

# Status of Financial Inclusion & Way Forward - Odisha 2012-17



**Status of Financial Inclusion  
& Way Forward - Odisha  
2012-17**

*Poorest States Inclusive Growth Program*

## **Disclaimer**

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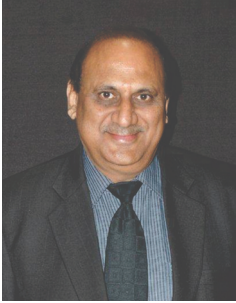
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## Foreword



Access to comprehensive financial services is a critical enabler and an effective tool for enhancing economic opportunities and reducing risks and vulnerability for the low income and poor. While India has an extensive formal financial system with a wide banking network, the infrastructure has not responded to the financial needs of the poor to the desired extent. Over the last two decades, alternative models for reaching out to the rural poor (and more recently also the urban poor), mostly women, have been promoted and have succeeded in channelising credit to the underserved population on a bigger scale. However, given the overwhelming nature of this challenge, harmonized efforts need to be made by different channels and models.

The Poorest States Inclusive Growth (PSIG) programme supported by DFID, Govt. of U.K. and being implemented by Small Industries Development Bank of India (SIDBI) has the potential for making catalytic investments for supporting various initiatives and channels for financial inclusion and . The program aims to enhance the income and employment opportunities of poor households in four low-income States viz., Bihar, Odisha, Madhya Pradesh and Uttar Pradesh, and enable them to participate and benefit from the economic growth in India.

The core rationale for putting together the Status of Financial Inclusion and the Way Forward Report for Odisha is to take stock of the current status and future projections in terms of demand and supply of financial services, identify gaps, helping greater clarity in roles and responsibilities of different stakeholders and enable resource planning, pooling and optimization. The team has held extensive consultations with various stakeholders in the State, and the document reflects their views and perspectives on the vision and the way forward, in addition to reporting the data on the status.

I would like to thank the teams of PSIG at SIDBI and ACCESS ASSIST for their work in bringing together this document, as also to the Private Sector team at DFID India for their support and guidance. I hope that each of these stakeholders will take forward the vision and the way forward which they have helped to outline in this document.

N. K. Maini  
DMD, SIDBI



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Despite all limitations, considerable data has been collected, compiled, tabulated and analyzed in the document. For sourcing data/information/inputs, several individuals and institutions have been approached. Many have responded to the requests made. It may be difficult to mention their names individually. Amongst many, I cannot help mentioning the names of Mr. B.M. Patnaik, GM, Mr. S. Panda, GM (since retired), Odisha RO, NABARD; Mr. Kalyan Mishra, DGM, OSCB, Bhubaneswar; Mr. Jeevan Jyoti Mohanty, IIMPS, Baripada, who have considerably helped in getting required data/information. Valuable inputs were given by Mr. T.K. Panda, MD, OSCB; Mr. Subrat Kumar Singh Deo, ED, Madhyam Foundation; Mr. Pradeep Kumar Mishra, Associate Professor, KIIT University during visit/discussions. I am thankful to each of the persons, mentioned here & not mentioned, who had facilitated me in the endeavor.

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Hopefully, the document will facilitate the fulfillment of the objective of providing access to financial services to the millions of low income people in Odisha.

September 2013

Biswa Bandhu Mohanty

## 1. Context, Purpose and Scope

The document-“Access to Finance-Status Report for Odisha” has been prepared as a part of interventions envisaged under the Poorest States Inclusive Growth (PSIG) programme, entitled as *Samridhi*, being implemented in 4 states which are Bihar, Madhya Pradesh, Odisha and Uttar Pradesh. The programme with a budget of GBP 27 Million is to be implemented by Small Industries Development Bank of India (SIDBI), in 7 years (2012-19) in the above 4 states with funding support from DFID. It is envisaged to benefit the poor and vulnerable people, especially women, in these states by, inter alia, providing financial access to the poor and thereby, helping to enhance income and employment opportunities for them. Since “Access to finance” is one of the major components of the programme, the status, issues, challenges and opportunities for access to finance have been discussed from broader perspectives, encompassing all sets of low income people. The document discusses financial services, financial inclusion from all dimensions – credit, savings, insurance, remittance, pensions, business development services, financial literacy, technology, skill, etc. and also focuses on rights, entitlements and obligations of all stakeholders. It is a blue print of Vision Plan-2017 and suggests various specific, implementable and monitor-able strategies from the financial, non-financial, quantitative, qualitative, demand and supply perspectives.

## 2. Process and Methodology

Several documents, study reports and websites were accessed and inputs from all stakeholders were taken through intensive visits to institutions, consultative meets, group discussions and exchange of communications. The stakeholders included policy-making and implementing agencies of Central and State Government, Banks, MFIs, NGOs/CBOs, service providers and microfinance practitioners in the state.

## 3. The State and Financial Inclusion Challenge

The State of Odisha has a rich heritage, several demographic and geographical advantages. It has made good progress in literacy, reducing poverty, harnessing natural resources and reforming laws and administrative policies. However, the state lags behind the national averages on key indicators. It has lower per capita income with higher poverty ratio (37%) as compared to national ratio (29.8%), lower rank in Human Development Index (22<sup>nd</sup> position among 23 states-NER taken as one state), predominant ST (22.3%) and SC (16.35%) population, 19 Left wing extremists (LWE) districts, which include KBK region (8 districts) with substantial, regional, social, and gender disparities. Eighteen districts have CD ratio of less than 60% (of which six have less than 40%). **As per Census 2011, in Odisha, out of 9.6 million households, 4.35 million households constituting 45% of the total are availing of banking facilities**, leaving 5.30 million households unbanked. Regional imbalance, poor rural infrastructure, low productivity and over dependence on agriculture, recurrent natural calamities are some of the factors that also affect inclusive growth. Major challenges include providing financial services to the last mile, improving per capita income and livelihood promotion of low-income people.

## Some of the initiatives for Access to Financial Services in Odisha and constraints in implementation

- 3.1 Under SHG – Bank Linkage Programme (SHG-BLP), there were 522,837 saving-linked SHGs with savings of Rs. 4,183 million and 47,676 credit-linked SHGs with loan outstanding of Rs. 4,733 million as on 31<sup>st</sup> March 2013. The quality of SHGs has been a concern with NPAs at 11.86% in SHG portfolio. Laxity in process of social mobilization, declining thrust on capacity building and target syndrome has adversely affected SHG quality.
- 3.2 Twenty seven MFIs have contributed significantly in providing access to microfinance services to the low-income people and have brought SHGs, JLGs and individuals under the fold of MFI-Bank Linkage. As compared to the position in 2009-10, loan portfolio of MFIs has reduced significantly, although, their outreach has increased marginally. Apart from AP crisis, defaults by a few MFIs in the state, has increased the banks' risk perception towards MFIs manifold and therefore, the MFIs need to strive to restore the confidence of customers, lenders and regulators.
- 3.3 As per GOI guidelines, Financial Inclusion Plan (FIP) for ensuring financial services in every village through CBs and RRBs, opening up brick and mortar branches, USBs, deployment of BCs, visits of officer from regular branch to USB on a regular basis has been prepared and has also been operationalized by banks in the state. The progress is being reviewed in SLBC/DLCCs meetings. However, the challenge is maintaining stability, viability, motivation and efficiency of BC system. Proposed introduction of Clustered-BC concept has caused delay, difficulties and uncertainties.
- 3.4 Promoting Savings is the first step for access to finance. With a view to convert NFAs to meaningful financial service, Basic Savings Bank Deposits Account (BSBDA) concept has been operationalized. A self-assumed target of 6.77 million with deposit of Rs 5182.0 million has been set for the banks at the end of March 2013. However, efforts in the direction need to be redoubled at all levels to facilitate the availability of additional services and increased usage of BSBDA to accomplish full benefits.
- 3.5 In the state, CCS led by OSCB has lion's share with 78% of KCC (4.11 million) and about 1 million by CBs and RRBs. The scope and modalities of KCC have been broad-based to transform it as an effective means of access to finance. It was envisaged by GOI/RBI that all KCCs should be converted to Smart Cards/ATM-enabled Cards by March 2013. The progress is abysmally behind the target. Familiarization with new versions of KCC is a major challenge.
- 3.6 Good banking network and performance are reflected with branches at 13,400 population compared to 13,800 at the national level, CD ratio at 75.8% and advances to priority sector at 60.24% [including 29.26% to agriculture]. However, major concerns include mindset of bankers towards access to finance for low income people in general.

- 3.7 Besides LIC, 13 private companies have been operating in the state through 345 distribution offices in 30 districts. The number and premium involved in micro insurance schemes is very small. The main challenges are: awareness building, up scaling and sustainability of micro insurance institutions, distribution, product differentiation, MIS and monitoring.
- 3.8 Studies showed that the remittance money is the major source of household expenses in the migrant families. Remittance scenario is changing due to introduction of CBS, electronic funds transfer, remittance facility at non-home branches, mobile-banking facility, etc. The last mile connectivity and home delivery continue to be a challenge. Small value remittances are not generally linked with savings, credit, insurance and pension services and are mostly treated as isolated transactions and not yet perceived as a business proposition by the formal banking institutions. BC system has not yet captured remittance services reasonably. New technological options have not been fully tapped.
- 3.9 Micro Pension has immense scope as means to hedge against old age, health problems of the huge unorganized sector and excluded population. The New Pension Scheme (NPS) has been launched to reduce the gap. To ensure social security in the unorganized sector, State Government has been implementing schemes which include National Old Age Pension Scheme (NOAP), National Family Benefit Scheme (NFBS), and Madhu Babu Pension Yojana (MBPY). However, the scope and outreach of the above schemes are very limited. Pilot Micro pension scheme of IIMPS in the state needs to be properly evaluated for replication.
- 3.10 In Odisha, efforts have been made for enhancing financial awareness in various parts of the State. FLCs have been opened in all 30 districts as per the revised guidelines of RBI. Under FIF, NABARD has extended financial support for financial literacy interventions. Most of the efforts of MFIs/NGOs aim at increasing awareness of their clients on their respective products and services. The outreach of each of the institutions involved individually or collectively in the financial literacy programmes is very limited. The issue emerges as to how to make financial literacy not an option but a compulsion for all those targeted to receive financial services. Most of the institutions spreading financial literacy are taking up short term grant-based interventions along with other activities. No perspective plan has been prepared for provision of financial literacy to the low income people.
- 3.11 As per 2011 Census, there are 3.8 million mobile users in the state. The poor and service providers have a number of technology options and smart cards, micro ATMs, mobile technology, Aadhaar- Enabled Payment System [AEPS] for availing financial services. The Inter- Bank Mobile Payment Service (IMPS) and the instant funds transfer system have been developed by NPCI. BC network operators (MNOs) which have been made eligible to work as BC can integrate with banks to boost mobile banks and thereby helping financial inclusion. The

State Government has decided to pay pensions under all social security schemes, wages under MNREGA through bank accounts. All 166 treasuries of the State have been inter-linked. EBT payment has been launched in all 30 districts. E-banking has the potential to extend and expand financial inclusion in the State.

- 3.12 Skill development training and entrepreneurship have important bearing on access to finance and livelihoods. RSETIs have been set up in all 30 districts with support from Central Govt., State Govt. and lead bank. A study conducted by RBI on the functioning of these institutions in 2012 have brought out several weaknesses and recommended effective measures to improve quality, coverage and effectiveness. A systematic approach to skill development, based on skill gaps in various potential activities, would facilitate quality of financial inclusion in the state.
- 3.13 Although visible improvements were noticed in the financial health, system, processes and business of CCS-banks and PACS, several unfinished tasks still persist in the post-reform phase. The areas warranting improvement included Human Resources Management, Core Banking Solution (CBS) in all 3 tiers, strengthening and streamlining risk management, accounting and MIS, repositioning PACS, bringing clarity in roles and responsibilities of all functionaries by statutory changes, strengthening governance and regulatory oversight.
- 3.14 State Postal Circle has 18 divisions with 8,163 postal outlets [including 6,970 branch offices/sub-offices]. It has been significantly delivering financial services-savings, remittance, insurance and Government payment services. It has outreach of 0.95 million through postal insurance, 8.19 million savings accounts, besides its participation in remittance services, payment of MNREG wages and Aadhar scheme. Postal Network is not integrated with FIP of banks, notwithstanding their contribution to financial services. Their savings, insurance and remittance services are being taken as separate operations and there is no integration of these services at the clients' level. Not much progress has been made with respect to Postal outlets as BC in the state.
- 3.15 All three programmes- TRIPTI, NRLP & NRLM are being implemented by the OLM (Odisha Livelihood Mission). NRLM with its focus on financial inclusion through SHG, institution-building, capacity development, seed capital assistance besides its other lofty objectives, comprehensive strategies and processes have the potential to accelerate access to finance. Challenges are many which include expeditious preparation of SPIP, convergence of OLM & SHG-BLP, dissemination of information and experience from pilots.
- 3.16 Access to finance for urban poor is equally important as for the rural poor. Livelihood programmes for urban poor, tribal areas, ultra poor, etc. can add to scope of livelihood finance

#### 4. Vision Plan- Projections & Possibilities

“A vision to ensure demand-based financial services to low-income people in the state of Odisha, for their livelihood enhancement, improvement of quality of life and over all empowerment”.

