash management issues, customer grievances, banks can make available a small brick and mortar branch at a reasonable distance which can be of great help.

1.8 Microfinance Institution (MFI) Channel:

Microfinance has been considered as one of the potential tools to reach out to the unbanked populations. Implemented mainly by MFIs and with focus on financial and social aspects of underserved client groups; microfinance contributes significantly to expand financial inclusion by offering need based financial services including micro credit, micro insurance, micro pension etc. to poor clients. Specifically the role of MFIs, in providing need based financial services to poor has been quite encouraging, in terms of the outreach and service delivery at their door steps. Having adopted various client friendly approaches including SHG and JLG specially the MFIs have been able to reach out to a large section of people, particularly the women SHG/JLG members in the country and the state.

Delivered mainly by Banks, SFBs and NBFC-MFIs, through SHG and JLG models, microfinance has been able to reach out to a large section of people in the country/state .As per the MFIN Micrometre Report, the microfinance industry at pan-India level has got total Gross loan portfolio of Rs.2, 11,302 Cr and active loans accounts of 10.11 Cr as on Dec'2019. While the Banks collectively have got the largest share of the portfolio of 40% the NBFC-MFIs contribute 31% and Small Finance Banks (SFB) 18% to that.

In Odisha, about 50 financial institutions including 28 NBFC-MFIs work in the state and offer diversified financial services such as micro credit, micro insurance, pension services etc. to poor. Collectively they cover most of the districts in the state and reached out to about 30 lakhs members with the gross loan portfolio of around Rs.6000 crores as on Dec'2019. The support from Small Industries Development Bank of India (SIDBI), Banks, investors etc. to MFIs has been guite helpful for them to reach out to poor clients and meet their credit needs in the state. Having availed the loans from MFIs, members utilize that for various economic and income generating activities to enhance their household income. The details on microfinance and its progress updates are being dealt with in the following chapter.

MFIs in Odisha also undertake various nonfinancial and credit plus activities related to water & sanitation, health, education, rural housing, non-conventional energy, social forestry etc. Additionally, they also take up emergency relief measures for affected people during natural calamities and lend helping hands to Government.

1.9 Complementing Role of Microfinance towards achieving Sustainable

Development Goals: Financial Inclusion and microfinance play a critically important role in reducing poverty as well as ensuring economic and social development around the world. This has been strongly recognised by the 2030 development agenda. Indeed, the Sustainable Development Goals (SDGs) includes access to financial services within its several targets. Furthermore, they state the relevance of ensuring that all people have full access to financial services, underlining in particular, the importance of women's access to financial opportunities. Financial Inclusion now, is a priority for the national Governments and the promotion of national financial inclusion strategies has been a central theme. As of last year, 3.8 billion people across the globe have had access to formal financial services that represents nearly 70% of all adults vis-à-vis 51% in 2011.

Financial inclusion is positioned prominently as an enabler of other developmental goals in the 2030 Sustainable Development Goals (SDG), where it is featured as a target in eight of the seventeen goals. These include;

- SDG-1 on Eradicating Poverty;
- SDG-2 on Ending Hunger, achieving food security and promoting sustainable agriculture;
- SDG-3 on profiting health and well-being;
- SDG-5 on achieving gender equality and economic empowerment of women;
- SDG-8 on promoting economic growth and jobs;
- SDG-9 on supporting industry, innovation, and infrastructure and
- SDG 10 on reducing inequality.

Additionally, in SDG-17 on strengthening the means of implementation there is an implicit role for greater financial inclusion through greater savings mobilization for investment and consumption that can spur growth. There is also growing evidence of financial inclusion creating more stable financial systems and economies, mobilizing domestic resources through national savings and helping to boost government revenue.

The United Nations Capital Development Fund's (UNCDF) last mile financing models support banks, cooperatives, microfinance institutions, money transfer companies and mobile network operators to extend the reach of financial markets where they would otherwise not go. The UNCDF ensures that suitable financial products (savings, credit, insurance, payments, and remittances) are available to individuals – notably the excluded and under banked – and micro, small, and medium enterprises, at a reasonable cost, and on a sustainable basis.

In particular, UNCDF targets women based on the growing evidence that access to savings leads to the positive economic outcomes for women, including increasing productivity and profits and greater investment in their businesses. Having savings also makes women less likely to sell assets to address health emergencies, stabilizes their incomes in times of economic shocks, and provides greater control over their funds.

Women's Financial Inclusion will be a key issue for the community the coming decade as we look to close the gender gap. Heightened attention to the rural population, farmer and the poor will also be a priority for financial inclusion so that enduring development is attained and we see a better world.

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Chapter-2 Overview of Microfinance Programme in Odisha

2.1 Introduction:

The state of Odisha lies on the eastern coast of India. It is the 9th largest State in the country. Administratively, the State has been divided into 30 districts, 58 sub-divisions, 316 tehsils and 314 blocks. According to 2011 census, the total population of Odisha is 41,947,358, of which 21,201,678 (50.54%) are male and 20,745,680 (49.46%)¹ are female. Odisha has abundant natural resources and a large coastline. The extensive forest resources provide ample scope for forest-based activities. Agriculture continues to be the backbone of the state's economy; as majority of the population depends on agriculture for their livelihoods. However, despite such natural resources. Odisha is still considered as one of the poorest states in the country. In view of that state government has been taking multiple measures to alleviate poverty and bring development for the people in Odisha. In recent years Odisha has been able to reduce poverty at a faster rate.

With Financial Inclusion emerging as a major policy component in the financial landscape of the country, microfinance is seen as a potentially promising tool to reach out to the unbanked populace that has been underserved for long by the formal financial system. Microfinance sector in India has garnered substantial growth in outreach as also outstanding portfolio of credit extended to the low income households in last two decades. The number of institutions providing microcredit has gone up to several hundreds from a paltry few. Besides MFIs, microfinance customers are being served by a range of providers' like Banks, SFBs, NBFCs, and Cooperatives etc.

The successful business models established by the MFIs in lending to the poor and the under privileged section of society especially women, has now graduated to mainstream economic infrastructure. The microfinance industry, after experiencing difficulties post the Andhra Pradesh crisis in 2010 that caused a near stalemate, has started growing with positive developments in terms of outreach and overall portfolio.

Responding to the crisis of 2010, the Reserve Bank of India (RBI) undertook a series of measures to regulate and monitor the sector and MFIs registered as NBFCs with RBI. It created a separate Category of "NBFC-MFIs" in December 2011 with specific guidelines and made it mandatory to adopt the Fair Practices Codes for them. RBI also advised all stakeholders including MFIs, to ensure greater accountability, integrity, transparency, client protection, risk management etc. while delivering the services. Self-Regulatory Organizations (SROs) such as MFIN and Sa-Dhan announced the Unified Code of Conduct for MFIs. Concept of Responsible Finance (RF) was stressed and the Responsible Finance Forum (RFF) was set up to monitor the progress. Microfinance Credit Bureaus have become operational and all MFIs were advised to share client specific data with them.

Thus, several factors including greater clarity from the Reserve Bank of India's guidelines, deeper penetration of credit bureaus and increasing use of technology to improve operations can be attributed to have helped in achieving the current pace of growth in India's MFI sector. ²Further the Government's agenda focusing on Financial Inclusion complements the sectoral progress to a great extent. With

¹Census Report'2011 ²http://www.crisil.com/pdf/ratings/indias-25-leading-mfis.pdf

revised RBI norms and the Government programmes like Jan Dhan Yojana and MUDRA Scheme, the MFI sector got scope to expand further. Priority sector status to microfinance lending by banks has been a major step in this direction.

The microfinance sector also got due recognition in the recent times. Bandhan, India's largest microfinance institution, became a full-fledged universal bank with nationwide presence, 8 out of 10 entities granted Small Bank license are MFIs (September, 2015)³. The above development has provided a new boost to microfinance sector in the financial architecture of the country.

As an important indicator for the breadth of inclusion, geographical spread of microfinance has got widen over the years, covering 619 districts in India as on March 2019 (CRIF Highmark data) of which 565 districts have more than 5 lenders. The year 2018-19 has mostly been a period of continued and augmented growth for the microfinance sector in the aftermath of demonetisation in November 2016 and NBFC liquidity constraint more recently. The industry players including banks, Small Finance Banks, NBFCs, NBFC-MFIs and NGO-MFIs registered an impressive annual growth rate of 38% during the year. The outstanding gross loan portfolio (GLPs) of all the players amounted to staggering Rs.1,87,386 crore as at March 31, 2019. Like previous year (2017-18), The NBFC-MFIs continue to be the largest player with 36.75% share .This also needs to be seen in the context of conversion of 8 NBFC-MFIs to SFBs after 2016 thereby reducing the pie for NBFC-MFIs post the transition. Banks, SFBs and NBFCs contributing 32.5%, 18.5% and 11% respectively, while NGOs and section-8 companies' share continue to dwindle at 1.13%. The attractive ness of microfinance

among players is amply evident from the interest they exhibit in catering to microfinance clientele on a substantial and augmented scale year after year. Commercial Banks and other investors have played an important role in providing bulk lending to MFIs which helped them to expand their clientele and portfolio size in the state. Development Banks like NABARD and SIDBI have been also extending their financing facilities and funding supports through their subsidiaries to MFIs to meet the financial and non-financial needs of the clients of their catchment at the ground level.

2.2 Microfinance Operation in Odisha: The state of Odisha has emerged as a potential microfinance market in the eastern region of the country and projected a rich diversity of microfinance models, practices, tools and products etc. The role of MFIs in providing the financial services for the poor has been quite encouraging, especially in terms of their outreach and service delivery at the door steps of the clients. Having adopted various client friendly methodologies including SHG, JLG and individual lending, microfinance has been able to reach out to a large section of people, particularly women SHG members in the state.

The NGO led informal microcredit movement started by social entrepreneurs in partnerships with likeminded entities / institutions seeding during early nineties grew manifold in its outreach fuelled by demand pull and supply side response. The MFIs in Odisha exist as NGOs (registered as societies or trusts), Section 25 Companies (Not-for-profit), Cooperatives, Federation of SHGs and Non-Banking Financial Companies (NBFCs) etc.