Vision Plan 2017 aims at accomplishing the above broad-based definition of Access to Finance. Based on estimated population, poverty ratio and other relevant factors, a critical mass of 15 million low income people (ultra-poor, poor/BPL and near poor) needs to be targeted. Different established channels of microfinance service delivery need to work synergistically to achieve the projected access to finance for the poor and vulnerable group of clients in the state.

##### Outreach Services: Status & Vision

Millions	2012	2013	2014	2015	2016	2017
Total Low income households	7.89	8.00	8.11	8.23	8.34	8.46
Access to financial services through different channels						
SHGs (NGOs, coops, banks, MFIs)	2.36	2.59	2.85	3.14	3.45	3.80
MFIs	0.68	0.74	0.86	0.98	1.13	1.30
Banks (NFAs)	1.35	1.69	1.95	2.24	2.46	2.71
Total low income households covered through financial services	4.39	5.03	5.66	6.36	7.05	7.81
Gap - no of financially excluded households	3.50	2.97	2.46	1.87	1.30	0.65
<b>% of financially included households</b>	56	63	70	77	84	92
<b>% of financially excluded households</b>	44	37	30	23	16	8

In terms of credit, there exists a huge gap between the demand and supply and to bridge this gap concerted efforts should be made by all, especially the supply side agencies to meet the credit demands of the clients in the state.

##### Credit Demand and Supply Gap

(Nos. in Millions)	2013	2014	2015	2016	2017
<b>Total loan demand</b>	56,852	66,589	77,148	88,558	100,849
<b>Total credit supply</b>	18,719	26,249	32,593	47,892	60,689
<b>Demand-Supply Gap</b>	38,134	40,340	44,555	40,665	40,160
<b>%Demand-Supply Gap</b>	67.07	60.58	57.75	45.92	39.82

A multi-pronged strategy needs to be pursued for accomplishing broad-based Access to Finance. Broad-based bench marks for the Plan are as under:

- Under SHG-BLP, 8 million HHs to be credit linked through linkage of 0.3 million additional SHGs, with average loan outstanding per SHG reaching Rs 1, 50,000/- through revival /rejuvenation strategies.



- MFIs' outreach would be 3.38mn clients (additional 1.69mn) with average loan per client reaching Rs 10,000.
- 15 million low income people would be having BSBDA, with average savings of Rs 1,000/- per person/account.
- All 5.5 million farmers HHs to have membership of PACS with active KCC and 3.25 million indebted members (55%) with their keen participation in PACS broad-based business development services.
- FIP to integrate other players (CCS, Postal, MFIs, Insurance, etc.) & ensure financial services in every village (including 45,000 below 2,000 population) through branches/outlets, BCs and other modes including 7,000 ATMs.
- 0.2 Million trainable (bankers, MFIs, PACS, BCs, etc.) to be sensitized, trained, motivated through intensive training programs. Other interventions include increased lending to microenterprises (1 million) and agriculture (SF/MFs), urban poor, cluster development, skill development, women empowerment, institution-building efforts, deepening financial services through savings, micro insurance, micro pension, micro remittance and replication of best practices after studies and pilots.
- All the above low-income people of the state should have access to financial services- operative Savings services for everyone and additionally, at least, one of the critical financial services.
- All the targeted low-income people should be covered under certain basic financial literacy, administered through any of the institutions.
- All the above low income people should be part of any of Livelihood Promotion Programmes & each should be encouraged to have house hold plan, including access to financial services.
- Every district should have a vision plan encompassing all aspects of financial services & pursuing certain basic minima of financial services & livelihood support services.
- The rights, entitlements, obligations of target population, social performance charter of all financial institutions should be documented and disseminated.
- An Institutional mechanism for monitoring and yardstick for measurement for monitoring and review of progress at state and districts under Vision Plan should be put in place.

## 5. Broad focused Action Points: Concluding Remarks

*Access to finance can be the major facilitating factor for livelihood promotion, poverty reduction, growth and empowerment. Focused and improved monitoring arrangements, close co-ordination among the stakeholders, and dissemination / replication of best practices will bring in quality and speed of implementation and add lasting benefits to the state / people. Some of the broad measures that will catalyse financial inclusion in the state are:*

- Restoring confidence of banks in SHG system, accelerating social mobilization efforts.
- Changing mindset of rural bankers for low income people through sensitization programmes; People's mindset to financial services like insurance, pension, remittance, etc. through financial literacy pursuits;
- Conversion of NFA into meaningful financial services- introducing demand-based product and services.
- Institutional development- improvement of double bottom line of MFIs by initiating process re-engineering, innovations in products and systems and business development strategies
- CCS- improvement of governance, CBS implementation and HR management, exploring business opportunities and business models for PACS so as to emerge as one stop solution.
- Developing data integrity, MIS, uniformity of data on critical areas, reconciling data- Monitoring at various levels, transparency and sharing of information- efforts for setting up of broad-based credit information bureau.
- Leadership of Trinity : NABARD, SIDBI and OLM-their coordinated efforts in Access to finance
- Quality of assets- enhanced recovery efforts, improvement of recovery climate & culture.
- Role delineation among stakeholders-synergy among all. Bringing in convergence- between OLM, Financial Inclusion Plan of banking system, SHG-Bank linkage (SHG2) framework
- FIP should be broad-based with participation of financial institutions (other than CBs and RRBs) and be implemented within the set time lines
- Measures for stability of BCs – Motivational inputs for BCs as incentives for working in difficult areas.
- The institutionalization of financial literacy programmes, dedicated funding arrangements and preparation of perspective plan for financial literacy need to be strategized
- Training and capacity building of HR for all stake holders to cope up with computerized environment.



## Abbreviations

ATM	Automated Teller Machine
ACP	Agricultural Credit Plan
APMC	Agricultural Produce Market Committee
APL	Above Poverty Line
BCA	Business Correspondent Agency
BLBC	Block level Consultative Committee
BSBDA	Basic Savings Bank Deposit Account
BPL	Below Poverty Line
CARR	Capital to Risk-weighted Asset Ratio
CGAP	Consultative Group to Assist Poor
CAB	College of Agricultural Banking
CPP	Client Protection Principles
CBS	Core Banking Solution
CIBL	Credit Information Bureau Limited
CRP	Community Resource Person
CIF	Community Investment Fund
CSP	Customers Service Point
DDM	District Development Manager
DLCC	District Level Consultative Committee
EWS	Early Warning System
EPVG	Extremely Poor & Vulnerable Group
FIP	Financial Inclusion Plan
FITF	Financial Inclusion Technology Fund
FSDC	Financial Stability Development Council
HWG	Handloom Weavers Card
IMR	Infant Mortality Ratio
ICT	Information Communication Technology
IFAD	International Fund for Agricultural Development
IFRS	International Financial Reporting Standards
IMFR	Institute of Financial Management & Research
IIMPS	Invest India Micro Pension Scheme
IMG	Intermediary Micro Finance Group
IML	India Money Line
ICDS	Integrated Child Development Scheme
IDA	International Development Agency
JBY	Janashree Bima Yojana
JNNURM	Jawaharlal Nehru Urban Renewal Mission
KM	Knowledge Management
KCC	Kishan Credit Card
LWE	Left Wing Extremists
LTAC	Long Term Action Plan

LIC	Life Insurance Corporation of India
MNREGA	Mahatma Gandhi National Rural Employment Guarantee Scheme
MACS	Multi-Purpose Cooperative Societies
MPLs	Maximum Permissible Limits
MNO	Mobile Network Operator
MAVIM	Mahila Arthik Vikash Maha Mandal
MFO	Micro Finance Organization
MEDP	Micro Enterprise Development Program
MFIN	Micro Finance Institutions Network
NDC	National Development Council
NSDP	Net State Domestic Product
NIRD	National Institute of Rural Development
NABARD	National Bank for Agriculture and Rural Development
NPS	National Payment Systems
NSSF	National Social Security Fund
NSDL	National Securities Depository Limited
NCOA	National Council of old Persons
NSKFDC	National Safai Karmachari Financial Development Corporation
NFA	No Frills Accounts
NTFP	Non-Timber Forest Product
NPRI	National Program for Rural Industrialization
NUH&HP	National Urban Housing &Habitat Policy
NCOP	National Council of Old Persons
OPDR Act	Odisha Public Debt Recovery Act
OECD	Organization for Economic Cooperation &Development
OSCERT	Odisha Society for Cooperative Education Research and Training
OSHC	Odisha Self Help Housing Cooperative society
OSFDC	Odisha State Finance development Corporation
PLP	Potential Linked Credit Plan
PAR	Portfolio At Risk
POS	Point of Sales
PSB	Public Sector Banks
POP	Poorest of the Poor
PODF	Producers' Organizations Development Fund
P2P	Payment to Person
PACS	Primary Agricultural Credit Society
PPIF	Pro-Poor inclusion Fund
RRB	Regional Rural Bank
RBS	Risk -Based Supervision
ROE	Return on Equity
RTGS	Real Time Gross Settlement Systems

RFP	Request For Proposal
RFIP	Rural Financial Institutions Program
RUDSETI	Rural Development and Self Employment Training Institute
SWIFT	Society for World Wide Financial Telecommunications
SEBI	Security Exchange Board of India
SSI	Small Scale Industries
SADHC	State Agency for Development of Handloom Clusters
SKDRP	Srikrishetra Dharmasthala Rural Development Project
SOFTCOB	Scheme of Financial Assistance for Training of Co-operative Banks Personnel
SPV	Special Purpose Vehicles
SRTTP	Small Road Transport Operators
SSI	Sustainable Sugarcane Initiatives
STCRC	Fund Short Term Co-operative Rural Credit [Refinance] Fund
ST[SAO]	Short Term [Seasonal Agricultural Operations]
SWC	State Warehousing Corporation
TNA	Training Need Assessment
TSP	Tribal Sub Plan
TRIPTI	Targeted Rural Initiative for Poverty Termination & Infrastructure
TC	Technical Component
TE	Training Establishment
TMB	Term Money Borrowings
TPDS	Targeted Public Distribution System
USB	Ultra Small Branch
UIAI	Unique Identification Authority of India
UCB	Urban Cooperative Bank
UNDP	United Nations Development Programme
USAID	US Agency for International Development
UT	Union Territory
VCI	Vaidyanathan Committee
VA	Voluntary Agency
VDP	Village Development Program
VWC	Village Watershed Committee
WSHG	Women Self Help Groups
WDF	Watershed Development Fund
WSHG	Women Self Help Group
WBCIS	Weather Based Crop Insurance Scheme
WDF	Watershed Development Fund
WSHG	Women Self Help Group
ZoC	Zone of Consideration

## 1.1 Context

Access to affordable credit has historically been recognized as an imperative for development and poverty reduction, and has been a critical component of all major poverty alleviation programmes of the government. The primary channel for delivery of micro-credit by the government for the last 20 years has been the Self Help Group model. India's SHG Bank linkage programme is the largest microfinance programme in the world, and provides access to bank credit through group approach to 60 million rural poor households. The alternate NGO and donor led Microfinance Institutions channel, bulk of which later transformed into commercial doorstep credit delivery mechanism, reaches out to 24 crore clients (March 2013). Thought leaders however argued that while credit is important, access to savings and risk mitigation are much more critical for the poor and vulnerable, and propagated the need for enhancing access to other financial services – savings, insurance and pensions. While the two prominent microcredit delivery models channelized bank credit to the poor and the unbanked; these households still needed to be directly included into the mainstream banking system. The Census 2011 showed that out of the total of 247 million households in India as many as 100 million (40%) did not have bank account. Between 2004 and 2012, the population per bank branch declined from 16000 to 13000, indicating greater reach of the banking system. However, while bank branches grew at 94% in metropolitan areas and 69-72% in urban and semi-urban areas, opening of rural bank branches grew only by 12%.