2.3. Progress of Microfinance: One of the key purpose of MFIs is to achieve development

goals by reaching out to poor and low-income group of people in the state. Indeed, the MFIs have been able to reach out to large number of poor households mainly because of the products and channels, which are designed as per the needs of the clients. Close follow-ups coupled with regular observation of group level activities are found to be the major reasons for better performance of MFIs' operations. Having grown at a heightened pace, the microfinance sector marked a significant progress in the state. Many of the MFIs expanded their operational areas, diversified the products and services facilitated access to microfinance services for the low-income groups of people across the state. It is understood that around 50 including 28 NBFC-MFIs operate currently in the state of Odisha and offer diversified financial services to people. The NBFC-MFIs have been taking lead in terms of expanded outreach and portfolio growth in the state. As per the MFIN report all the 28 NBFC-MFIs operating in the state have collectively reached out to 30.3 lakhs clients-borrowers with gross loan portfolio (GLP) of INR 6004 Cr as on Dec 2019.4

| Indicators | FY- 2018- | FY-Dec |
|---------------------------|-----------|---------|
| | 19 (Dec) | 2019-20 |
| Gross Loan Portfolio | 4289 | 6004 |
| (Rs. In Cr) | 4209 | 0004 |
| Loan amount disbursed | 1244 | 1598 |
| (in Cr Rs.) | 1244 | 1398 |
| No. of clients (in lakhs) | 24.2 | 30.3 |
| Branches | 1034 | 1261 |
| Avg. Loan amount | 25,319 | 32,831 |
| disbursed (Rs.) | 23,313 | 52,051 |
| No of MFIs | 23 | 27 |
| Employees | 7958 | 10662 |

As reflected in the above table, the NBFC-MFIs collectively grew significantly in terms of their GLP, loan disbursement, outreach etc in the state. As reported, Odisha stands among the best 10 states in term of GLP and Clientele coverage in India. Public sector banks like SBI, Canara Bank, IDBI, UCO Bank, Bank of Baroda, Dena Bank, Andhra Bank, Indian Overseas Bank, Oriental Bank, Corporation Bank, etc have been extending credit support to the sector. Among the private sector, YES Bank, DCB, Axis Bank, ICICI Bank among others have been the major lenders to the sector in Odisha.

Among the MFIs operating in Odisha, there are also six home grown organizations such as Annapurna Finance Pvt Ltd, Adhikar Microfinance Pvt Ltd, Sambandh FinServe Pvt Ltd, GU Financial Service Pvt Ltd Mahashakti Foundation and Swayanshree Mahila Samabaya Samiti Ltd, who are providing financial services to clients.

The MFIs together in the state also contribute reasonably to meet the priority sector & MUDRA lending. As per the SLBC Odisha report, about 33% of the MUDRA loans have been disbursed by MFIs, NBFCs and Small Finance Banks as on Sept'2019.Currently the microfinance sector provides employment opportunity for more 10,662 staff in the state. It has been a long journey so far for the MFIs in Odisha. Over the years, they have diversified their portfolio and product range, with the introduction of different client-centric and customised products. Other than credit they have also added/enabled microinsurance, micro-pension, remittance along with other credit plus services into their product package for offering to the clients.

The Insurance Regulatory and Development Authority (IRDA) of India recognize NGOs/MFIs as channel partners in offering micro

⁴MFIN Micrometre, Feb-2020

insurance services for their microfinance clients. As a result of which most of the MFIs have explored their partnerships with both the public and private sector insurance companies and offer micro insurance services to clients. For MFIs, integrating micro insurance with credit services makes logical sense as it helps them to reap economies of scale in financial management, provides them with a captive market, and enables them to use their existing network and distribution channels to sell insurance products. Their partnerships also help manage the risks faced by the clients. As of now, MFIs mostly concentrate on the credit-line insurance services in partnerships with both public and private insurance companies including LIC, ICICI PruLife, TATA AIG, Bajaj Allianz, Birla SunLife, Kotak Life, Royal Sundaram etc.

2.4 Financial Literacy: Financial Literacy (FL) is considered a key catalytic process to expand financial inclusion for the poor. It helps educate and enhance members' understanding of financial planning and creates demand among them by making people aware of what they require for their own economic development. It also facilitates the process of empowerment, especially among women, by orientating them on their leadership, rights, and entitlements. In view of that several important stakeholders in India including the Government, RBI, IRDA, PFRDA, NABARD, SIDBI, Banks, MFIs, NGOs, and other relevant organizations have been promoting financial literacy to educate poor and help bring them into the fold of financial inclusion.

The need and relevance of financial literacy is strongly felt in Odisha, considering the low levels of literacy and inadequate banking infrastructures, banking outlets, especially in the rural areas and hilly and remote pockets that remain largely out of the formal financial set-up. With inadequate banking network and delivery channels, the unbanked poor are not only pushed towards some expensive alternatives but also often fall prey at the hands of fraudulent entities including the chit funds that lure many of them with higher returns and cheat unscrupulously in the process.

In view of the importance of FL, NABARD has been promoting financial literacy through the Regional Rural Banks (RRBs) and the banks. Nearly 145 Financial Literacy Centres (FLCs) have been established by various banks with the support of NABARD. The FLCs imparts financial literacy and educate clients through credit counselling/financial literacy sessions on various themes including on savings, credit, remittance, insurance, pension of financial planning etc.

SIDBI through its Poorest States Inclusive Growth (PSIG) Programme piloted Financial Literacy and Women Empowerment (FLWE) Programme with 6 MFIs in technical collaboration with ACCION to train women members on various themes of financial literacy (FL). About 50,000 women members were trained in the process. Later on, it also supported the MFIs for the scaled-up programme. The overall objective of the FLWE scale up programme was to build the capacities of women in improving their understanding of financial products and services and develop their skills and confidence for making informed choices about their financial and social well-being. During this phase, a total of 1,10,000 women clients were trained under this intervention by the partner MFIs in Odisha. The trainings were delivered by a cadre of about 110 Master trainers (MTs). The end-line survey and final evaluation of the programme revealed the fact that FLWE has been instrumental in bringing significant changes among women members in terms of their Access to bank accounts and usage

(77%), Awareness and access to other financial products (90%), Financial behaviour (90% in household budgeting), Awareness and access to government schemes, Water, Sanitation and Hygiene etc.

To take forward the FL initiatives further in the state, SIDBI-PSIG entered into a partnership with Odisha Livelihoods Mission (OLM) to implement a project-'Training and Strengthening Capacities on Financial Literacy for Community Resource Persons of Odisha Livelihoods Mission (OLM)' in Odisha. Through this initiative, PSIG aimed to converge with capacity building efforts and resources of OLM by supporting and strengthening further their on-going FL initiatives in Odisha. ACCESS-ASSIST was selected as a Resource Organization (RO) by PSIG and assigned with the responsibility to implement the programme in close coordination with OLM. In the process, more than 300 Financial Literacy Community Resource Persons were trained as Master Trainers who in turn trained to 85.000 SHG members in the state.

2.5 Credit Plus Activities: Most of the MFIs also undertake credit plus activities related to water & sanitation, health, education, rural housing, non-conventional energy, social forestry etc. Many support their clients by providing trainings on skill enhancement, financial literacy and also provide facilities like medical mobile van, free education to children and motivating the disabled people to get an equal stand in the society. Additionally, they also take up Emergency Relief measures for affected people during natural calamities and lend helping hands to Government.

2.6. Disaster Responses by MFIs for the FANI-Cyclone affected People in Odisha: FANI - an extremely severe cyclonic storm hit the Odisha state on 3rd May'2019. The microfinance fraternity in Odisha stood in solidarity with the Government and the affected people in the state. Immediately after the cyclone, teams from different MFIs visited the affected communities, talked to the clients and their family members, console them and also made a quick need assessment. They organized weekly coordination meetings to plan, review and undertake relief work. Based on the need assessment, member MFIs initiated relief measures, especially in the severely affected districts of Puri, Khordha and Cuttack. The relief measures included distribution of both food and non-food items including rice, dal, chuda, cooking oil, chatua, soyabody, suji, sugar, amul, biscuits, candles & match box, salt, maggi, mixtures mosquito coils, soaps & detergents, tarpaulins, clothes, wash kits, kitchen set, plastic mats, water filter, sanitary napkins and solar lights. The approximate worth of the relief materials distributed was more than 500 lakhs.

Loan Repayment Holiday: Since the clients were not in a position to make their weekly/ fortnightly /monthly repayments against the loan taken, the MFIs, on their own, mutually agreed to give loan collection/repayment holiday to the cyclone affected clients, in a phased manner (@15 days per phase). It was also agreed to review the situation and extend the period further, if required, for the clients of Puri, Khordha and Cuttack districts. Additionally, the staffs of the MFIs, especially the field staff responsible for loan collection were asked to maintain absolute compassion and respect for the clients at their difficult times, console them and not to pressurize any member for loan repayment during the crisis period.

Contribution to Odisha "Chief Minister's Relief Fund": In addition to taking up the relief activities in the field, it was also planned to collect donations from MFIs and contribute to the Chief Ministers' Relief Fund in Odisha. With regular follow-ups many MFIs came out with their benevolent contribution. The total amount of Rs.33, 31,700/- was mobilized. A small team from member MFIs and OSAFII met the Hon'ble CM Shri Naveen Pattnaik and handed over the cheque to him for the FANI affected people.

2.7. Odisha State Association of Financial Inclusion Institutions (OSAFII): With a view to better coordinate with all stakeholders in the state and further strengthen the inclusive finance sector in Odisha, the MFIs together promoted a network organization called Odisha State Association of Financial Inclusion Institutions (OSAFII). It operates as a memberbased network organization of various microfinance institutions that offer financial services to poor and promote financial inclusion in Odisha. OSAFII was established as a Trust in the year 2016. The association primarily works for strengthening the inclusive finance sector in the state by strengthening better coordination among stakeholders and addressing the state specific issues and challenges. It also helps strengthen the capacity of its members on various thematic areas including on responsible finance, code of conduct and client protection principles, etc.

> Vision: Establish an Inclusive & Sustainable Financial Society

Mission: To Create Enabling Environment for Financial Inclusion through Stakeholders Engagement

Key Priorities and Focus Areas of OSAFII

- 1: Networking & Coordination: To coordinate and build collaborative efforts among all stakeholders for strengthening further the inclusive finance sector in Odisha.
- 2: Capacity Building of Members & Stakeholders: To design and offer customized technical assistance including demand-based trainings for member MFIs & other stakeholders.
- 3: Strengthen Industry Standards & Best Practices: To encourage and educate member organizations and help them proactively practice the Responsible Finance, SRO principles & SPM processes etc in their respective microfinance programs.
- 4: Policy Advocacy: To take up policy and other issue-based advocacy with Government, policy makers and regulators for strengthening further the enabling environment and addressing the issues faced by members & the sector in Odisha.
- 5: Knowledge Management: To ensure regular collation and dissemination of web based and other relevant information among members and stakeholders.