Since 2010, there has been greater emphasis on financial inclusion through banks with implementation of Financial Inclusion Plans (FIPs) by all banks under close monitoring by the Reserve Bank of India. These plans include: self-set targets for rural brick & mortar branches opened; BCs deployed; coverage of unbanked villages with population above and below 2,000 through branches/ BCs/ other modes; no-frills accounts opened, including through BC-ICT; Kisan Credit Cards (KCC) and General Credit Cards (GCC) issued; and other products designed for financially excluded segments. Banks were advised to integrate the Board-approved FIPs with their business plans and to include the criteria on financial inclusion as a parameter in the performance evaluation of their staff. The GOI is proactively rolling out Direct Benefit Transfers through Aadhar linked bank accounts, which has positive implications on financial inclusion. The National Rural Livelihoods Project, being implemented in 13 high poverty states (including Odisha) accounting for about 90% of rural poor in the country, has improved access to financial services as a key focus to be achieved through self-managed SHGs and federated community institutions. NABARD is currently focusing on SHG 2 policy for deepening of the SHG Bank linkage program.

With 18 districts included among 150 extremely poor districts of the country as compiled by the Planning Commission in 2009, Odisha tops the list followed by 15 districts each of Uttar Pradesh, Madhya Pradesh and Bihar. The overall percentage of the poor has dropped by merely 2 percent from 49.7% in 1993-94 to 46.8% on 2004-05. Such high level of poverty makes the agenda of comprehensive financial inclusion more important and also more challenging, for overall development of the state.

This Access to Finance Vision document for the state of Odisha has been developed as part of the Poorest States Inclusive Growth (PSIG) programme, which aims to *enhance poor and vulnerable people, especially women, in four low income states (Uttar Pradesh, Bihar, Madhya Pradesh and Orissa) to benefit from economic growth through enhanced private investment and better access to financial services* in India. The programme is supported by UKAid through the Department for International Development (DFID), Govt. of UK and implemented by the Small Industrial Development Bank of India (SIDBI). The development of the vision document is to guide the development of a statewide strategy, involving all the key stakeholders and ensuring the access of low-income families, to the full range of financial services they need.

Specifically, the objectives of the state vision document are to:

- Formulate a state level composite baseline of supply of all financial services to the poor through various delivery channels
- Estimate the state level demand and supply gap of these services, suggest strategies and approaches, including opportunities and potential for convergence, for different channels to upscale and
- Develop a shared vision supported by projections for coverage of formal/institutional financial services over the next five years.

## 1.2 Approach and Methodology

The process of developing the vision for access to finance involved a wide range of stakeholders in the state in order to bring in data and outlook from a macro and policy level to implementation level. An attempt is made to collate diverse perspectives from *people, policies, programs, promoters and potential* in the visioning process covering the following:

- Whole range of financial services- savings, credit, insurance, remittance, pensions, investments, and related enabling and support factors
- All segments of population -rural, urban, farmers, artisans, entrepreneurs, vulnerable sections-poor, ultra poor, scheduled castes, scheduled tribes, disabled, small, marginal farmers, landless, migrant labour, unemployed youth, single women, old and the destitute.
- Diversity of regions- coastal areas, rain-fed & dry regions, forest-based regions, regions affected by left-wing extremism, pockets of high poverty.
- Wide range of stakeholders including Central and State Government, Reserve Bank of India, Apex policy making and development finance institutions like NABARD SIDBI, RMK, financial institutions like commercial banks, Regional Rural Banks, Cooperative Credit Systems (CCS), MFIs, support agencies including NGOs, SHPIs, SHG Federations, Business Correspondents/ Business Facilitators, SHGs, JLGs, Producer Cooperatives, academic/research organizations, corporate entities, postal authorities etc.

In order to develop the articulation of a shared vision, the team has conducted extensive secondary research, and engaged in a participatory process by involving different stakeholders, to design and develop the vision document. Discussions were held with suppliers of financial services as well as people who need to be reached at the ground level, to understand their feedback, demand and constraints. Along with field based individual interactions with different institutions, multi-stakeholder consultations have been conducted at state level to share perspectives emerging from the discussions. This helped develop a consensus on the approach, and seek inputs on strategies for scaling up, in order to maximize the outreach of financial services within the State.

- Access to existing related literature /secondary data; the list of literature used/referred to for preparation of the document is given as Appendix.
- Communications with knowledgeable/experienced persons: Feedback/data on various aspects were received from several institutions/individuals.
- Interaction with stakeholders through visits: Visit was made to a host of institutions in Odisha. The list of institutions/individuals visited/met is placed as **Annexure I**.

Organizing stakeholders' consultative workshops/Focus Group discussions; Access Assist had convened 2 consultations at Bhubaneswar- first on 28 January 2013 and second on 31 May 2013, which were participated by representatives from State Government departments/agencies, NABARD, SIDBI, banks(CBs, RRB, OSCB) MFIs, NGOs, insurance companies, Postal authorities, Credit Information Bureaus, Training institutions and other service providers. Useful inputs were received through group discussions and consultative processes. Based on the data/information/inputs/ideas/views collected/generated, the report has been suitably refined.

The preparation of this document has suffered from a few limitations, however. The availability and inconsistency of data was a constraint, and the net was cast very wide for information collection. Secondly, stakeholders cautioned that the data obtained needs to be checked and adjusted as per field realities.

### 2.1 Introduction

Odisha has a glorious history, rich heritage, abundant resources and a dynamic economy that holds immense potential for growth. It is the 9<sup>th</sup> largest State with an area of 1, 55,707 square kilometers and covers about 4.7% of the country's land. Administratively, the State has been divided into 30 districts, 58 sub-divisions, 316 tehsils, 314 blocks, 6234 Gram Panchayats and 51,349 villages.

The State is rich in natural resources, constituting 17% of the natural resources of the country. Its abundant mineral resources include nickel (92%), bauxite (55%), iron ore (33%) and coal (24%). The State has around 11% of the total water resources of the country. Nearly one-third of the geographical area consists of high ranges clad with forests. The extensive forest resources provide ample scope for forest- based activities. Total livestock of the State as per the livestock Census conducted in 2007, was 23.06 million. The agro-climatic conditions in the State are considered favorable for breeding of almost all kinds of livestock.

Odisha is the eleventh largest State with 3.4% of the country's population. As per provisional Census figure of 2011, the State has a population of 41.95 million (male -21.20 million, female -20.75 million). The comparative status of the State's population and its changing profile during 2001 – 2011 as evident from the trends are given in the table. The sex ratio of the State is an important indicator for the analysis of the Human Development Index in these areas. A comparison with national average also puts the performance of the State in perspective with the country as a whole.

**Table1: Comparative State Demographic Features**

Parameter	Odisha (2001)	Odisha [2011]	India [2011]
Population(Million)	36.8	41.95	1210
Male (Million)	18.66	21.2	624
Female (Million)	18.14	20.75	586
Decadal Rate of Growth	15.94	13.97%	17.60% (2001-11)
Population Density (per sq. km)	236	269	382
Sex Ratio	972	978	940
Rural Population (%)	62.2	83	68.84
ST population as % of total rural population (2009-10)		22.18	10.87

Sources: Census of India 2011, provisional population Total Paper I of 2011 of Odisha series: Government of Odisha Economic Survey 2011-12/2012-13; State Focus Paper, 2013-14, NABARD; NIRD, Rural Development Statistics

The table below provides the status of Odisha on critical development indices including literacy rate, income and poverty levels.

**Table 2: Odisha Critical Development Indices**

Parameter	Odisha (2001)	Odisha [2011]	India [2011]
Literacy Rate (%)	63.80	73.45	74.04
Literacy [Female] Rate (%)	50.50	64.36	65.46
Literacy [Male] Rate (%)	75.35	82.40	82.14
Human Development Index 2011 (as per 2007-08 data)		0.362	0.467
Per capita NSDP at 2004-05 price(Rs)	14,263	26,900	38,005
Poverty Ratio	57.2 [2004-05]	37 [2009-10]	29.8 [2009-10]

The poverty variations in between the coastal, southern and western regions are evident from the following table:

**Table 3: Region-wise Poverty Variation**

NSS ROUND	Head Count Ratio(%) by NSS Regions, Rural Odisha by Tendulkar Committee Methodology			
	Southern	Northern	Coastal	Total
2009-10	52.55	41.66	25.3	39.2
2004-05	73.4	70.6	41.6	60.8
1999-00	87.14	49.84	31.81	49.14
1993-94	68.84	45.87	45.33	49.81

Source: Planning & Coordination Department, Government of Odisha

Odisha has been ranked as the most backward state by the panel headed by Dr. Raghuram Rajan. The panel has proposed a new index of backwardness to identify States that require special assistance. The new index is composed of 10 equally weighted indicators for monthly per capita consumption expenditure, education, health, household amenities, poverty rate, and female literacy, percentage of the Scheduled Caste/Scheduled Tribe population, urbanization rate, financial inclusion and physical connectivity.

Similar to other States, Odisha's economy has been undergoing structural changes with service sector gaining more prominence. The relative share of sectors as a % to GSDP in 2010-11 and advance estimates (AE) for 2012-13 are in the table below:

**Table 4: Sectoral Compositions**

SECTOR	2010-11	2012-13 [Advance Estimates]
Services	57%	58.3%
Industries / Manufacturing	26%	24.2%
Agriculture	17%	17.5%

Source: Economic Survey, Government of Odisha

Agriculture continues to be the backbone of the State's economy; as much as 60% of the population depends on agriculture for their livelihood. The State has higher labor participation of 59% in agriculture and forestry as against 52% at the national level in



2010-11. Overall labor participation of the State stood at 50% which is less than the national average of 53%, in the same year.

## 2.2 Concerns and Challenges

Agriculture and allied sectors continue to be subsistence oriented and susceptible to natural shocks such as droughts and floods. Agriculture is mostly traditional, rain fed and use of technology and modern agricultural practices is minimal. The growth of the sector has been around 3%.

The Schedule Castes (20.33%) and Schedule Tribes (22.18%) constitute 42.51% of the population as per 2009-10 estimates. The adverse socio-economic condition, as it is, of such a large chunk of population presents a major challenge in development of the state. There is a considerable gap between the State's real per capita income and the national per capita (8% approx.).

Left Wing Extremism (LWE) has affected nineteen districts; this has an impact on both security and development, and thus has to be tackled with specific strategies. Faster and balanced economic development with focus on critical infrastructure is warranted. The State needs to improve governance, delivery of public services, investment, recovery and regulatory environment.

*References: Census of India 2011, provisional population Total Paper I of 2011 of Odisha series: Government of Odisha Economic Survey 2011-12/2012-13, State Focus Paper, 2013-14, NABARD and RBI paper referred to above.*

As per 2011 Census, in Odisha out of 9.66 million households, 4.35 million households constituting 45% of the total are availing banking facilities, thus leaving 5.30 million households unbanked. At the national level, 144.8 million as against 246.9 million households constituting 58.7% are availing such services, thus leaving about 100 million households unbanked. In the State, 41.2% of the total households are availing banking facilities in rural areas and 66.58% in urban areas as against 54.4% and 67.8% in rural and urban areas respectively at all India levels.

This chapter presents the current status of various channels for delivery of financial services in the state including the mainstream banking channel, agent banking model and SHG bank linkage, as well as the Joint Liability Group lending by MFIs, and services provided by Cooperatives and SHG federations, postal department, insurance and pension aggregators and suppliers.

### 3.1 Banking channel

The banking institutions and financial services providers significantly help the economy to augment its savings and channelize the same for efficient and productive utilization. They constitute a vital part of the service sector, act as engines for economic activities and bring about multiplier effects through direct and indirect benefits. The banking services are estimated to have contributed to 9.87% of the GSDP in 2011-12.

Banking network in the State consists of 25 public sector commercial banks, 11 private sector commercial banks, 2 Regional Rural Banks (RRBs), the Apex State Co-operative Bank (SCB) and affiliated 17 District Central Cooperative Banks (DCCBs) and 16 Urban Co-operative Banks (UCBs). Besides these, 2,714 Primary Agriculture Cooperative Societies (PACS) affiliated to DCCBs are other important grass root level financial service outlets.

#### 3.1.1 Network of bank branches in the State

There has been very high emphasis on opening up of branches in rural areas under the Financial Inclusion Plans of banks across the country. The tables below provide areas wise as well as bank wise trend of increase in bank branch network in Odisha. The Sept'13 data indicates that 55% of the total branches are in rural areas.

Table 5: Area-wise Branch Network

S. No.	Population Group	No of Branches		
		As on 31 March 2012	As on 31 March 2013	As on 30 Sept. 2013
1	Rural	1820	2055	2162
2	Semi-Urban	809	1021	1041
3	Urban	717	748	755
	<b>Total</b>	<b>3346</b>	<b>3824</b>	<b>3958</b>

Source: SLBC

**Table 6: Agency-wise Branches**

Sr. No.	Particulars	As on 31 March 2011	As on 31 March 2012	As on 31 March 2013	As on 30 Sept. 2013
1	Commercial Banks	2123	2373	2582	2707
2	RRBs	875	885	901	908
3	Co-operative Banks	335	337	341	343
	<b>Total</b>	<b>3333</b>	<b>3595</b>	<b>3824</b>	<b>3958</b>

Source: SLBC

The district-wise branch network and population per branch served is shown in **Annexure II**. While the per branch population in the state at 13,400 compares favorably with 13,800 at the national level, there is considerable variation in several districts, particularly in rural areas. As on August 2013, there were 126,950 ATMs (on site 63,380 and offsite 63,570) in the country. In Odisha, the number of ATMs stood at 3,136 (as on September 2013).

### 3.1.2 Performance of banks in key areas

Performance of banks operating in Odisha in key areas from March 2010, until September, 2013 is furnished below.

**Table 7: Important Features of Banking Performance (Amount in Rs. Millions)**

Particulars of Item	As on Mar 31, 2011	As on Mar 31, 2012	As on Sept. 2013
<b>Total Deposits</b>	1,021,769	1,295,104	1,576,173
<b>Total Credit</b>	64,426	930,948	1,404,872
<b>CD Ratio (%)</b>	63.05	71.88	89.13
<b>Total Priority Sector Advances (TPSA)</b>	352,435	413,290	468,743
<b>% to Total Credit</b>	54.70	59.57	56.27
<b>To Agriculture (% of TPSA)</b>	51.03	28.68	30.47
<b>To SC/ST (% of TPSA)</b>	7.04	10.11	10.67

Source: SLBC

The ratio of the total loans advanced to total deposits of banks serves as an important indicator of banking activity, reflecting their developmental approach to lending. There has been steady increase in the CD ratio of all banks over the years. The area-wise position of CD Ratio of banks for 3 years is given below:

**Table 8: Area-wise CD Ratio**

Area	2010-11	2011-12	2012-13 [up to Sept' 2013]
Rural	82.43	100.29	107.14
Semi Urban	43.06	49.96	78.39
Urban	70.20	73.43	86.63
Total	65.28	71.88	89.13

Source: SLBC agenda

Thus, CD ratio has been steadily increasing from 65.28 in March 2011 to 89.13 (as on Sept. 2013). Further, credit deployment by banks in the rural areas is more in comparison to the deposits mobilized from rural areas. Funds mobilized from the semi-urban areas and urban areas are also being deployed in rural areas.

Eight CBs operating in the State have not been able to meet the benchmark CD ratio of 60 % (as on September 2013). Out of total 30 districts, there are only 10 districts which have achieved the CD ratio of more than 60%, while CD ratio of Deogarh, Gajapati, Kandhamal, Malkangiri and Sambalpur is much below 40%. In 18 districts, banks have CD ratio less than 60% (of which less than 40 in 8 districts). The district wise CD ratio can be found out in **Annexure III**. *Special and district-specific strategies are essential to step up CD ratio in the districts where CD ratio remained less than 40. CD ratio of several public sector banks, in rural and semi urban areas being below 50, special efforts are warranted to bring up to, at least 60% in the coming years.* A case study of West Bengal calculated a composite index of financial inclusion which showed that against the national average of 0.33 in 2009-10, Odisha had lower ratio of 0.20 and had a rank of 16 among 23 states<sup>1</sup>.

### 3.1.3 Recovery Performance

Recovery performance of banks as on the last day of 4 financial years as also under Govt. sponsored program is detailed in the table below:

**Table 9: Recovery Performance in Govt. Schemes**

Year	% Overall recovery	% Recovery under SGSY	% Recovery under PMRY
31 March 2011	49.59	43.26	19.22
31 March 2012	61.82	42.58	15.26
31 March 2013	*	24.73	18.33
30 September 13	64.81	32.85	20.65

Source: SLBC

<sup>1</sup> RBI Working Papers No 8/2011: (Chattopadhyay, Sudhan K.Kumar (2011) - Financial Inclusion in India)

**Table10: Position of NPAs of financing banks as on 30<sup>th</sup> September 2013**

Sl. No.	Agency	Amount of NPA (Rs. Millions)	% of NPA to gross advances
1	Public Sector Banks	51,006	8.90
2	Private Sector Banks	4,433	5.86
3	RRBs	9,514	14.96
4	Co-op. Banks	6,854	10.07
	Total	7,181	8.62

Source: SLBC

The tables above clearly indicate that the over dues as also NPAs have been on the rise, which is a matter of concern.

### 3.1.4 RRBs' Post- amalgamation Scenario

Due to recent amalgamation RRBs<sup>2</sup> in Odisha, the state is being served by two RRBs instead of five as was the case before; 'Odisha Gramya Bank' with coverage of 13 districts with 482 branches and 'Utkal Gramya Bank' with jurisdiction over 17 districts, serviced by 426 branches. The amalgamation is expected to change the overall financial position and capability of the newly emerged RRBs, to some extent. However, if the new RRBs are to play a significant role in facilitating access to finance, particularly in the excluded regions and segments, the following challenges need to be addressed. Although, each of the pre-amalgamated RRBs (except Rushikulya) had implemented CBS, the interoperability of IT infrastructure of the erstwhile units is required so as to have the benefits of CBS under a single platform in the amalgamated RRBs. Further, the CBS- generated unified data from the amalgamated RRBs should be available at the earliest for MIS-building and monitoring. Organizational and HR integration needs to be brought in for ensuring collective efficiency and productivity.

The status of RRBs of Odisha as on 30<sup>th</sup> September 2013 is shown in the following table:

**Table 11: Performance of RRBs in the State**

	Rural				Semi-urban				Urban			
	Branches	Deposit	Adv.	CD	Branches	Deposit	Adv.	CD	Branches	Deposit	Adv.	CD
Odisha GB	412	43,768	21,536	49.21	44	13,391	9,694	72.39	26	7,063	5,168	73.18
Utkal GB	360	26,157	19,836	75.83	50	11,154	4,961	44.48	16	3,239	2,417	74.65
Total	772	69,925	41,372	59.17	94	24,546	14,655	59.71	42	10,302	7,585	73.64

Source: SLBC

From the table above, it can be seen that the CD ratio in rural and semi-urban areas is below 60%. The recovery rate of RRBs as on Sept, 2013 is 64.81% which is quite less than the national benchmark. CD ratio and recovery are two areas where the mainstream RRBs need to improve upon substantially.

<sup>2</sup> Baitarani Gramya Bank, Kalinga Gramya Bank and Neelachal Gramya Bank have been amalgamated to form Odisha Gramya Bank w.e.f. 7.01.2013 with Indian Overseas Bank as sponsor bank. Earlier, Utkal Gramya Bank came into being w.e.f. 1.11.2012 by amalgamation of Rushikulya Gramya Bank and Utkal Gramya Bank with State Bank of India as the Sponsor Bank.

It is pertinent to mention here that RRBs have been given a crucial role in the Financial Inclusion Plan (FIP) by the RBI, and microfinance development, pilot testing for various new approaches – ICT based solution in BC model, Farmers Clubs as BF, financial literacy campaign etc. by NABARD.

### 3.1.5 Opening of new banking outlets

The state has 45,778 unbanked villages (with population < 2000), which are to be covered by Brick and Mortar (B&M) branches/BCs/USB by March 2015. As per RBI instructions, at least 5% of these villages should have B&M branches. Around 2400 bank branches are likely to be opened by March 2013, where the RRBs will be playing a critical role in opening as many as 400 branches during the period. The RBI in the state has advised the banks (including RRBs) to open at least 1000 branches during the current financial year 2013-14 especially targeting the unbanked rural catchments. The Planning Commission has also formulated guidelines for Integrated Action Plan in 78 selected tribal and backward districts out of 83 selected tribal and backward districts and 66 LWE districts. Planning Commission has included funding of capital cost for establishment of USBs. Fourteen districts have been identified in Odisha for the purpose under State Component of Backward Regions Grant Fund (BRGF).

In the first six months i.e. September 30 2013, major banks in the state were able to open 113 branches of which 58 are in rural unbanked centers and 9 in rural banked areas. Following the GOI guidelines, banking services have been provided in all 1877 villages with population > 2000 in the state through B&M branches/USB/BCA/Mobile Vans by the end of June 2012. As on 30<sup>th</sup> September 2013, against a target of 22,387 villages with population < 2000 (target till March 2014), banks have covered 1870 of these villages through 165 B&M branches, 1644 BCs and 61 USB/BCs. The progress under FIP is being reviewed in SLBC regularly. Further, based on periodic returns of the banks, the progress of FIP under 42 parameters is being monitored by the RBI. The progress in this regard in LWE affected districts is separately monitored.

The banks have self-assumed target of opening outlets numbering 14,425 (private banks 1521, RRBs 1775 and CBs 11,129) as on 31<sup>st</sup> March 2013. Out of these targets, the targets for BC in respect of villages with > 2000 as on 31<sup>st</sup> March 2013 assumed 2925 (bank branches 1341, BCs 1483 and others 101) and those in respect of villages with < 2000 stood at 11500 (branches 603, BCs 10892 and others 5), totaling 14,425 outlets (including 12,375 BCs to be deployed). The perspective deployment of BCs district-wise/year-wise up to 2015 and beyond under FIP is given in **Annexure IV**. The Progress of coverage of villages with population of various ranges under FIP as on 31<sup>st</sup> December 2013 has been captured in Annexure V that has details on BSBDA. Thus, BC network/deployment of BC/BCAs has large scope for expansion in the context of mandated policy by GOI. The prominent BCs operating in Odisha include Zero Mass Foundation, Bartronics India, Fino Paytech and EKO Financial Services Ltd.

The proposal for interest for new regional/cluster BC had been floated by SLBC covering cluster [UCO Bank]. For various measures, particularly due to pricing issues, the selection

for such BC has been delayed and in the circumstances, new system has not been put in place. Consequently, there has been stalemate in the BC scenario. The existing BCs were appointed by banks typically under 3 years' contract, under the definite set up /model. The proposed cluster- based BC has brought in uncertainty about their future stake. Thus, BC operations got severe jolt, on account of changing policy framework. The existing BC personnel were reported to have lost interest which is evidenced by the large scale attrition at BCA level and some of the vendors not servicing contract. There have also been incidences of delay/neglect of MNREG payment. The matter was discussed at length in SLBC and it was decided to form a Committee of SLBC to look into pending cases to sort out the field level issues.

### 3.1.6 Basic Savings Bank Deposit Account (BSBDA)

In view of the operational issues in No Frills Accounts, RBI came out with a re-designated NFA as Basic Savings Bank Deposit Account (BSBDA) Concept in August 2012. The position of BSBDA Accounts in the State is given in the **Annexure V**.