Members & Stakeholders of OSAFII: OSAFII

is a member-based entity. Initially all seven home grown organizations such as Adhikar Microfinance Pvt Ltd, Annapurna Finance Pvt Ltd, GU Financial Services Pvt Ltd, Sambandh Finserve Pvt Ltd, Mahashakti Foundation, Swayamshree Microcredit Services and Swayanshree Mahila Samabaya Samiti Ltd came together and formed the association in Odisha with the financial support of SIDBI-PSIG and technical assistance of ACCESS-ASSIST. Gradually other national level organizations operating in Odisha (17 MFIs) joined the association which gave OSAFII an institutional footing, mandate and legitimacy to work in the state. Presently, OSAFII has got 25 Members and its membership has been increasing year by year. Its members are dedicated to achieving the double bottom line i.e. social and financial development of the poor. They are also signatories of the Common Code of Conduct (CoC) of MFIN and Sa-Dhan & adhere to the Fair Practice Code as stipulated by Regulatory Bodies. List of OSAFII Members is provided in the Annexure. OSAFII is being managed by its own Board. A Chief Executive Officer (CEO) has been recruited by the Board and assigned with the responsibility of coordinating the programs in close collaborations with its members and other stakeholders.

Small Industries Development Bank of India (SIDBI) through its Poorest States Inclusive Growth (PSIG) Programme has been one of the key stakeholders of OSAFII since its inception. Funded by the Department for International Development (DFID), UK, Poorest State Inclusive Growth (PSIG) programme is being implemented by SIDBI. The programme aims to enhance the income and employment opportunities of poor women and in 4 low income States by enabling them to participate and benefit from wider economic growth in India. The purpose of the programme is to improve income, and reduce vulnerability, of poor people and small producers, by expanding their access to finance.

SIDBI-PSIG initially supported the process to form and register a state level association of MFIs in Odisha. ACCESS-ASSIST was assigned with the responsibility to facilitate the process. As a result of which OSAFII was registered as a Trust November 29, 2016. After its formal registration, SIDBI-PSIG continued to support OSAFII independently. While approving OSAFII's proposal SIDBI-PSIG signed a Grant Agreement with the association and extended financial assistance, to the tune of Rs. 37.28 lakh on September 05, 2017 for conducting various activities towards internal capacity building and strengthening the microfinance sector in Odisha.

OSAFII organized some of the planned activities including financial inclusion conclave, training programmes, Board and Members' Coordination Meetings, etc during FY: 2017-18. Since then OSAFII organized 4 Board Meetings, 4 Members' Coordination Meetings, 01 Annual General Body Meeting, 10 District Level Coordination Meetings, 07 training programmes, 01 SHG Convention, 01 State level Stakeholders' meeting/Financial Inclusion Conclave, 03 Interactive Meetings with Media by 10th of March'2020. Nearly 400 staff from member MFIs working at various levels in their organizations were trained by OSAFII. Feedback received from the participants was quite encouraging as these trainings helped strengthen their knowledge and skill set.

OSAFII was able to strengthen its relationships with various stakeholders at state and district levels. In addition to SIDBI-PSIG, OSAFII also closely works with other key stakeholders in the state including RBI, NABARD, SLBC, Banks and Government line Departments, especially Directorate of Institutional Finance, NRLM/OLM, WCD-Mission Shakti, NULM/SUDA, etc.

Chapter-3

Status Updates of Microfinance Programme in Odisha

(Equifax Report)





Highlight

Since its introduction in India in late eighties, Microfinance industry has grown leaps and bounds over the last three decades despite few crisis on the way. Over the years, Equifax has worked with the Financial Inclusion institutions and Associations to help them understand the trends and insights of Indian Microfinance industry.

Now, with its partnership with OSAFII, Equifax brings the newsletter "Inclusive Finance Status Report - Odisha" to provide insights on trends focused on Odisha Microfinance and SHG industry - from disbursements to delinquencies, from top districts to average ticket size trends. For the purposes of analysis, this report has segregated Odisha into three zones - North Odisha, Central Odisha and South Odisha, with each zone has 10 districts. In 2019, Odisha state had 4% share of India's population but 6% share of Active MFI loan taking population of India and 5.48% share of MFI loans disbursed by value. In 2019, the average ticket size of MFI loan at Rs 30,141 in Odisha is lower than pan India average ticket size of Rs 33,534. Top 5 states in India have the highest average ticket size of Rs 33,837 across India which is 11% higher than average ticket size of MFI loan of Odisha.

As on December 2019, Odisha state MFI loan portfolio delinquency rate stood at 1.05% compared to 0.54% for pan India and 0.46% for top 5 states in India. NBFC-MFIs has lowest delinquency of 0.84% in Odisha followed by banks at 0.88%.

In 2019, Odisha experience 11% growth in terms of disbursement by value and 14% growth in terms of average ticket size over last year. Disburesement of MFI loans was highest in Central Odisha with 50% share followed by North Odisha with 28% share and South Odisha with 22% share. Though lower share of disbursement, South Odisha has seen the highest growth in ATS at 15% year on year. Balangir and Bargarh in North Odisha, Khorda and Cuttact in Central Odisha and Ganjam and Kalahandi in South Odisha were the top performing districts in terms of MFI loan disbursements in 2019. MFI loans disbursement was highest in JFM'19 quarter across all divisions. Odisha state had portfolio outstanding of Rs 11,588 crores as on Dec 2019 which is around 7% growth in portfolio outstanding from Dec 2018. Large share of this growth in POS was contributed by Central Odisha. Central Odisha registered highest growth in portfolio outstanding at 11% followed by South Odisha at 5% and North Odisha at 3%. Banks had the largest share of POS in Central and North Odisha while NBFC-MFIs have the largest POS in South Odisha.

In terms of zone wise delinquency trends, Central Odisha had the highest delinquency of 1.19% as on Dec 2019 followed by North Odisha at 0.97% and South Odisha at 0.85%. In 2019, delinquency in state of Odisha peaked as on March 2019 at 1.69% but has been come down to 1.05% as on Dec 2019. Amongst the top districts of Odisha in terms of MFI loan market share, Balangir of North Odisha had the highest 90+ delinquency at 0.93%, Khorda of Central Odisha had 0.80% 90+ delinquency and Nabarangapur of South Odisha had highest 90+ delinquency of 1.96%.

In Central Odisha, Bhadrak district with 13% market share has one of the lowest delinquency at 0.41%. As on Dec 2019, despite large market share of banks, the delinquency levels of this segment was the lowest across all the zones. NBFCs, on the other hand, experienced highest delinquency trends across all the zones. In terms of SHG disbursement trends, 59% of SHG sourcing comes from Central Odisha. North Odisha has the highest average ticket size for SHG portfolio at Rs 203,571. Central Odisha has the highest SHG portfolio across all zones. Cuttack in Central Odisha have 22% market share of POS. South Odisha's portfolio is heavily concentrated in Urban/Semi-urban compared to other zones which are more evenly distributed between urban/semi-urban and rural.

This is a first of its kind newsletter focused on the state of Odisha. Equifax and OSAFII aim to bring out this publication for the benefit of the financial inclusion practitioners and the policy makers of the state. We sincerely hope that our endeavor will help the state of Odisha in its journey towards success in the financial inclusion sector.

Index





- ROI / ROD = Rest of India / Rest of Districts
- MFI = Micro finance Institution
- ATS (Average Ticket Size) = Disbursed Amount / Number of Loans
- POS = Portfolio Outstanding
- Live POS/Active loans = 0 to 179 days past due + New Account + Current Account
- 90+ Delinquency = 90-179 days past due / Live POS
- Zones : N-Odisha = Northern Odisha

C-Odisha = Central Odisha

S-Odisha = Southern Odisha

Мар

Odisha





Glossary

| SR No. | C - Odisha | N - Odisha | S - Odisha |
|--------|---------------------|-------------------------|-------------|
| 1. | Cuttack | Sambalpur | Ganjam |
| 2. | Jagastinghpur | Bargarh | Gajapati |
| 3. | Kendrapara | Jharsuguda | Kandhamal |
| 4. | Jajpur | Deogarh / Debagarh | Boudh |
| 5. | Puri | Balangir | Kalahandi |
| б. | Khordha | Subarnapur (Sonapur) | Nuapada |
| 7. | Nayagarh | Dhenkanal | Koraput |
| 8. | Balasore / Baleswar | Angul | Rayagada |
| 9. | Bhadrak | Keonjhar / Kendujhar | Nabarangpur |
| 10. | Jajpur | Sundargarh / Sundergarh | Malkangiri |



- Segregation of districts of Odisha in terms of revenue:

Odisha has been divided into 30 districts. These 30 districts have been placed under three dierent revenue divisions to streamline their governance. The divisions are North, South and Central, with their headquarters at Sambalpur, Berhampur and Cuttack respectively. Each division consists of ten districts, and has as its administrative head a Revenue Divisional Commissioner (RDC).

Microfinance Industry India and Odisha

Population Dynamics

| Categries | India Population | - Census 2011 | MFI Loan - Taking Population |
|----------------------------|-------------------------------|-------------------------|--|
| Categries | Total Population (in lakh) | Population share (%) | Active Loan-taking population share (as on Desember 2019) |
| Odisha | 419.47 | 4% | 6% |
| Top [*] 5 States | 4,407.95 | 37% | 53% |
| Next [*] 5 States | 4,139.17 | 35% | 29% |
| ROI | 3,414.11 | 28% | 18% |
| Total | 11,961.23 | 100% | 100% |

Disbursement Overview

Sourcing Period : October 2018 – December 2019



| Categries | Average Ticket Size (in ₹) |
|----------------------------|-------------------------------|
| Odisha | 30,141 |
| Top* 5 States | 33,837 |
| Next [*] 5 States | 33,431 |
| ROI | 32,765 |
| Total | 33,534 |

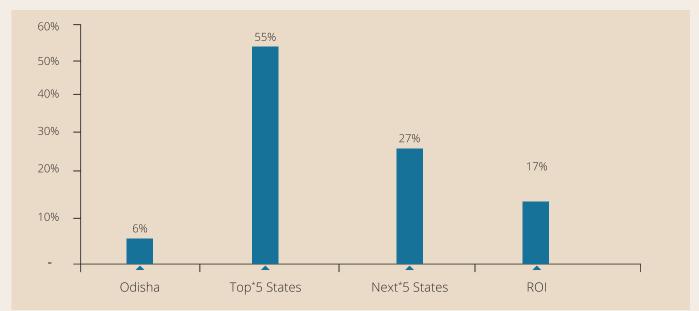
Top and Next 5 states basis disbursed amount (INR) from October 2018 – December 2019. Top/Next 5 states are inclusive of the state of Odisha

⁻ Top 5 States have the highest Average ticket size at Rs. 33,837 which is 11% higher than the State of Odisha as on 31st December 2019

Microfinance Industry India and Odisha

Portfolio market share by state and lender category

As on 31st December 2019



Delinquency overview by state and lender category

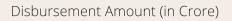
90+ delinquency by POS

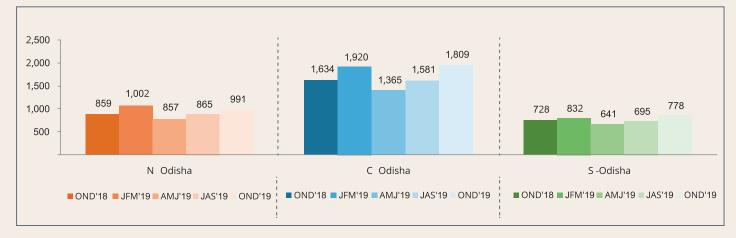
| Lender Category | Odisha | Top [*] 5 States | Next [*] 5 States | ROI | India |
|-----------------|--------|---------------------------|----------------------------|-------|-------|
| Bank | 0.88% | 0.32% | 0.52% | 0.48% | 0.40% |
| MFI | 0.00% | 0.17% | 0.10% | 0.33% | 0.16% |
| NBFC | 3.54% | 3.71% | 3.20% | 3.65% | 3.18% |
| تNBFC - MF | 0.84% | 0.55% | 0.59% | 0.64% | 0.58% |
| SFB | 1.06% | 1.47% | 1.66% | 1.37% | 1.49% |
| Total | 1.05% | 1.46% | 1.68% | 1.61% | 1.54% |

Top and Next 5 states basis disbursed amount (INR) from October 2018 – December 2019. Top/Next 5 states are inclusive of the state of Odisha

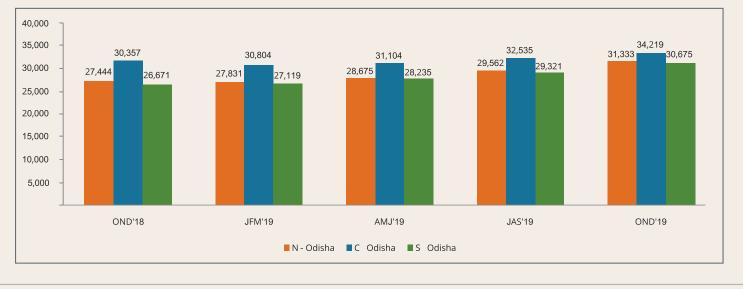
- As on December 2019, Odisha state MFI loan portfolio delinquency rate stood at 1.05% compared to 0.54% for pan India and 0.46% for top 5 states in India.
- NBFC-MFIs have maintained lowest 90+ delinquency in the state of Odisha at 0.84% closely followed by Banks at 0.88%.

Sanction trends





Average ticket size trends



- Odisha experienced 11% growth in terms of disbursement by value and 14% growth in terms of ATS from OND'18 to OND'19.
- Disbursement trends by value show concentration of micro nance loans in Central Odisha with 50% market share, followed by Northern Odisha at 28% and Southern Odisha at 22%
- Southern Odisha saw highest ATS growth at 15% from OND'18 to OND'19

| | • | | _ | | Disbursed A | mount (in crore) |
|-------------------------|------------------|--------|--------|--------|-------------|------------------|
| Zone | Top Districts | ONDP18 | JFMP19 | AMJP19 | JASP19 | ONDP19 |
| | Balangir | 14% | 16% | 16% | 16% | 17% |
| | Bargarh | 13% | 14% | 15% | 14% | |
| N - Odisha | Sundergarh | 14% | 13% | 13% | 13% | 15% |
| | Dhenkanal | 13% | 12% | 11% | 13% | 12% |
| | ROD | 46% | 45% | 45% | 44% | 42% |
| N - Odisha | Total (in crore) | 859 | 1,002 | 857 | 856 | 991 |
| Zone | Top Districts | ONDP18 | JFMP19 | AMJP19 | JASP19 | ONDP19 |
| | Khorda | 16% | 16% | 14% | 16% | 15% |
| | Cuttack | 14% | 13% | 14% | 15% | 14% |
| C - Odisha | Bhadrak | 12% | 13% | 14% | 13% | 13% |
| | Baleshwar | 12% | 13% | 14% | 13% | 13% |
| | ROD | 46% | 45% | 44% | 43% | 43% |
| C - Odisha ⁻ | Total (in crore) | 1,634 | 1,920 | 1,365 | 1,581 | 1,809 |
| Zone | Top Districts | ONDP18 | JFMP19 | AMJP19 | JASP19 | ONDP19 |
| | Ganjam | | | | | |
| | Kalahandi | 40% | 43% | 42% | 44% | 44% |
| S - Odisha | Koraput | 15% | 16% | 15% | 15% | 14% |
| | Nabarangapur | 8% | 7% | 7% | 7% | 7% |
| | ROD | 29% | 28% | 30% | 28% | 29% |
| S - Odisha | Total (in crore) | 728 | 832 | 641 | 695 | 778 |

Quarterly contribution of top districts to zone and Odisha

- Ganjam and Kalahandi districts – Top 2 districts of Southern Odisha contribute more than 60% of disbursement by value to Southern Odisha's sourcing landscape.

- Loan sourcing by value peaked across zones in JFM'19 thereby boosting overall sourcing for the state of Odisha in the same period.

Portfolio outstanding trends by geography

| Time Frame | | N - Odisha | C - Odisha | S - Odisha |
|------------|--------------------|------------|------------|------------|
| | Rural | 55% | 60% | 47% |
| Dec ' 18 | Urban / Semi-Urban | 45% | 40% | 53% |
| | POS (in crore) | 3,273 | 5,015 | 2,509 |
| | Rural | 56% | 61% | 46% |
| Mar ' 19 | Urban / Semi-Urban | 44% | 39% | 54% |
| | POS (in crore) | 3,353 | 5,405 | 2,653 |
| | Rural | 55% | 62% | 46% |
| Jun ' 19 | Urban / Semi-Urban | 45% | 38% | 54% |
| | POS (in crore) | 3,330 | 5,342 | 2,593 |
| | Rural | 55% | 61% | 44% |
| Sep ' 19 | Urban / Semi-Urban | 45% | 39% | 56% |
| | POS (in crore) | 3,265 | 5,396 | 2,551 |
| | Rural | 56% | 61% | 44% |
| Dec ' 19 | Urban / Semi-Urban | 44% | 39% | 56% |
| | POS (in crore) | 3,369 | 5,590 | 2,629 |

- Odisha state had portfolio outstanding of Rs 11,588 crores as on Dec 2019 which is around 7% growth in portfolio outstanding from Dec 2018.

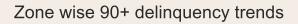
- Northern and Central Odisha's POS market share is majorly contributed by rural geographies across quarters, ranging between 55% to 62%.

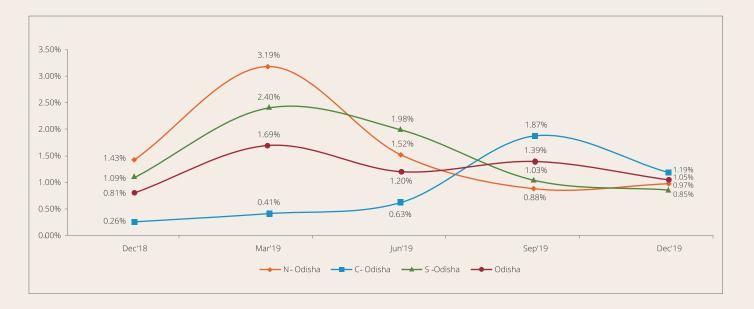
| lio outstanding tr | ends by ler | ider caleg | ory | | POS (in crore) |
|--------------------------------|-------------|------------|------------|--------|----------------|
| Zone | | | N - Odisha | | |
| Lender Category | Dec'18 | Mar'19 | Jun'19 | Sep'19 | Dec'19 |
| Bank | 1,111 | 1,156 | 1,178 | 1,311 | 1,416 |
| MFI | 0 | 0 | 35 | 0 | 0 |
| NBFC | 754 | 406 | 288 | 236 | 204 |
| NBFC - MFI | 1,173 | 1,513 | 1,538 | 1,410 | 1,417 |
| SFB | 235 | 278 | 291 | 308 | 332 |
| N - Odisha Total (in crore) | 3,273 | 3,353 | 3,330 | 3,265 | 3,369 |
| Zone | | | C - Odisha | | |
| Lender Category | Dec'18 | Mar'19 | Jun'19 | Sep'19 | Dec'19 |
| Bank | 2,282 | 2,400 | 2,347 | 2,420 | 2,541 |
| MFI | 30 | 31 | 61 | 18 | 3 |
| NBFC | 866 | 450 | 407 | 362 | 332 |
| NBFC - MFI | 1,486 | 2,098 | 2,114 | 2,143 | 2,205 |
| SFB | 351 | 426 | 413 | 453 | 509 |
| C - Odisha Total (in crore) | 5,015 | 5,405 | 5,342 | 5,396 | 5,590 |
| Zone | | | S - Odisha | | |
| Lender Category | Dec'18 | Mar'19 | Jun'19 | Sep'19 | Dec'19 |
| Bank | 589 | 604 | 568 | 880 | 943 |
| MFI | 0 | 0 | 47 | 18 | 0 |
| NBFC | 880 | 422 | 336 | 268 | 220 |
| NBFC - MFI | 905 | 1,477 | 1,490 | 1,231 | 1,300 |
| SFB | 135 | 150 | 153 | 154 | 166 |
| S - Odisha Total (in crore) | 2,509 | 2,653 | 2,593 | 2,551 | 2,629 |

Portfolio outstanding trends by lender category

- Central Odisha registered highest growth at 11% in terms of POS. This was followed by Southern Odisha at 5% and Northern Odisha at 3% from December 2018 to December 2019.

- Northern and Central Odisha zones are dominated by Banks whereas Southern zone is dominated by NBFC MFIs, in terms of POS across quarters.





- In terms of zone wise delinquency trends, Central Odisha had the highest delinquency of 1.19% as on Dec 2019 followed by North Odisha at 0.97% and South Odisha at 0.85%.
- In 2019, delinquency in state of Odisha peaked as on March 2019 at 1.69% but has been come down to 1.05% as on Dec 2019.