A self- assumed target of 6.77 million with deposits of Rs. 5,182 million has been envisaged for banks under BSBDA at the end of 31<sup>st</sup> March 2013. The average deposit amount in BSBDA was Rs. 742 per account in the State as compared to the national average of Rs. 884 per account. Nearly 58.7% of the account holders had availed OD facility and average OD facility availed was minimal. The BCs have not contributed for any account holder availing any additional facility including OD. During 2010-11 and 2011-12 [as on 31<sup>st</sup> December 2012], 1.30 million No-frill accounts were opened in the State by different banks involving an amount of Rs.403.27 million [cumulatively 4.39 million account accumulating Rs.11,136 million]. (Source: Odisha Annual Plan-2012-13-Government of Odisha)

### *Kisan Credit Cards (KCC)*

The up scaling of KCC scheme was undertaken as one of the strategies for hassle-free process of delivery of credit and recently, as one of the steps to accelerate financial inclusion. The progress of KCC as on 31<sup>st</sup> March 2013 was as under:

**Table 12 A: Agency-wise coverage of KCC (amount Rs. billion & number in '000)**

State / Area	Co-operative Banks		Regional Rural Banks		Commercial Banks		Total	
	Number of Card issued	Amount Sanctioned	Number of Card issued	Amount Sanctioned	No. of Card issued	Amount Sanctioned	No of Card issued	Amount Sanctioned
All India	2691	119.2	2048	132.6	8243	1010.9	12982	1262.8
Eastern Region	413	10.2	494	24.8	1246	72.2	2154	107.3
Odisha	213	6.3	45	4.9	231	10.0	488	21.2

[Source: RBI Report on Progress & Trends in Banking 2012-13]



**Table 12 B: Financing under KCC Scheme up to 30<sup>th</sup> Sept. 2013 (amount in Rs. Million)**

Bank	No. of KCC issued between 01/04/13 to 30/09/13		Balance O/S as on 30/09/13	
	A/Cs	Amount	A/Cs	Amount
Pub. SCBs	221,645	10,836	747,741	31,024
Pvt. SCBs	19,469	1,473	62,280	4,501
RRBs	170,128	6,353	550,734	16,252
Coop. Banks	117,971	36,207	4,191,576	52,897
<b>Total</b>	<b>529,213</b>	<b>54,869</b>	<b>5,552,331</b>	<b>104,674</b>

Source: SLBC

There has been considerable progress in the number of cards and amount disbursed under KCC scheme over the years. The performance of KCC scheme varies widely across regions and financial institutions. The Eastern & NER lag behind other regions. From the above table, there is credit outstanding of Rs.104,674 million against 5.55 million KCC holders as on 30<sup>th</sup> September 2013 in Odisha. The SLBC data shows that the Odisha State Co-op Bank is a leading player while issuing more than 4.12 million KCCs and having Rs. 52,897 million of outstanding credit as on September 30 2013.

*The Cooperative Banks in the state had issued crop loans to the extent of Rs.44158.9 million in 2011-12 through KCC and per capita loan was Rs.18, 800. OSCB had introduced Kalinga Gold Kisan Card with considerable ads on facilities. Odisha has assumed fourth position in the country in issue of KCC (in terms of number) only next to UP, AP and Rajasthan.*

### **General Credit Card (GCC) Scheme**

The scheme was introduced by RBI in 2005 with the objective of providing hassle-free credit by banks to their customers in rural and semi -urban areas, based on the assessment of cash flow without insistence on security, purpose or end use of credit. The credit under the scheme is to be given in the nature of revolving credit. At the end of December 2012, 58000 GCC have been issued by the banks [CBs & RRBs] involving Rs. 1309 million in Odisha, mostly through their branches [only 0.002 cards for Rs.19 million through BCs].

### **Swarozgar Credit Card (SCC) Scheme:**

Swarozgar Credit Card Scheme was also introduced by RBI in 2003, for providing working capital or block capital or both to small artisans, handloom weavers, fishermen, self-employed persons, rickshaw owners, and other micro entrepreneurs, etc. from the banking system in a flexible, hassle-free and cost- effective manner. The card is normally valid for 5 years. SHGs can also be issued cards in their names. For the year 2013-14 NABARD has fixed an Annual Target of issuance of 45000 SCCs for the state. But as on 30<sup>th</sup> Sept. 2013 only 2378 cards have been issued which needs an urgent attention and action.



## 3.2 SHG – Bank Linkage Program

### *SHG – Bank Linkage Program - India vis-a-vis Odisha*

As on 31<sup>st</sup> March 2012, 7.96 million SHGs (27% belonged to SGSY program) with a membership of 103 million poor households have been linked with banks at all India level. The balance of these saving-linked SHGs in their savings accounts with the banks stood at Rs. 65,514 million. On an average, SHGs maintained a balance of Rs. 8230 with banks<sup>3</sup>. Commercial banks accounted for 58%, RRBs 27% and co-operative banks the remaining 15% of the savings account maintained. There has been a decline in the amount of savings balance with banks to the extent of 6.7% as compared to the previous year although the number of SHGs savings linked has shown increase to the extent of 6.7% during the year 2011-12. The decline in savings under SGSY groups was to the extent of 23.2%.

In the State of Odisha, as on 31<sup>st</sup> March 2013, 522,837 SHGs had saving balance of Rs.4182.78 million with banks as compared to 540,029 SHGs with SB balance of Rs. 3613.64 million with banks as on 31<sup>st</sup> March 2012. The average savings balance of SHGs stood at Rs. 8000 (as on 31 March 2013). The Details on the Odisha SHG-BLP Status and agency-wise, the position of SHG savings is contained in **Annexure VI**

The following table represents year-wise bank loan outstanding towards microfinance operations in Odisha

**Table 13: Micro finance-Bank Loan Outstanding in Odisha (Amount in Rs Million)**

Agency	2010-11		2011-12		2012-13	
	No.	Amount	No.	Amount	No.	Amount
<b>CBs</b>	153,645	9,617	145,419	10,603	131,863	10,069
<b>RRBs</b>	152,875	5,089	139,064	4,516	119,409	6,551
<b>Coop Banks</b>	28,521	1,088	30,186	1,414	26,682	1,347
<b>Total</b>	<b>335,041</b>	<b>15,794</b>	<b>314,669</b>	<b>16,533</b>	<b>277,954</b>	<b>17,967</b>

Source: Status of Micro Finance in India-2012-13 – NABARD

The State Bank of India was leading in terms of number of SHGs saving linked cumulatively and credit disbursed during the year. However, with regard to credit disbursal, number of SHGs covered was minimal by all banks. Over all there has been a decline in the credit disbursement during the last 3 years.

The State Government of Odisha under Mission Shakti has facilitated scaling up coverage of Women SHGs (WSHGs) under SHG-BLP. SGSY also had a significant share in SHG-BLP. The comparative position of total SHGs, WSHGs, SGSY in loan outstanding, savings linked, and loan issued, as on 31<sup>st</sup> March 2013 under SHG-BLP is detailed in **Annexure VII to IX**. Exclusive WSHGs and SGSY constituted nearly 78.9% and 16.6%

<sup>3</sup> State of Uttarakhand had the highest balance of Rs.12,388 per SHG.

of all SHGs in terms of loan outstanding, 81.69% and 11.8% in terms of credit linkage respectively as on 31<sup>st</sup> March 2012 and 86.56% and 22.77% in terms of number of SHGs loan issued respectively during 2011-12. With the expansion of the livelihoods program through SHG structures under OLM, the share of OLM-supported WSHGs is likely to get substantial growth. The focus on WSHGs in LWE districts would also be attributing towards larger participation of WSHGs under SHG-BLP in future.

Very high level recovery performance under the SHG-Bank Linkage Program has been the redeeming feature of the SHG approach. However, rising NPA in recent years under the program both at the national and state levels has been an area of concern. The comparative position of NPAs against loans to SHGs by commercial banks as on 31<sup>st</sup> March 2013 is given in **Annexure X**. The NPA percentage to loan outstanding has been on the rise for the last 3 years with respect to PSBs, RRBs and Cooperatives and in the eastern, central, western and southern regions. At the State level, the agency-wise position of NPAs during the last 4 years is provided in **Annexure XI**.

### ***Joint Liability Groups (JLGs) Bank Linkage***

Based on results of the pilot project introduced in 2004-05, NABARD brought out a comprehensive scheme of financing and promoting JLGs in 2009-10, which aims at access to credit to small, marginal farmers, tenant cultivators, particularly those who do not have proper title deed of lands and are not in a position to provide tangible collateral for loan. Odisha is among top three states in the country, having promoted 63403 JLGs as on 31<sup>st</sup> March 2013 with CCS having the largest share followed by RRBs. The position with respect to JLG program in Odisha, the Eastern region and all India level is reflected in the tables given in **Annexure XII**. Although the eastern region leads in terms of number, southern region secures highest in extending bank loans (69%) in the country.

### ***Role of SHPIs***

The initial growth of SHG movement in Odisha may well be attributed to the community mobilization efforts of CBOs and NGOs including leading NGOs like CYSD, GRAM VIKAS, PREM, Fellowships to name a few. Gradually more NGOs assumed the role of SHPIs, primarily with the promotional support from NABARD for forming and credit linking with banks. As on 31<sup>st</sup> March, 2012, 190 NGOs had been sanctioned Rs. 31.75 million from NABARD for promoting 16,202 SHGs and credit linking 11983 SHGs (11,279 saving linked and 8,507 credit-linked). Besides NGOs, 10 RRBs, 5 DCCBs and 10 Farmers Clubs have been supported with grant as SHPIs for forming and linking SHGs which involved training and sensitization efforts for financing farm and non-farm activities. In Odisha, the national level training institutions and NGOs, local level SHPIs are mostly entrusted with training and sensitization programs. District Development Mangers (DDMs) of NABARD have been playing a facilitating role. However, most of the SHPIs are localized and do not have sufficient capacity to provide scale and proper handholding. Donor Agencies like UNDP, Action Aid, RGVN, IGSSS, MISEREOR, CARE, Andheri Hilfe, CASA, CRS, Cord Aid, Concern World Wide, NOVIB, Ford Foundation, India Development Services of USA, DFID, CIDA, etc. have supported NGOs and CBOs in the state for extending handholding services to SHGs over the years.

## ***Major Concerns of SHG-BLP in Odisha***

Odisha continues to be one of the leading states, (5<sup>th</sup> in the country) in expanding the program during the last few years. Notwithstanding the vast expansion of the program over the years, several concerns have come to the fore in the recent years. In the initial phase up to mid 2000, there was overwhelming enthusiasm among all stakeholders and the emphasis was on the quality on all fronts by all groups, SHPIs and banks. However, in the last 5-7 years, many grey areas have surfaced; imbalance in the distribution of SHGs with southern region having over 50% of SHG credit linkage, multiple memberships by households, poor quality of groups due to slack mobilization process and lack of continuous handholding etc. SHG channel having been adopted in a large number of government- led programs, SHGs are being associated for multiple purposes. On the supply side, focus of Banks on training and capacity building efforts of own staff, monitoring and review of the program, prompt corrective action based on feedback and hand holding, seems to have taken a beating. On the regulators side, RBI has not yet recognized SHG-BLP for financial Inclusion.

To summarize the major constraints and concerns in the expansion, orderly and qualitative growth of SHG- Bank Linkage and resultant access to financial services to low income people in the State. During 2011-12, the rate of growth slowed down with a reported maximum decline in the number of SHGs being extended fresh loans. The quality of the portfolio has deteriorated in as much as banks' NPA% to loan outstanding under the portfolio has been on the rise. The default rate has been comparatively higher in the SGSY program and Commercial Banks' lending, particularly SBI advances. Consequently, the banks seem to have lost interest in the programme. The share of co-operatives' credit structure continues to be the lowest and their percentage of NPAs in the program continues to be high.

The needs of matured SHGs for support services in terms of entrepreneurship development, enterprise-managed marketing and extension services, have not been adequately met. The process of formation of JLGs from out of SHGs has been delicate and maintaining balance between SHGs and JLGs has been a challenge for members and service providers. Differences existed between the figures reported on the progress at various levels-SLBC, State Govt. and NABARD. The lack of reliable data has come in way of proper planning, monitoring and also of devising strategy for revival of defunct groups.

Due to slow transition from Mission Shakti to NRLM regime, the adverse trends witnessed amongst SGSY groups continue to remain unaddressed. The grounding of SHG-2 framework envisaged by NABARD has also been slow in the absence of aggressive campaigning for implementation at various levels. At the policy level, SHG-BLP has not been recognized to be part of interventions under the financial inclusion plan although stress has been placed on financial inclusion plan at various levels. In the absence of any credit information bureau reporting on arrangement for SHG loans, there have been incidences of multiple borrowing.

### 3.3 Micro Finance Institutions (MFI) channel

The progress of MFIs in terms of clients outreach and outstanding during the last 4 years:

**Table 14: Performance of MFIs at country level**

Year	No. of reporting MFIs	No. of clients (million)	Growth rate (%)	Loan outstanding (Rs. million)	Growth rate (%)
2010-11	170	31.8	19.1	215,564	17.5
2011-12	167	26.8	-15.7	209,130	-2.98
2012-13	155	27.5	2.54	223,000	9.37

Source: Bharat Micro Finance Report-2013 (Sa-Dhan)

#### **MFIs in Odisha**

The MFIs operating out of Odisha mainly are of three legal entities viz. NGO-MFI, Cooperatives and NBFIs. The MFIs operating in Odisha but registered outside the State were of 2 types viz. (1) Not for Profit companies under Section 25 of the Companies Act, 1956 and (2) For profit NBFC-MFIs registered under the Companies Act, 1956 and RBI Act, 1934. Most of the NGOs turned MFIs were in existence since the last decade, but started their service as SHPIs and took up MFI operations during the last 5/7 years. The Government of Odisha has enacted various legislations relating to money lending in the State which include the Orissa Money Lending Act, 1939, Orissa Money Lending Rules, 1987, Orissa (Scheduled Areas) Money Lenders' Regulation, 1986 and Orissa (Scheduled Areas) Money Lenders' Rules, 1970. As per the provisions under the legislation, no person in the State can carry on money lending business after 22<sup>nd</sup> of November, 1975, without being registered under the Act.

The overall progress in terms of outreach and loan portfolio of MFIs including MFIs having headquarters in Odisha is given in the table below:

**Table 15: Year -wise Coverage of MFIs in Odisha**

Particulars	2012-2013		2011-12		2010-11		2009-10	
	All MFIs operating in Odisha	MFIs having HQ in Odisha	All MFIs operating in Odisha	MFIs having HQ in Odisha	All MFIs operating in Odisha	MFIs having HQ in Odisha	All MFIs operating in Odisha	MFIs having HQ in Odisha
<b>Total No. of MFIs</b>	22	12	27	17	27	17	32	22
<b>Total districts served</b>	30	24	30	28	30	28	27	30
<b>Total clients outreach (Million)</b>	1.000	414	1.692	0.702	1.661	0.685	1.6	0.487
<b>Total loan portfolio</b>	6,320	3,300	9,529	4,588	11,436	4,942	12,980	4,057

(Source: Sa-Dhan Website)

It is observed from the above that MFIs' client outreach has been stagnating during the last 4 years, although the client outreach of MFIs having headquarters in Odisha had increased from 0.487 million in 2009-10 to 0.685 million and 0.702 million in 2010-11 and 2011-12 respectively. With regard to loan portfolio, there was significant decrease from Rs.12980 million in 2009-10 to Rs 11436.6 million and 9529.7 million in 2010-11 and 2011-12 respectively. There has been marginal improvement in the client outreach and size of their loan portfolio in 2011-12 as compared to 2010-11 signifying positive trends in the recent years. The growth trend in 2012-13 has been not so encouraging among the smaller MFIs, although the NBFCs MFIs seem to be growing well. Some of the MFIs, which were participating in micro finance services during 2009-10, did not continue their microfinance operations in the subsequent years.

### **Composition of MFIs in Odisha**

Out of 27 MFIs in 2011-12 (17 Odisha- based MFIs and 10 having headquarters outside Odisha), there were 11 NBFCs, 10 societies registered under the Societies Registration Act, 2 Trusts, 3 co-operative societies and one Section 25 company. In terms of loan business, the following pattern was observed.

**Table 16: Loan portfolio ranges (amount Rs. millions)**

<b>Loan portfolio range amount (Rs million)</b>	<b>No. of MFIs</b>	<b>No. of clients served</b>	<b>No of MFIs</b>
Less Rs. 10 million	8	Below 1000 clients	4
Between Rs10 to 100 million	7	Between 1000 to 10,000	6
Between Rs.100 to 500 million	7	Between 10,000 to 50,000	5
Between Rs. 500 to 1000 million	2	Between 50,000 to 100,000	7
Between Rs 1,000 to 50,000 million	3	Above 100,000	5

(Analyzed based on SLBC Sub-Committee report)

While 12 showed negative trends in case of outreach and loan portfolio, 8 MFIs had positive growth in both outreach and loan outstanding as on 31<sup>st</sup> March 2012 as compared to 31<sup>st</sup> March 2011. The number of MFIs has further come down to 22 in the years 2012-13. With a view to assessing the latest trends during 2012-13, the position of outreach and loan outstanding of 15 MFIs as on 30 September 2013 were ascertained individually. The position revealed that there has been decline in outreach and outstanding as compared to the position as on 31 March 2012. However, recently there has been slight improvement in the growth trends of the sector and the MFIs in the state. The position of each of the MFIs is detailed out in **Annexure XIII**

The staff structure in these MFIs too got impacted with the reduction of the portfolio and clientele. While many of the MFIs stopped recruiting new staff, some of them did not prevent staff attrition during the crisis period. The table below represents the staffing of MFIs.

**Table 17: Staff Position in MFIs**

Sl. No.	No. of Staff	Number of MFI	Range of No. of staff
1	Less than 20	1	8 – 12
2	Between 20 – 100	4	35 – 100
3	Between 100 – 200	4	101 – 200
4	Between 200 – 500	5	218 – 436
5	More than 500	0	

As per Bharat Micro finance Report 2013, there was 75,670 staff (75% field staff) in reporting MFIs (with 10697 branches) at all India level, as on 31<sup>st</sup> March 2013. During the year while 15,295 new staff was recruited by the MFIs, a total of 17631 have left. The high turnover has implications for recruitment, training, motivation, employees' satisfaction/retention, incentive systems, etc. In the state of Odisha, staff attrition has also been a challenge.

The capacity building of the existing and newly recruited staff assumes significance for future vision of increasing access to financial services and outreach. There is no exclusive training institution for MFI sector's capacity building. SIDBI, CYSD, XIMB, Access Development Services, Sa-Dhan, etc. do undertake occasional theme- specific programs with participation from MFIs. Thus, there is a need for systematic approach for competence mapping of MFI functionaries and appropriate capacity building interventions. SIDBI's proposed Training Centre at Bhubaneswar if dedicated for MFIs would go a long way in capacity building of MFIs personnel.

Various stakeholders have collective responsibility to bring in fresh impetus to MFIs. SIDBI's Liquidity Funds and Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE), cluster development programs would provide opportunities for good – working MFIs who are committed to financial services to low income people. MFIs are expected to supplement banks in deepening financial inclusion. Their branch network in various districts has, however, no linkage with financial inclusion plan of banks. Possibly MFIs' inclusion in SLBC and DLCC can bring in the desired co-ordination and integration.

### ***Performance of MFIN member NBFCs***

Micro Finance Institutions Network (MFIN) is a representative body and self-regulatory organization for the MFIs working in the country. MFIN currently have membership of 42 NBFC-MFIs. Out of these members, 10 MFIs viz. Adhikar, Annapurna, Asmitha, Bandhan, BSFL, L&T, SKS, Spandana, Suryoday and Ujjivan are working in Odisha. Except Adhikar & Annapurna, others are having headquarters outside Odisha. These MFIs are working through 496 branches with 1.37m clients with GLP of Rs. 8, 805m as on 30<sup>th</sup> September 2013.



## *Initiatives in Odisha*

With a view to prevent any adverse trends and undesirable practices as reported in AP and to facilitate compliance of RBI guidelines and internalization of self-regulation and code of conduct as evolved by umbrella organizations like Sa Dhan and MFIN, several initiatives had been undertaken by various stakeholders. Sa-Dhan, SIDBI, Woman and Child Development Ministry, Government of Odisha, HDF School of Management in collaboration with OSCU and SLBC had convened special meetings/seminars for MFIs and related institutions to discuss emerging issues and identify strategic action points, particularly during 2010-11.

Govt. of Odisha had constituted a Sub-Committee under the chairmanship of Chief General Manager, NABARD, Odisha Regional Office, to review the operations of MFIs in the State, with particular reference to interest rate and method of recovery practices adopted by the MFIs<sup>4</sup>. The study had gone into operational performance, models and methods of micro finance delivery, etc. and emphasized need for addressing the concerns relating to non- existence of database at the district as well as state level, lack of transparency in interest rates and other charges, multiple lending and over borrowing, coercive recovery practices, poor resource-base of the MFIs.

### *Emerging concerns*

- Authentic, systematic, up-to-date and organized information on the operation of MFIs in the State is not available. There is considerable time lag in compilation of data on MFIs by SIDBI, Sa Dhan, MFIN or MCRIL and they also do not generate adequate and current state-wise data that goes in public domain. SLBC/DLCCs do not compile periodic data and no specific agenda on MFIs.
- MFIs and their outlets in the districts are not recognized for the purpose of FIP. Therefore, district-wise data on MFI branch network and their financial services are not available in the public domain. According to State Money lending Act, the MFIs should register with the district authorities before operating in a particular district. However, State Government authorities do not maintain such data.
- As per the RBI guidelines, multiple borrowing has been restricted to two MFIs. The initiatives in terms of sharing data on credit history of borrowers with High Mark and Equifax have helped user agencies in ensuring avoidance of multiple lending and facilitating informed decision- making norms by MFIs. Integration with “Credit Bureau will help MFIs to build own clients’ credit history and eventually get integrated with mainstream financial system. With a view to ensure a full proof system, it would be necessary for all MFIs irrespective of size and category, to integrate with the credit bureau mechanism.
- The MFIs in the State have brought about the changes in their lending policies and practices in tune with RBI guidelines. There is however no mechanism to

<sup>4</sup> 21st SLBC Meeting held on 18.11.2010. The Sub Committee of SLBC with the support of Odisha Regional Office of NABARD studied the relevant aspects in respect of MFIs and 150 borrowers of 20 MFIs across the State.

put the information, particularly with regard to effective interest rate charged to the borrowers, in the public domain.

- Sa-Dhan's State Chapter had committed steps for adoption of code of conduct by its members, constitution of district level forum, appointment of Ombudsman, compliance to RBI stipulations with respect to loan ceiling (Rs.50,000/-), effective interest rate, strengthening social performance management in the State, etc. Several prominent lenders including SIDBI have included code of conduct assessment as a covenant in the lending agreement.
- The MFIs generally followed standard pattern of loan for different farm and non-farm activities, within the range of Rs.5000–Rs.50000. The financing pattern of sample MFIs revealed in the study by NABARD as: 68% borrowers were given upto Rs.10, 000, 18% between Rs.10000 – Rs.15000, 12% Rs.15000 – Rs. 20000 and 2% more than Rs.25,000. The bulk of loans were given to small business/micro enterprises (57%) followed by agriculture and allied activities (39%). *However, for deepening financial services, it would be necessary for all MFIs to evolve well thought out financial products suited to specific clients, in different regions of the state. Periodical clients' satisfaction surveys if conducted could provide necessary feedback.*
- In Odisha, defaults by a few MFIs to banks had added to increasing risk perception, apprehension/hesitation of banks in financing MFIs. Of late, particularly in the context of RBI's stricter regulatory prescriptions during 2011-12, some of the banks have restarted financing, though in a cautious manner.
- The borrowing cost for MFIs has increased from 12% to 15% resulting in pressures on stipulated margin. The growth projections and implementation of MFIs in the years ahead would be dependent on funding support from banks and SIDBI and their pricing policy.
- The SHG and JLG- based models of delivery are dominant in the delivery practices of MFIs in the State. The focus on quality of SHGs and JLGs has been diluted while pursuing with numbers, leading to deterioration in the responsiveness, group dynamics and loyalty. *The MFIs need to develop a strategic plan in order to maintain quality and sustainability of SHGs as well as JLGs.*
- MFIs have been employing more than 10000 personnel. The position of 20 sample MFIs as on 31 March 2010 as revealed from Sub Committee of SLBC (led by NABARD) study was as under;

### **Key Challenges**

- Coping with and managing various risks in financial services.
- Adopting various institutional rating tools, loans portfolio audit, code of conduct including social performance management principles.
- Bringing about a favorable change in the risk perceptions of bankers, investors



and funding agencies for MFIs with a view to enlisting their financing support.

- Integrating with banks/SLBC/DLCC for delivery of financial services in a coordinated manner in the State/districts.
- Bringing about sector-owned control through mutual coordination and exchange between MFIs, convergence/integration between Odisha- based MFIs and MFIs having headquarters outside the State. Building common understanding and collaboration among the stake holders.
- Continued capacity building efforts and sensitization of MFIs' personnel by development agencies.
- Regulator needs to move from the paradigm of protecting the poor to facilitating economic growth of the poor through access to financial services through MFIs
- MFIs rationalizing and innovation in financial products and services suited to low income people to meet huge unmet demand.
- Focusing social capital through financial literacy, improving peer values, empowerment, etc.