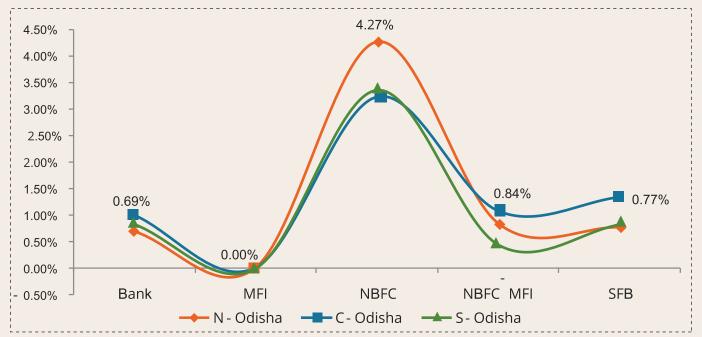
District wise 90+ delinquency and Market share as on 31st December 2019

| | | N - Odisha | |
|---|--------------|---------------|--------------------|
| _ | Market Share | Top Districts | 90+ Delinquency |
| | 16% | Balangir | 0.93% |
| | 15% | Bargarh | 0.73% |
| | 13% | Sundergarh | 0.77% |
| | 12% | Dhenkanal | 0.61% |
| | 44% | ROD | 1.24% |
| | | | |
| | | C - Odisha | 00+ |
| _ | Market Share | Top Districts | 90+ Delinquency |
| | 16% | Khorda | 0.80% |
| | 15% | Cuttack | 0.56% |
| | 13% | Bhandrak | 0.41% |
| | 12% | Baleswar | 0.73% |
| | 44% | ROD | 1.88% |
| | | | |
| | | S - Odisha | 00. |
| M | arket Share | Top Districts | 90+ Delinquency |
| | 44% | Ganjam | 0.23% |
| | 15% | Kalahandi | 1.08% |
| | 7% | Koraput | 1.44% |
| | 6% | Nabarangapu | 1.96% |
| | 28% | ROD | 1.32% |
| | | | |

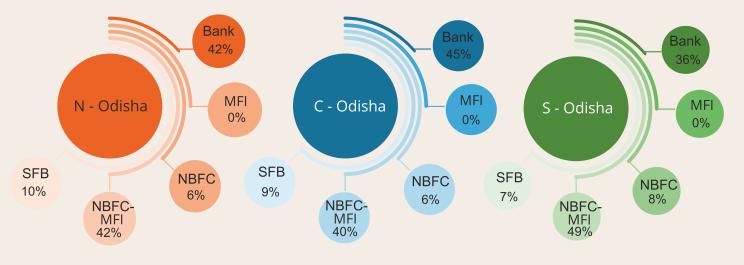
- Amongst the top districts of Odisha in terms of MFI loan market share, Balangir of North Odisha had the highest . 90+ delinquency at 0.93%, Khorda of Central Odisha had 0.80% 90+ delinquency and Nabarangapur of South Odisha had highest 90+ delinquency of 1.96%.

- In Central Odisha, Bhadrak district is leading with 13% market share and 0.41% 90+ delinquency - lowest delinquency amongst top districts in the zone.

Lender Category wise 90+ delinquency



Market share by Lender Category



- As on 31st December 2019, Banks contribute highest to Central and Northern Odisha with 45% and 42% respective market shares. The 90+ delinquency maintained by this lender category in these zones is the lowest.
- Across all lender categories, NBFCs experience highest 90+ delinquency across zones ranging from 3.22% to 4.27%.

Portfolio outstanding trends by lender category

| Zone | Lender Category | Dec'18 | Mar'19 | Jun'19 | Sep'19 | Dec'19 |
|------------|---|--------|--------|--------|--------|--------|
| - | Bank | 1,111 | 1,156 | 1,178 | 1,311 | 1,416 |
| | MFI | 0 | 0 | 35 | 0 | 0 |
| N - Odisha | NBFC | 754 | 406 | 288 | 236 | 204 |
| | تNBFC - MF | 1,173 | 1,513 | 1,538 | 1,410 | 1,417 |
| | SFB | 235 | 278 | 291 | 308 | 332 |
| N - O | disha Total (in crore) | 3,273 | 3,353 | 3,330 | 3,265 | 3,369 |
| | Bank | 2,282 | 2,400 | 2,347 | 2,420 | 2,541 |
| | MFI | 30 | 31 | 61 | 18 | 3 |
| C - Odisha | NBFC | 866 | 450 | 407 | 362 | 332 |
| | تNBFC - MF | 1,486 | 2,098 | 2,114 | 2,143 | 2,205 |
| | SFB | 351 | 426 | 413 | 453 | 509 |
| C - O | C - Odisha Total (in crore) | | 5,405 | 5,342 | 5,396 | 5,590 |
| S - Odisha | Bank | 589 | 604 | 568 | 880 | 943 |
| | MFI | 0 | 0 | 47 | 18 | 0 |
| | NBFC | 880 | 422 | 336 | 268 | 220 |
| | تNBFC - MF | 905 | 1,477 | 1,490 | 1,231 | 1,300 |
| | SFB | 135 | 150 | 153 | 154 | 166 |
| S - O | S - Odisha Total (in crore) 2,509 2,653 2,593 2,551 | | 2,629 | | | |

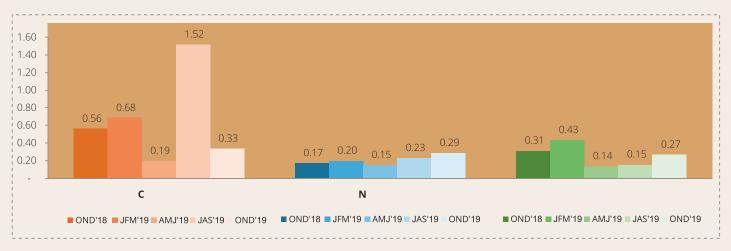
- Central Odisha registered highest growth at 11% in terms of POS. This was followed by Southern Odisha at 5% and Northern Odisha at 3% from December 2018 to December 2019.

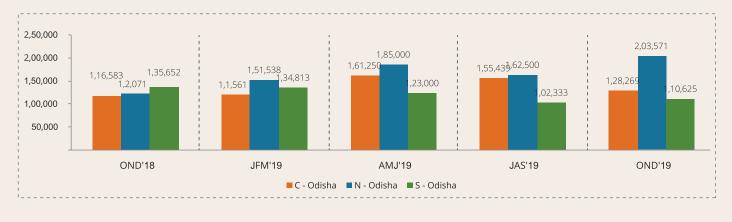
- Northern and Central Odisha zones are dominated by Banks whereas Southern zone is dominated by NBFC – MFIs, in terms of POS across quarters.

Odisha SHG Disbursement Trends

Sanction trends

Disbursement Amount (in crore)





Average ticket size trends

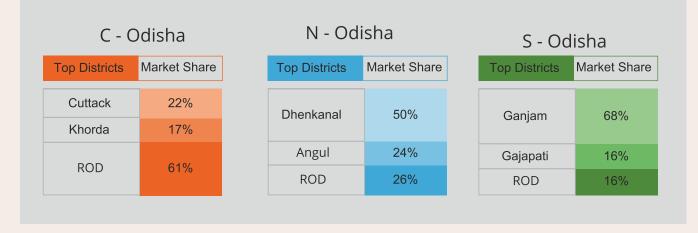
- 59% SHG sourcing market share is channelled from Central Odisha zone.

- Northern Odisha has maintained highest ATS across all zones and quarters.

POS Market share and 90+ delinquency view by zone

| Geography | C - Odisha | | N - Odisha | | S - Odisha | |
|---|--------------|-----------------|--------------|-----------------|--------------|-----------------|
| | Market Share | 90+ Delinquency | Market Share | 90+ Delinquency | Market Share | 90+ Delinquency |
| Urban/Semi-Urban | 48% | 0.49% | 48% | 1.11% | 86% | 0.04% |
| Rural | 52% | 0.44% | 52% | 0.65% | 14% | 1.64% |
| Zone POS (in crore) Zone 90+ Delinquency | 2.46 | 0.46% | 0.67 | 0.87% | 1.20 | 0.25% |

District wise POS market share



- Central Odisha has the highest SHG portfolio across all zones.

- Cuttack in Central Odisha have 22% market share of POS. South Odisha's portfolio is heavily concentrated in Urban/Semi-urban compared to other zones which are more evenly distributed between urban/semi-urban and rural.

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Chapter-4

Perceived Outcomes & Impacts

The reality has always made the vision more clear. Apart from quantitative research from Equifax Credit Bureau Pvt Ltd for the Inclusive Finance Report-2020, OSAFII has also taken initiative to conduct a small Impact Assessment Study at base level with the help of its member organisations. The study was conducted with a small sample size of 500 Clients. The study is applied, descriptive and experimental in nature. OSAFII has collected data through primary survey from individual SHG members. The data was collected from 500 SHGs members of 10 different districts (3 Northern districts, 4 Central districts, 3 Southern districts). The data was collected through questionnaire (Developed by OSAFII) and circulated to field employees and the respective entry was done for the reality check at the field level. The researched data was then analysed through various data analytical software and the same was presented. Effective percentage analysis was done to get the base level impact of various services provided by OSAFII members. The Key findings and outcomes of this small impact study have been presented in the following chapters.

4.1 Background:

Financial inclusion contributed significantly towards the concept of financial health. It has pushed us beyond thinking only about whether poor people have access to financial services and how often they use them and whether these services are improving their ability to manage their financial lives. Each of us tries to become financially healthy to achieve different goals in different ways. But the achievements we reach at will ultimately be influenced by many more factors than the decisions we make about managing our money. These factors remain poorly understood and ignored because of their complex and interdisciplinary nature while we talk about the impact of financial inclusion. The financial health indicators take us beyond access to financial services and tell us whether the use of financial services leads people to balance their income and expenses, build and maintain reserves, access and manage loans, plan ahead, withstand shocks and use a wider range of financial tools. This certainly leads financial inclusion in the direction of understanding clients' livelihoods and the

different factors that determine how they use financial services.

If we accept the challenge of developing a better understanding of how financial services help people improve their well-being, more research is required on people's livelihood goals and interests for becoming financially healthy and to understand the way these interests cause the people value and make use of the financial services available to them. It may not be totally conclusive to measure the impact of financial inclusion with a single concept like financial health considering the diversity of people's livelihood goals and interests. CGAP's work on this has been very much meaningful to understand how the use of financial services may improve well-being, which connects available indicators, identifies gaps in present approach and puts light on the various ways that lead from intermediate financial outcomes to well-being. With this change in understanding and evidence-based knowledge we can ascertain whether certain financial services have positive, neutral or negative impacts on various dimensions of people's lives.

We face bigger challenges to explain about how access and use of financial services improve well-being across different types of people and geographies. How does a simple transaction account to send money or pay a bill lead to poverty reduction? How do we know that a transaction account will improve someone's well-being? It is just as easy to use this transaction account to increase spending on non-productive things like gambling or cigarettes. Unless we have a better understanding of how change happens from use to well-being, we will continue to shoot in the dark to find a conclusive impact. We need concrete field level evidences that help us identify household's well-being more precisely and clarifying when and for whom financial services may enhance welfare.

Attempt was made to capture the impact of financial inclusion on lives of rural women, who availed different financial services at different point of time. To get the response, OSAFII took the help of its member MFIs who are operating across all districts of the state. Microfinance practitioners travelled across different villages and panchayats to visit more than 500 rural households who had availed loans from any of the one MFIs operating in the state. We used a structured questionnaire to get the response from the users of the financial services. Our findings are broadly categorised as below.