## 4.1 Micro Insurance

Micro Finance Regulation Act was enacted in 2005 under the aegis of the IRDA to give inputs to micro insurance subsector. The regulation stipulated that a certain % of policies should be sold in rural market and certain number of lives should be covered in the social sector. The private insurers considered micro insurance more as an obligation, rather than profitable business proposition. Many leading NGOs, CBOs and MFIs have entered the micro insurance sector, mostly through insurance company partnerships, as part of microfinance services and sustainable livelihood development programs. Regulation allows NGOs and SHGs to act as agents of insurance companies in marketing micro insurance products. Out of 30 micro insurance products in the market, 18 are individual products and the remaining 12 are group products. The micro insurance outreach has been more in Southern states viz. Andhra Pradesh, Tamil Nadu, Karnataka and Kerala, accounting for three fourth of micro insurance coverage in the country. There is wide disparity in the penetration and coverage of micro insurance in the country.

All India Coverage as on 31st March 2013 is given below :

Table 18: All India level coverage (Number in million & amount in Rs. Millions)

Insurer	Individual		Groups		Total Lives covered
	No. of Policies	Premium	No. of Scheme	Premium	
Private	6.95	101.85	151	75.60	0.76
LIC	43.40	9949.05	5325	2104.57	13.22
<b>Total</b>	<b>50.36</b>	<b>10,050.90</b>	<b>5476</b>	<b>2180.17</b>	<b>13.98</b>

Sources: IRDA Annual Report 2012-13

24 micro insurance products<sup>5</sup> from 15 insurance companies are registered which are available in the market. LIC and private companies are expected to standardize insurance products adhering to certain levels of cover, premium and benefit standards. Generally, there are four types of micro insurance products viz. (a) micro insurance products registered, (b) rural and social products not registered as micro insurance products, (c) community –based products in partnership with insurance companies and (d) independent community- based products.

### Micro Insurance in Odisha

Insurance penetration in Odisha has been low as compared to rest of India as is evident from the following table.

<sup>5</sup> These are Grameen Surakshya, Birla Sun Life Bima Surkshya Super, ICICI Prudential Sarva Jana Surakshya, Birla Sunlife Insurance, Bima Dhan Sancharya, ING Vysya Sarala Surakshya, LIC's Jeevan Madhur and Jeevan Mangal, Met Vishwas, SBI life Grameen Shakti and Life Super Surakshya, Ayushman Yojana, Nav Kalyan Yojana, Sampoorna Bima Yojana, Saher Suyog (micro endowment), Insurance without profit plan, Shri Sahaya, Sri Sahaya (AP), IDBI Fortis Group MI plan, DLF pramerica Sarve Surakshya, SUD Life Puraspar Surakshya Plan.

**Table 19: Comparative status of Odisha vs. All India on Insurance Penetration**

Year	Odisha		All India	
	Insurance penetration %	Density (Rs.)	Insurance penetration %	Density (Rs.)
2006-07	1.28	343.40	1.56	552.60
2007-08	1.48	489.60	1.73	700.70
2008-09	1.11	504.40	1.31	601.30
2009-10	1.26	409.90	1.34	699.50
2010-11	1.04	481.60	1.16	698.70
2011-12	0.66	331.40	0.78	535.40
2012-13	0.65	392.85	3.98	532.00

(Source-IRDA)

### **Business of Insurance Companies**

Besides LIC, 13 private companies (11 for group- based schemes) have been providing insurance services in the state. The details of coverage were as under as on 31<sup>st</sup> March 2012.

**Table 20: Coverage of Insurance Companies**

Category	Group			Individual	
	No. of schemes	Premium (Rs. Millions)	Lives covered (Million)	No. of persons (Million)	Premium (Rs Millions)
LIC	747	3271.20	0.33	0.11	9,264.90
Private companies	54	770.10	0.18	0.28	5,730.00
<b>Total</b>	801	4041.30	0.51	1.39	14,994.00

(Source: IRDA Annual Report)

With regard to micro insurance, no separate data of the State for all agencies were available. The progress of LIC with respect to their micro insurance schemes in the State is as under:

**Table 21: Coverage of Micro Insurance in Odisha (Rs. Millions)**

Year	Lives Covered	Premium
2008-09	23,512	4.03
2009-10	28,429	4.39
2010-11	41,554	6.89
2011-12	64,354	10.76
2012-13	65,570	10.96

(Source: LIC, HO)

## ***Network of Insurance Companies-Organizational Arrangements***

In Odisha, the insurance companies had opened 345 distribution offices for delivery of insurance services covering all 30 districts, while LIC functioned through 114 offices in 30 districts, 20 private companies function through 231 offices in 24 districts (as on 31<sup>st</sup> March 2012). Among the private companies, Birla Sun life, Bajaj Alliance, ICICI, SBI Life, Tata AIG, Reliance had more than 10 outlets. At the national level, the insurance companies have 11167 offices with LIC having 3455 offices and private companies 7712 offices. The companies had engaged 90837 agents, out of which 53120 represented private insurance companies and 37717 for LIC as on 31<sup>st</sup> March 2012. At all India level, there were 2.36 million agents (comprising 1.08 million from private companies and 1.28 million from LIC) engaged in pursuit of insurance business.

LIC, the major purveyor of insurance schemes including micro insurance in the State, come under the purview of Patna Regional Office and operated through 4 Divisions viz. Cuttack, Bhubaneswar, Sambalpur and Berhampur, with 56 branches. The Regional office and Divisional offices had separate Micro Insurance Department/sections for attending to micro insurance business.

### ***Micro Insurance Products:***

LIC has three prime products viz. Jeevan Madhur, Jeevan Mangal and Jeevan Deep. Among these, Jeevan Madhur is mostly common among SHGs. LIC is also administering other GoI -sponsored schemes which are meant for unorganized workers, BPL families, landless labourers and marginal farmers. These include Janashree Bima Yojana (JBY) and Aam Admi Bima Yojana (AABY)<sup>6</sup>.

### ***Micro insurance Products of Private Companies***

Four models of distribution followed by the Private companies<sup>7</sup> implementing micro insurance schemes are:

1. Direct marketing by the insurance company
2. Partner agent model envisaging approved intermediary acting as insurance agent;
3. Community-based insurance facility where NGO/MFI/Federation of the group act as insurer and
4. NGOs providing basic services (health cover, etc.) to the rural people.

The partner agent model has been popular in the state as several MFIs have tie ups with the insurance companies as corporate agents for delivery of services to their SHG/JLG clients. The distribution channels include agents, CBs, RRBs, Co-operative banks, SHGs and Federations, NGOs, MFIs, etc. The agents/intermediary organizations undertake

<sup>6</sup> Aam Admi Bima Yojana is a social security scheme for rural landless, launched in 2007. The head of the family or one earning member in the family of rural landless household would be covered under the scheme. The premium of Rs. 200 per person per annum would be shared equally by the GOI and the State Government. The insurance benefits to the life assured and free scholarships to the children are the same as under Janashree Bima Yojana.

<sup>7</sup> The companies include Birla sun life, SBI life, Tata AIG, Royal Sundaram, Max New York, ICICI, and Bajaj Alliance.

identification of the customers, negotiation with the insurance companies about the products and premium rates, collect the premium, and assist clients in claim processing and settlement.

### **Status of Insurance Schemes**

#### **1. Odisha Aam Admi Bima Yojana (O-AABY)**

The OAABY is a social security scheme implemented by Panchayati Raj Department where Odisha Livelihood Mission (OLM) is the nodal agency to roll out the scheme in the state. During 2011-12, over 0.2 million households had been covered and during 2012-13, it is envisaged to cover another 0.3 million households.

#### **2. Jeevan Bima Yojana (JBY):**

**Table 22: Progress under JBY in Odisha (Rs. millions)**

<b>Year Involved</b>	<b>Lives Covered</b>	<b>Premium</b>
<b>2008-09</b>	94548	17.67
<b>2009-10</b>	94550	17.67
<b>2010-11</b>	102576	20.52
<b>2011-12</b>	66113	13.22
<b>2012-13 [December 2012]</b>	519143	N.A

There was substantial decline in coverage and premium during 2011-12. However, good progress has been made during 2012-13.

#### **3. Rashtriya Swasthya Bima Yojana (RSBY):**

Rashtriya Swasthya Bima Yojana (RSBY) launched by the GOI in 2008, promises to reduce the health risks of the poorest i.e. those from the BPL families to the extent of covering hospitalization costs up to Rs 30,000 and covering up to five members of a family against a nominal enrollment fee of Rs 30. Premiums on behalf of the enrolled BPL members under the scheme are paid to the insurance company by the GOI and State Government. In 9 out of 30 districts of Odisha, enrolments of the total BPL families have been completed whereas in the remaining districts enrollment is in progress. As on 31<sup>st</sup> August 2012, 3.23 million out of a total of 5.29 million total BPL families in the state have been enrolled (source: RSBY).

### **Issues and Challenges in Odisha**

The scenario in Odisha with regard to micro insurance segment is akin to the national scenario. *The issues of awareness among all stakeholders, sustainability of insurance business by the institutions, strategies for distribution/up-scaling, product differentiation, MIS and monitoring pose challenge.* The constraints and possible strategies are outlined in the succeeding paragraphs.

Most of the insurance schemes are related to credit delivered by the financial institutions, which are mandatorily required. Further, micro insurance schemes for the unorganized sector are highly subsidized by the Government. The challenge is how to upscale micro insurance from business perspective. Although micro insurance has been recognized as a part of Financial Inclusion Plan by the GOI, it has not been implemented in right earnest so far. It is not included as one of the parameters for review of FIP. *This should be pursued by banking sector and insurance sector in a concerted manner.*

There are no state/district level forum for providing interface between IRDA, LIC and other private insurance companies, facilitating review of progress and trends and evolving common strategies for accelerating access to micro insurance. *Recently, LIC is being invited to SLBC meetings. There is need for exclusive review and discussion on micro insurance sub sector at SLBC/DLCC meetings.*

In each of the four models outlined, there are challenges in implementation. *Designing effective staff incentive program is necessary in order to ensure adequate penetration and ensure quality.*

Customization of products, customer grievance redressal<sup>8</sup> and customer protection, etc. is very important for accelerating access. Bottlenecks in documentation, certification and settlement need to be addressed for customer's acquisition/retention. *For customers, quick and hassle free settlement is the most significant for continued access to services.*

In view of various inherent risks in agriculture, crop insurance and weather insurance have been deemed as indispensable part of agriculture financing. Insurance for cattle, poultry, fisheries and farm equipment and machinery, etc. are also insisted upon for financing related activities. *Streamlining and strengthening insurance process, with due safeguards for timely payment of premium, renewal and settlement proceeds, etc. is necessary for access to finance for such activities.*

*A comprehensive approach, a concrete perspective plan for 5 years and a step by step approach for development would be facilitated, if concrete data-base for micro insurance sector is generated and placed in the public domain.*

## 4.2 Remittance Services

### 1. Introduction:

In India huge flows of migrants' traverse the country in search of livelihood or for better income and opportunities. Their families mostly stay behind in their respective villages. Promoting their welfare and providing financial services to this segment of the population has been a major developmental challenge. Large numbers of migrants do remit money to their families. Access to money transfer service at both the destination and receiving end has been a critical financial service needed for them. The importance

<sup>8</sup> The office of Ombudsman set up by IRDA at Bhubaneswar looks into public grievances

of domestic remittance and its role in microfinance development/access to finance is being increasingly realized, particularly considering the fact that a sound money transfer system would enable millions of such people to remit money in a safe, fast, convenient and cost-effective way and also use the same efficiently.

## **2. Migration Pattern:**

There are various estimates about magnitude of such migration ranging between 100 million to 300 million. The 2011 Census demonstrated large number of migration (just over 30% of the population – 307 million) and often long duration of migration<sup>9</sup>. Migrants from Odisha go to neighboring states like Chhattisgarh, West Bengal and Andhra Pradesh. UNDP study, 2007 estimated around 0.9 million Oriya migrant workers in Surat, out of which 0.6 million from Ganjam district alone. These migrants work in the textile, diamond- cutting and polishing industries. With industrialization taking place in Odisha, some of the major industrial centers of the State are gradually becoming destination for migrants from other states, particularly neighboring states.