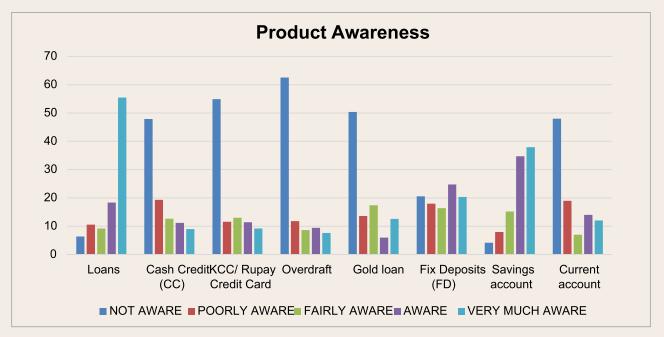
- 1. Awareness of financial inclusion & services
- 2. Access to financial institutions and services
- 3. Usage of financial products and services
- 4. Household income and expenditure pattern
- 5. Creation of household assets
- 6. Household wellbeing

7. Financial literacy and women empowerment Each of these categories are analysed and explained in following paragraphs.

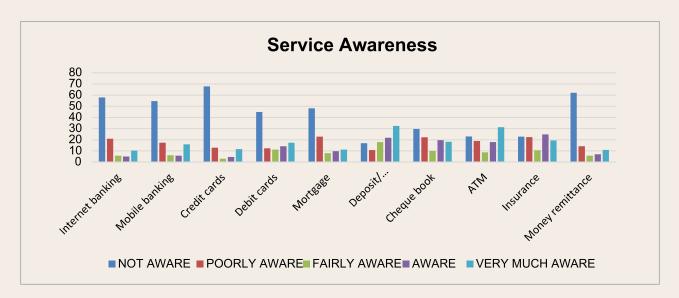
4.2 Awareness of financial inclusion and services

We took an attempt to assess the awareness level of user households on 24 different financial products, financial services and financial service providers. Except a few parameters in all others the awareness level of rural consumers is very poor.

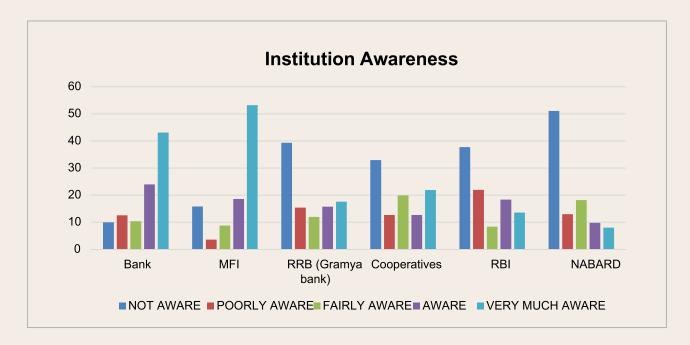
Awareness level for loans, MFI, Bank and savings account is relatively higher. The same for deposit & withdrawal, cheque book, ATM and Cooperatives is medium. For rest of the parameters the users have very low level of awareness. This gives a challenge on effectiveness of Financial Literacy campaign run by the Govt. and the central bank.



Awareness about financial Products, except Loans is comparatively low and the second highest is for savings account. This might be because the users use the savings account to avail the loan. It gives an indication that users are less acquainted about other products because of less use.



Awareness on various financial services has been very minimal. Awareness about Deposit/ withdrawal and ATM is unexpected low, implying that users hardly use their own account and ATM. This justifies the indirect usage of financial services.



Awareness about various financial institutions is also not impressive. It is highest for MFI with around 53%, followed by Bank with 43%, Cooperatives 21%, Gramya bank 17%, RBI 13% and NABARD 8% of households opined that they are very much aware about these institutions as service provider.

CHICKEN PARLOUR

"Mrs. Alima Bibi, 48, belongs to Sunakhela village under Balugaon block of Khordha district, Odisha; she is a homemaker but takes up some jobs in the unorganised sector from time to time. She has a family of five members, with her husband and three children. Until a few years ago, her family's economic condition was very poor.

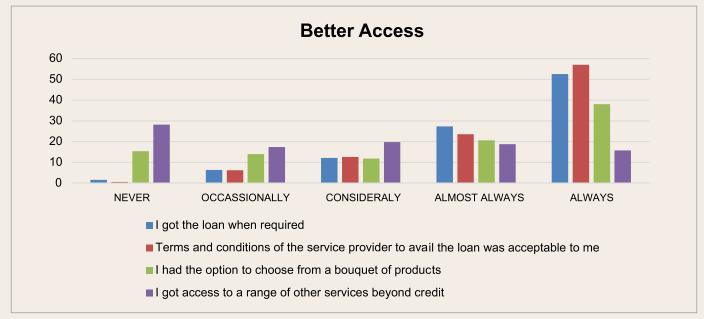
Her husband works as a daily wage labourer. Due to lack of financial opportunity and lack of knowledge, they could not even think of establishing a business. Alima found a ray of hope, when she came to know about the loan products of Adhikar Microfinance through one of the existing groups in their village. She became the member of group and availed a loan. Though initially apprehended of failure to return the money, she took the risk and borrowed a small loan of Rs.10,000 from Adhikar Microfinance. With the loan, both wife and husband started an egg shop. They had small but regular income and could return the loan EMI without failure.

Durin g their second cycle loan, they received financial literacy training from Adhikar. This furthered their confidence in doing business as they gained skill and knowledge on managing business, savings, investment etc. With third cycle loan of Rs. 40,000 they established a chicken shop. Now they earn Rs. 25000 to Rs. 30000 per month from the business. We could see the gradual transformation in the client. Earlier, she was uncertain about their future but a small intervention from Adhikar changed her course of life. Last year she got her daughter married and one of her sons got a job outside Odisha."

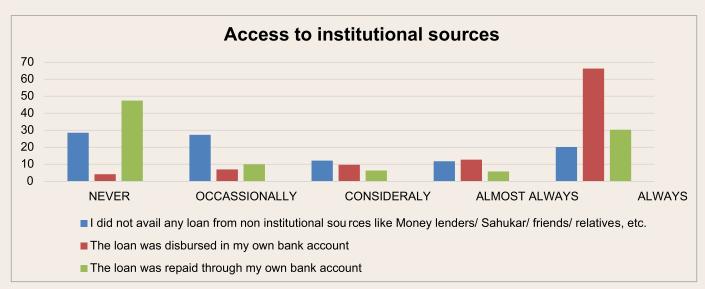
4.3 Access to financial institutions and services

The below graph shows about the ease of access to various financial services and products offered by the financial institution. Around 80% of users responded that they got a loan when they required it and the same households were very comfortable about the

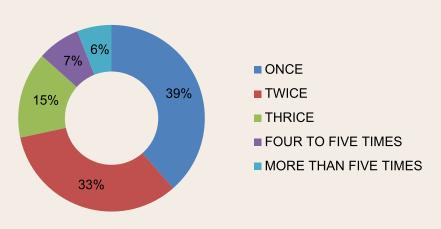
terms and conditions of the service provider. Both of these indicators confirm that the access to the services and service provider has been convenient for the users. But the study says that still the services providers are not able to provide customised services and products as percentage of households getting options to choose various products is minimum.



Through the study we tried to understand the level of dependency of user households on various non-institutional sources for availing any financial services. In other wards this implies the convenience and ease of access to different financial services and service providers which facilitates the services for its customers. Around 20% of households said that they did not avail any loan from non-institutional sources always and around 12% of households agreed on the same doing almost always. Combining together it implies that more than one-third of households still depend on non-institutional sources to avail any financial services.

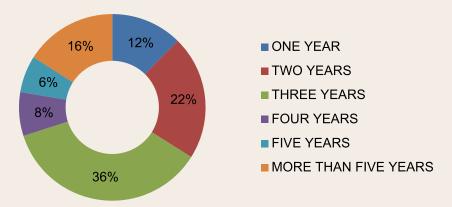


Almost 48% of households opined that they never used their bank account for loan repayment and 10% used for the same occasionally. This implies that more than majority of the households do not use of any financial institutions, assuming to get the services at the doorstep. More than 66% of households agreed to use their bank account and thus the institution for availing loan.



Branch Visit Frequency

More than 70% of respondent households opined that they visit once or twice to any financial institutions available in their areas to avail any services. There are two sides of it; either they get the desired services at doorstep or they feel inconvenience to visit the branch due to improper service quality. Almost one third households visited branch more than three times a month.

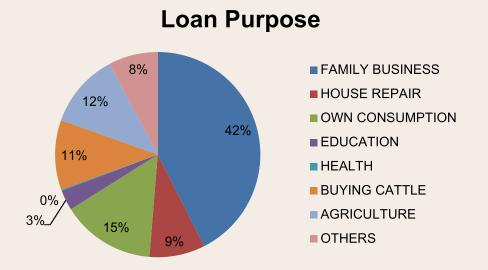


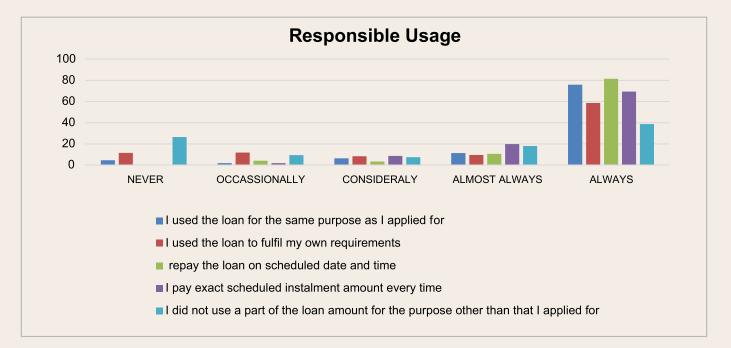
Association with Financial Institutions

Majority of households (36%) were associated with a financial institution for more than three years. Almost 34% households were associated with such institutions for less than or equal to two years. As the survey happened for households taking loan from MFIs, it is evident that there are less rural households who have not associated with any such service providers. This confirms that majority of households were able to access to at least two financial services; loans and savings bank account.

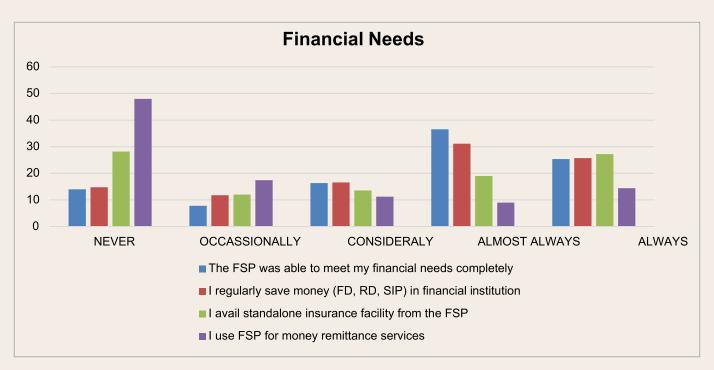
4.4 Usage of financial products and services

We broadly categorised the purpose of availing loan into eight areas. The predominant area for which majority of households (42%) availed a loan was "Family Business", followed by "own consumption (15%)", agriculture (12%), BUYING CATTLE (11%) and house repair (9%). The purpose for house repair, education and health like areas were very less though it was observed that a significant portion of loan amount was used for either of these purposes. This implies that still service providers do not give an option for users to avail loans for such purposes.





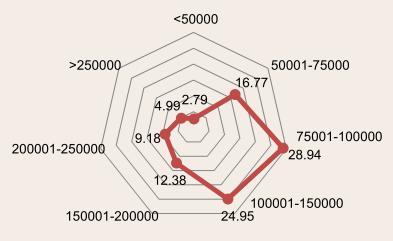
How the users used the availed services was assessed by asking five different questions to the respondent under the category of "responsible usage of financial services" which included proper loan utilisation, own use, repayment culture, loan diversion and loan paying capacity. Majority of households agreed to all the questions and said that they always do the same. This clarifies that the users have been very responsible while using the services availed from FIs.



While assessing the usage pattern of households, the study tried to understand about provision of other facilities and services by the service providers. Around 62% of households agreed that the service provider was able to meet their financial requirements. Almost 57% of households saved money with the service providers through FD, RD or SIP. 46% of households availed any standalone insurance services for them whereas 40% of households never availed such services. More than 65% of should occasionally or never avail any money remittance services. Many households still use informal channels like friend, relatives and money lenders to get the money from their family members staying outside.

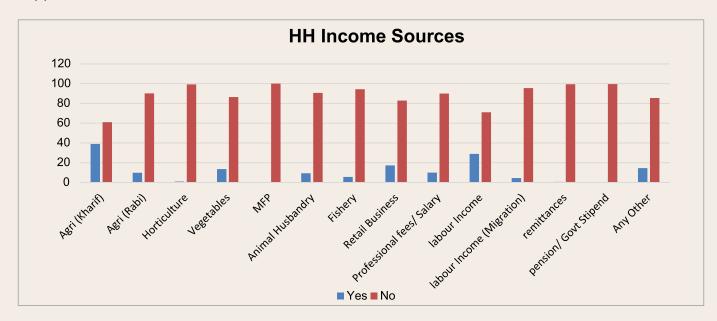
4.5 Household income and expenditure pattern

While assessing the annual household income it was found that 29% of households have annual income between RS.50, 000 to Rs.70, 000. Almost one fourth of households fall in the range of 1 - 1.5 lakh rupees. One fifth of households have less than 50000 rupees as annual income. Around 27% of households having annual income range of more than 1.5 lakh rupees availed a loan from MFIs. This clearly a deviation of NBFC-MFI guideline prescribed for such reason. This needs to be further investigated on what basis these households got a loan from MFI.

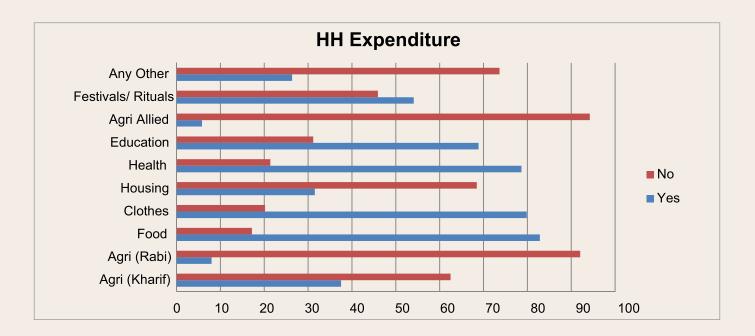


Household Income

While analysing about various sources of family income; 40% had agriculture (Kharif season) as the main source of their income, followed by wage labour with 29% of households. Sources like animal husbandry, horticulture, retail business have very less share on the family income. Though the loan purpose had highest share for family business, sources of income does not confirm the same. This makes us to assume that there is a high possibility that the end use of loan has not properly happened.

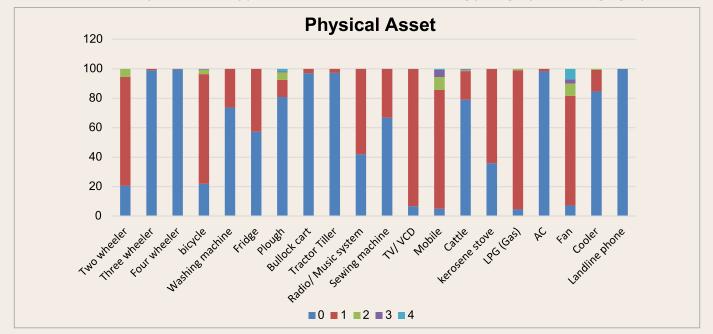


The household expenditure data tells that "food" is the area where maximum expenditure happens (83%), followed by clothes (80%), health (79%), education (69%) and festivals (54%). It is clearly visible that most of the service providers do not have a product as per the user requirement. It is high time to go for customization of products and series to cater to the need of the consumers.



4.6 Creation of household assets

Better access to financial services and particularly availing loan has helped rural households creating different household level assets. The study analysed the impact of getting a loan on enabling rural households to go for asset creation for 20 different categories that covered luxury and comfort of households, income generating, essential, agriculture and entertaining. We have tried to further analyse of these types of asset creation in following paragraphs through graphs.



More than 74% of households have a twowheeler and 20% of households don't have any two-wheeler. 6% households reported to have two two-wheelers in their houses. Almost all households do not have a three-wheeler in their houses. None of the households have a fourwheeler.75% of households have one bicycle, while 22% of households do not have a bicycle. 3% of households own two bicycles.74% of households reported not to have a washing machine for cleaning their clothes. 26% of households owned a washing machine. Similarly, 43% of households own a fridge while 57% do not have it, suggesting the probable change in customer requirement in MFI sector. 58% households own a music system or radio and 93% households own a television and/or video player at their house.

Mobile penetration has also increased significantly with 80% of households having one mobile set and 15% of households having more than one mobile set in their houses. Only 5% of

household did not own a mobile. Possession of Household assets for agriculture purpose is very low. 81% and 97% each of households do not have any plough or bullock cart or tractor tiller respectively. Sources of household income have significant share from agriculture. This seems that many of the farmers should get the asset on rent or from the landlord to do the agriculture activities.

Households having income generating assets are very less. Only 33% of households own a sewing machine and 21% of households own one or more cattle. Assets required for household cooking purpose tells about the change in cooking habits of rural women and the success story of "Ujjwala" yojana implemented by goverment of India to provide LPG connections to poor households. More than 94% of respondent's households have an LPG connection in their houses. Still 64% of households use kerosene stove for cooking purpose adding a cause to the climate change making pollution.

DAIRY FARM

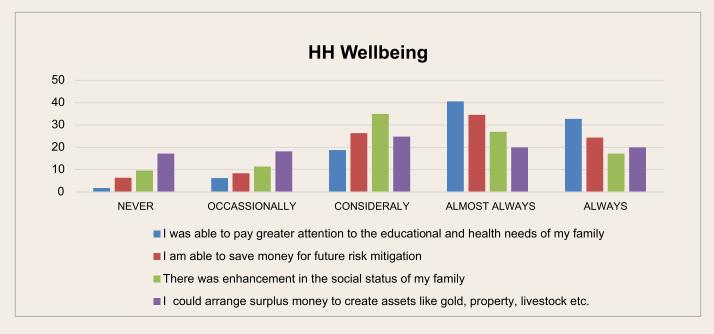
"Laxmi Charcha belongs to a small village called Falta, near Berhampur, Ganjam district.Laxmi,51, has been a member of Madura Finance since March 2019.Laxmi and her husband struggled a lot to provide basic needs for her family. Her husband inspired by the Madura staffs counselling on economic activities. Initially they borrowed money from a friend and bought a cow. According to Laxmi, "No one can deny that every person who takes care of cows properly will ever fail in dairy business". She has benefited by selling milk in market.

Initially, the profit from milk business was low, which has doubled now due to adhering to the technical and financial support of Madura. She has now five cows. Madura's staff suggested, provided training on to feed the cows corn powder and other protein plus feed instead of grass or locally grown plants for getting more quantities of milk. Every month she consulted the local veterinarian for the good health of the cows. "It would be best to buying healthy cows to increase the milk production as we are in the income level", she said. Also she organised a group with some working women in her village. She took loan of Rs. 30,000/- for this business. Adding Rs. 9,000/- from her own savings, she purchased a healthy cow for Rs 39,000. Instead of grasses, straws or foods having less protein, she fed them oat silage and corn powder.it was a surprise to her family members that the quantity of milk yield doubled from about six litres to 11-12 litres per day per animal. Out of five cows only three produce milk now - the rest two are going through a dry period. Laxmi's not only the breadwinner for the family but also has become the key decision-maker in their community, ensuring no one goes hungry. All her family members including her married son and daughter-in-law are fully engaged in taking care of cows and cow-shed. The price of milk is Rs. 45 per litre nowadays. Every day she gets more than 33 litters of milk."

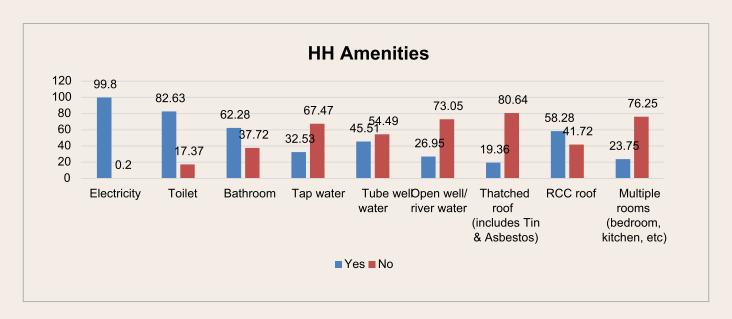
4.7 Household wellbeing

Impact of MFIs on improving the wellbeing of the households was assessed through analysing various aspects like household amenities, types of dwellings, hygienic condition of houses, access to safe water, etc. More than 73% of households told that after availing a loan, they were able to pay more attention towards the education of their

children and overall health of family members, almost always. Around 60% of households were able to save money for future requirements. Almost 79% of households opined that after getting associated with MFI their social status has improved, considerably. Around 40% of households were able to invest their surplus money in gold, purchasing land, buying cattle and goats, etc.



Almost all households found to be electrified telling the success story of "Biju Kutir Jyoti Yojana", the scheme implemented by Odisha government for ensuring electrification for all rural households. 83% household had separate toilet implying the benefit received from "Pradhan Mantri Sauchalaya Yojana" scheme implemented by govt of India for providing free toilet to poor households.



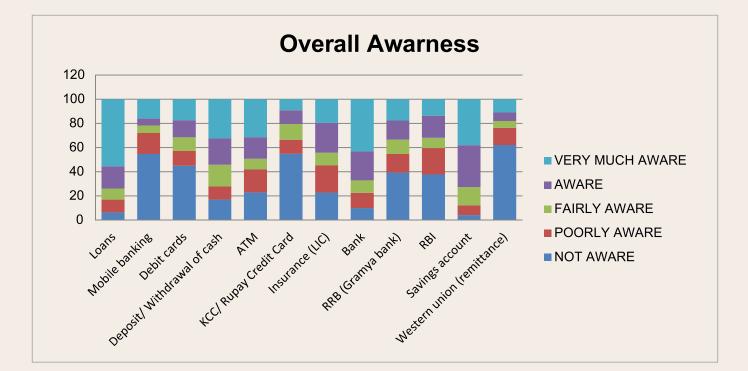
Types of dwellings data suggest that around 24% of households have a separate kitchen in their houses. Around 58% of households have RCC roof and 20% of households have thatched roof. This creates a demand for housing product and scope for MFIs to look for micro housing products for their customers.

Almost all houses have electricity connection. 83% of household have separate toilet for their families and 63% of households have a closed-door bathroom for family members, mostly women.

The study also tried to assess the level of access to source of safe water bodies from the rural poor households. Around 33% of households have access to tap water, 46% of households get access to tube well water and 27% of households get safe water from open well or river. More than 78% of households are getting access to safe drinking water facility either from tap water or tube well.

4.8 Financial literacy and women empowerment

The study attempts to understand the level of financial literacy of rural women, being the dominant users of microfinance services through asking them multiple questions on different financial products, services and various financial service providers and to get their knowledge and understand on those things. It was quite evident from the data that still rural women lack basic knowledge of various financial products and services. More aware customers help to build a more creditworthy customer base, improve the credit culture among the customers and create more demand for innovative products and services. It is highly essential that all service providers, including MFIs should focus on improving financial literacy level of their customers along with provisioning various services for them.



Under the category of household wellbeing we have found that around 80% of women, who are the main users of MFI services, have felt that their social status in the village and surrounding has improved significantly. They are now able to talk to the branch manager on their various financial requirements and seek for support. Their spouses are giving them importance now while taking various family decisions. Also, household level exploitations and atrocities have come down. Though we did not get any data on this aspect, while discussing with the women they shared about their story.

Looking beyond the impact of financial inclusion:

It is evident from most of the recent studies

done in financial inclusion sector that financial services have different impacts in different places on household's well-being. More or less in recent past, studies focused on finding the average impact of financial inclusion and thus in the process we ignored to understand the context in which a household uses financial services. This has made the study outcome more limited having dearth of information for policy makers to go for evaluating right impact. If we pay more attention to the context in which individuals use financial products and services, we can better understand what works for them and why. This change in our approach analysing the impact will support financial inclusion programs with greater value for different segments of the society.

WOODEN TOY MAKING

"Mrs. Urmila Behera, 49, is from Badamba block of Cuttack district. She has studied up to standard 10 and has a family of four including her husband, one son, and one daughter. They lived happily for quite some years until a sad phase came. One day her husband left home due to some disturbances in her family. She was worried about the future of her son and daughter. Then she came to know about Badabarsi SHG with 10 members. The SHGs operated under Swayamshree Samabaya Mahila Samiti (SSML). She joined the SHG, attended meetings regularly, and understood all rules and regulations of SHG.



As she became a part of SSML, she received skill development training on wooden toys and wooden idols. She took the first loan of Rs.5, 000 and brought the raw materials for making different wooden idols/toys and sold it in exhibitions. To expand her business she asked for a second cycle loan of Rs.20, 000/-. Her business went on beyond her expectations. She was able to look after her family very well and seeing her success, her husband came back and helped her on business. Now-a-days, they run the business together in a systematic manner. In between, she requested to group for third cycle loan of Rs.7, 000 to expand her business.

Urmila has become a successful entrepreneur in her locality. She produces unique products, and she is in a sound economic condition to manage her family. Her daughter is studying in +3 Science in a reputed college and her son is studying in standard two. She used locally available resources in her venture. She has established her own creativity, identity, achievement of excellence; in this process she could claim equal status for women entrepreneurs in the society. "

Chapter-5

Issues, Challenges & Way forward

encouraging.

Reaching out to all households with inclusive financial services and bringing them into the financial inclusion fold has, however, been a challenging task in India mainly because of its vast geographical spread and inadequate banking infrastructures, especially in the rural, remote and hard to reach areas. The above fact is true for Odisha as well. The state of Odisha has also huge pockets of unbanked villages/centres. Out of the total 6,798 Gram Panchayats (GPs) in the state, more than two thousand are identified as un-banked. The Govt of Odisha, RBI, SLBC, and NABARD etc are continuously pushing banks to open branches in the above unbanked areas but no significant progress is made in this regard.

Inadequate infrastructure including rural connectivity and power supply has been a major issue in opening of branches. As understood, not many bank branches are opened in the remote areas. No doubt banks have placed thousands of BCs & Bank Mitras to expand out banking services to remote areas but due to large scale drop outs of BCs owing to various reasons including low incentive structure, technological problems, issue of cash management and liquidity etc hampers the progress.

Similarly, despite the significant progress made under PMJDY, in terms of its 'speed, scale and publicity', it also faced almost similar challenges while implementing the programme. Specifically in Odisha, almost there are still many accounts lying inactive. So also the coverage under its social security schemes (PMJJBY, PMSBY & APY) has still been not so encouraging for the poor. As per the SLBC Report 157th only 47.02 lakhs enrolment are done under PMSBY, 12.86 lakhs under PMJJBY & 5.19 lakhs under APY as on 30.09.2019. Inadequate efforts on financial literacy have also been considered as another important factor. With regard to SBLP, the banks seemed to be not very keen in lending to groups mainly because of increased NPAs in the SHG portfolio. As a result of which the numbers and amount of loans issued to SHGs has been not increasing significantly. Coverage of micro insurance and pension services for poor is also not very

The microfinance sector in Odisha is growing at a higher rate than national average and rate of growth in other productive sectors in the state. The state that was served by single digit MFIs in past has now been crowded with around financial institutions offering services. Intense competition and related flipside issues are increasing. There is emergent need for greater collaboration and regulated and ethical competition among peers so as to contribute to holistic development of the microfinance sector in Odisha. OSAFII has been engaged in bringing about the desirable competitive collaboration among MFIs operating in the State through its various initiatives and initial successes are clearly visible.

Compliance with regulatory provisions, Code of Conduct guidelines, client centric processes and methods by practising MFIs need to continue to be stressed for seamless implementation for overall benefit of the sector. While some of the districts in the State, especially in the coastal areas, having concentrated MFI operation, there are still districts including Malkangiri, Koraput, Gajapati, Kalahandi etc that are inadequately covered. MFIs need to expand to such geographies to address concentration risk alongside contributing to equitable geographic growth. New Product development and innovation- customization to the needs of clients needs to be further worked upon. IMPACT assessment by third party agencies/ academia need to be undertaken so as to have an objective assessment of how we fared? This will also provide a deeper insight in to the clients' emerging needs and aspirations with the changing times and improving socio economic standards. While MFI specific impact assessment would validate the institutional procedures and methods a geographic approach for assessment say for the state or number of districts may throw insights for sectoral efficiency or otherwise.

The microfinance sector too faces a few specific challenges; the sector has yet to fully address the issues of scale and depth in the state. Regional skew in terms of program coverage is experienced. Limited access to and availability of a diversified source of funding is still considered as one of the constraints in pursuing expansion and scaling up for many MFIs. The state based smaller MFIs face the scarcity of funds and dearth of capital to build a bigger portfolio is felt. Due to high cost of borrowing from private investors and with surmounting cost of operation many of them are not able to reduce the interest rate, below the RBI prescribed rate. Effective diversification of products and services is done, no doubt, but that needs to be strengthened further, as most MFIs offer mainly credit and credit linked insurance service. Technological up-gradation in the operation brings in additional financial burden.

Unhealthy growth of numerous chit funds and ponzy entities that allure innocent members and cheat them has been posing a great challenge for MFIs operating in the state. This is mainly because often clients and stakeholders consider MFIs as chit fund companies. With the advent bigger MFIs into the state relatively in the recent time, competition among the peers seemed to have crept in. T

The incidence of attack on the loan officers and branch staff and looting of collected amount by anti-socials is increasing and thereby posing a great threat to the security of MFIs' staff working in the field. The present efforts, mechanism and delivery of financial literacy for clients too are not adequate, which need to be accelerated.

In addition to that frequent occurrence of natural calamities like floods, cyclones, draughts etc have been creating new challenges for the clients and also MFIs operating in the state.

Way Forward:

Considering the huge unmet demand of low income people and financial exclusion, MFIs' strengthening and expansion continue to be relevant. In order to sustain the current pace of growth, MFIs will have to raise adequate resources including equity and address the challenges of funding in order to meet the increased credit requirements of the clients in the state. Banks and other investors should extend their loan funds to MFIs so that they are able to reach increased number of clients in the state. As MFIs well known for the fact that they are able to reach the unreached areas; it is time they need to rethink about their strategy in penetrating to the underserved areas as the tribal and underdeveloped belt not adequately linked with the banking and mainstream financial sector.

In addition to that MFIs need to also take deliberate actions in designing, delivering and expanding appropriate products and services including micro insurance, pension, to protect their clients from various risks. To achieve their development goals and remain accountable towards their clients and community, MFIs need to effectively manage both financial and social performance and strengthen that further through their operations. Their efforts on client education and financial literacy may be also expanded further in order to sensitize members on the evils of various ponzy schemes and help them making household financial planning. Promoting microenterprises among clients and availing them Business Development Services (BDS) may be also given due importance by MFIs.

In view of the above challenges efforts should be made by all stakeholders to address the issues and expand FI for the poor in the state. Opening of more bank branches, especially in the unbaked GPs and remote should be accelerated. Support and guidance from RBI and SLBC will be of very helpful for both the public and private banks in this regard. The State Government should create and provide the required infrastructures for them to open more bank branches It should also promote financial literacy among all the SHG & JLG members in the state. The public and private service providers should also take deliberate actions in designing, delivering and expanding appropriate services including micro insurance, pension for the poor in the hilly and tribal areas. Their efforts on client education and financial literacy should be also expanded further in order to sensitize members on the evils of various ponzy schemes and help them making household financial planning.

Effective convergence of programmes and coordination among various stakeholders including the Government line Departments, Regulatory Bodies, Apex level Support Organizations, Investors, Donors, Banks, MFIs, NGOs/CBOs etc need to be strengthened further to better serve the needy and poor clients of the state in a collaborative manner so that the excluded segment of the people are able to access and utilize the inclusive banking and other financial services to build and sustain their livelihoods.



MEMBERS OF OSAFII



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