Remittance for migrants from Odisha to other states, across the country has been taking place due to combination of pulls and push factors. Major pattern has been people, particularly from coastal Odisha migrating to various states on a medium and long term basis for pursuing activities for better income and the people from Western Odisha taking recourse to seasonal migration to AP and other states. Thus, while migration from coastal districts has been individual male migration, that in Western Odisha has been predominantly family migration comprising male and female. Contract Labour, wage earners and low income people do take up various occupations and acquire work experience overtime in the place migrated.

## **3. Remittance Patterns and Channels**

In case of seasonal family migration, scope of remittance is very limited, while in case of individual migration, remittances have been regular and substantial. Remittance money constitutes major source of household expenditure in case of families left behind by the migrants. Banks, post offices, couriers, friends and relatives are used as channels for transfer of money from distant places. Although, remittance through banks is rated high, people take recourse to other informal channels for their flexibility and responsiveness, despite higher cost and risk. People experience difficulties in opening bank accounts, which takes time, travel cost as well as affects the opportunity cost. There has been notable shift towards banking channel on account of CBS in the recent years. Adhikar in Odisha, which adopted a combination of banking mode and informal channels for ensuring door-to-door collection and delivery of remitted money, has gained prominence in remittance service in Odisha – Surat Corridor. The delay and cost of postal money orders have led to considerable decline in their share in the remittances for this segment of people.

<sup>9</sup> The 64th round of NSS (2007-2008) showed incidence of large intra- state and inter- state migration and high proportion of long distance travel by migrants from UP, Odisha, Tamil Nadu, Bihar and Rajasthan. Accordingly to the Census Report 2001, Mumbai [migrants from UP, Bihar, Karnataka, Rajasthan and MP] and Delhi [migrant from UP & Bihar & other states] are major destinations, with Gujarat [migrants from UP, Rajasthan, Bihar and Odisha], being the next most important destination.

## 6. *Changing Scenario- Constraints and Challenges*

Remittance scenario is changing due to introduction of CBS, electronic funds transfer, remittance facility at non-home branches, counters, mobile banking facility, etc. The last mile connectivity and home delivery continue to be challenging. So far, planned, systematic and holistic approach and strategies have not been evolved / implemented to ensure need- oriented, high quality and speedy remittance services for the migrants in the State.

The provisions of Inter- state migrant work men (regulation and employment & conditions of services) Act 1979, that spells out the rights and obligations of the states, are not enforced. In the absence of registration of migrant workers, there is no authentic and fool- proof data on migrants. The identification of migrants, their protection at the destination points and their coverage under financial inclusion plans, etc., have all become a challenge. There is no institutional and regular platform to review, monitor, co-ordinate and guide the stake holders with respect to money transfer endeavors. Lack of awareness about the problems of migrants at various levels, particularly their access to financial services poses challenges.

## 7. *Strategies and Perspectives:*

At the national level, the possibilities of expansion of Aadhar scheme, direct cash transfer scheme by the GOI and technology adoption by banks and Postal authorities open up new possibilities. GIZ study suggested piloting PACS, SHGs & NGOs as BCs for remittance services. Partnership between RRBs and sponsor banks, supported with BC mechanism could facilitate remittance at the last mile. Even the Postman as BC can be tried for collection and delivery of money at the door steps.

Remittance products should be clear, simple, easily applicable for migrants and familiar to the branches, BCs and other intermediaries for wider application. The migrants not only need remittance services, they also need other financial services – credit, savings, insurance and pension.

State level platform is deemed necessary for coordination and review of the issues like data- building, grievance redressing, issuance of identity cards, financial services, enforcement of rights and obligations under the relevant Act. Several donor agencies, NGOs and development agencies have been working for upliftment and protections of migrant population in Odisha<sup>10</sup>. Financial Literacy and Financial Counseling for migrants also needs to be up scaled for their general awareness about the financial institutions<sup>11</sup>.

<sup>10</sup> These include ILO, CARE, Action Aid, etc. Among the NGOs, Adhikar and Grama Uthan who have been doing good work in this area

<sup>11</sup> Lokadrusti in Nuapada has been facilitating / extending residential education for the children of migrant families.



## 4.3 Pension Services

### 1. National Context: Demographic Transition

While the average population growth has declined from 2.3% in 1970's to 1.5% in the last decade, the old age population had been growing at faster rate<sup>12</sup>. Consequently, the dependency ratio of the old increased from 6.1% to 7.4% during the same period and expected to touch more than 12% in 2026.

There has been general improvement in health care facilities over the years, leading to increased life expectancy<sup>13</sup>. Increasing share of elderly as a proportion of working age population, namely old age dependency and increasing life expectancy mean that each elderly person would require support for a longer period.

Around 90% of the elderly work force is from the unorganized sector and almost 80% from rural areas, with nearly 40% constituting the BPL population and 50% are women. The increasing needs for health and nutrition, stagnating livelihoods, eroding purchasing power due to inflation, decline of joint family system, multiply the misery of older people. These warrant provisions for social security for the aged.

### 2. Swavalamban Scheme:

The scheme will be applicable to all persons in the unorganized sector, subject to the condition that the benefit of Central Government Contribution be available to the subscribers whose contribution to the NPS is minimum Rs.1000/- and maximum Rs.12,000/- per annum. Under the scheme, GOI will contribute Rs.1000/- per year to each NPS account of eligible subscribers. The exit from the Swavalamban Scheme is permitted at the age of 50 or minimum tenure of 20 years, whichever is later, with 40% minimum utilization of pension wealth. The scheme will be funded by grants from GOI and will be administered by a Trust set up by PFRDA. A person will have the option to join the NPS as an individual as per the existing scheme or through the Aggregators under NPS Lite approved by PFRDA.

The aggregators referred to above shall be the main inter face between the NPS Lite subscribers and NPS architecture. Aggregator is expected to take up NPS – related responsibility on behalf of its constituent's viz. SHGs, federations, nodal offices of Government- sponsored schemes, MFIs and insurance agents have also been appointed as distribution agents.

### 3. Hasthan Co-contribution Pension

The Hasthan co-contributory pension scheme for women of AP is being implemented by SERP in the state. The scheme envisages life insurance cover of Rs. 30000/- and

<sup>12</sup> The old age population has increased from about 19 million in 1971 to around 62 million in 2011 and it is expected to be double by 2026

<sup>13</sup> The expectancy of life at birth has improved considerably from 41 years in 1950 to about 58 years in 1980's and to 62 years in 1990's and 63 years in the last decade (64 in 2011).

a scholarship of Rs.1250/- p.m. for children of the clients. This scheme had achieved outreach of about 4.3 million members through SHG system. However, the scheme is primarily dependent on State Government subsidy.

#### **4. Invest India Micro Pension Scheme [IIMPS]**

Micro Pension is the trade mark of Invest India Micro Pension Services Pvt. Ltd (IIMPs), which was the first to introduce the scheme in country. IIMPS along with UTI enables over 0.3 million low income workers in urban and semi-urban areas across 10 states to save for their old age through its Micro Pension Model. IIMPs engage with each of aggregators to customize the process and revenue distribution system. It works through banks, MFIs, Apex Organizations, and BCs through separate models.

#### **5. Constraints Challenges and Perspectives**

Given high level of poverty, low literacy, vulnerability of old age, low intermittent income, limited access to regulated long term saving products and limitations of social security measures, micro pension has immense scope as means to hedge against old age, health problems of the huge unorganized and informal sector/excluded population.

Pension fund assets constitute 5% of the GDP – much less than 67% in OECD countries. There is low pension penetration with only 12% of the working population covered by retirement benefits. The New Pension Scheme (NPS) launched to reduce the gap but majority of the subscribers are from the government employees. *Efforts to address these two challenges are to be made by GOI.*

It was envisaged by the GOI to extend the direct cash transfer scheme to all states by end of 2013. The Task Force was set up by the Ministry of Rural Development under the Chairmanship of Shri Mihir Shah, member, Planning Commission. Based on its recommendation, it is planned to increase old age, widow and disability pension from 27 million to 80 million at the end of 12<sup>th</sup> Plan. It is also proposed to increase the amount under the Indira Gandhi old age Pension Scheme from Rs.200/- to Rs.300/- to the age group of 60 to 79. The GOI intends to implement the Phase I of the recommendations of the Task Force by 2013-14 and the Phase II during 2014-15 to 2016-17.

Notwithstanding the broad- basing social security scheme of GOI and State Government, micro pension scheme has greater potential for providing financial stability to the old in the unorganized sector. The apex institutions like NABARD & SIDBI as also the banks should direct their efforts in promoting micro pension scheme in the State. Micro pension need to be looked at as one of the integral components of financial inclusion plan (FIP) and be discussed in SLBC / DLCC forum. The training modules for bank officials, SHPIs, SHGs should include session on micro pension aspects. Innovations like pre-paid card, help line, S-cube like platform for customers, MIS, financial literacy campaign through films, etc. should be replicated for wider acceptance by informal workers.

## 5.1 Introduction to Concept

Dr. D. Subba Rao, former Governor, RBI under lined the key role of financial literacy in promoting financial inclusion as under:

*“Financial literacy and awareness are integral to ensuring financial inclusion. This is not just about imparting financial knowledge and information; it is also about changing behavior. The ultimate goal is to empower people to take actions that are in their own self- interest. While consumers know of the financial products available, when they are able to evaluate the merits and demerits of each product are able to negotiate what they want, they will feel empowered in a very meaning full way”.*

Financial awareness, financial education, financial literacy, financial capability, which are used interchangeably have become very significant in the recent developmental strategy for inclusive growth particularly after directions from RBI and GOI making it a part of financial inclusion interventions.

## 5.2 Odisha Scenario-Progress & initiatives:

In Odisha, keeping with the national policy on financial literacy, efforts have been directed for enhancing financial awareness in various parts of the State. The broad initiatives are as under:

- FLCs have been opened in all 30 districts as per the revised guidelines (19 by SBI, 07 by UCO bank, 02 each by Bank of India and Andhra Bank).
- Under SHG Bank linkage program as also Mission Shakti/NRLM, the capacity building efforts for SHGs helped to certain extent in creating financial awareness among the SHG members.
- Several agencies in the State<sup>14</sup> have taken up various interventions in financial literacy.
- Financial institutions, banks, MFIs, NGOs/SHPIs, have taken up steps for enhancing financial awareness of their clients. Most of their efforts aimed at increasing awareness of their clients on their respective products and services.

## 5.3 Constraints and challenges

The outreach of each of the institutions involved individually or collectively in the financial literacy programs is very limited and do not match with the number of people who have been provided with financial services. The issue that emerges is how to make financial literacy not an option, but a compulsion for all those who receive financial

<sup>14</sup> like CYSD, SARC, Smabalpur, Netaji Yuvak Sangh, Bhadrak, Basumata, Jagatsingpur, United Sport Association, Dhalapathar, Khordha, Biju Patnaik Club and Library, Begunia, Santi Maitri, Phulbani, etc.

services. As per RBI circular dated 12.06.2012, the FLCs and rural branches of banks are expected to conduct outdoor financial literacy camps with focus on financially excluded people and ensure avoidance of misspelling of financial products and services. Monitoring of their activities in quantitative and qualitative terms is not yet undertaken. Most of the institutions providing financial literacy services are taking up short term grant- based interventions along with other activities.

The content and methodology of the programs needs to be different, depending upon target clientele, his/her financial capability and area of activity. Such differentiation in the delivery of financial literacy inputs has not yet been implemented. As in case of supply of financial services, no perspective plan for provision of financial literacy to clients, particularly the low income persons has been drawn by any of the institutions in the state. Financial literacy program is being taken up as an isolated and ad hoc intervention, not yet integrated with SHG-BLP, livelihood, financial inclusion and other mega programs of State Govt. /GOI.

## 6.1 Odisha Livelihood Mission (OLM)

### 6.1.1 Implementation of National Rural Livelihood Mission (NRLM)

The Ministry of Rural Development, GOI commissioned the most ambitious program, NRLM, rechristened Ajeevika which is to be implemented by State Governments<sup>15</sup>. The states were to take step by step approach within time lines to implement the guidelines under NRLM. These interventions most importantly include setting up State Rural Livelihood Mission, State Project Management Unit (SPMU), and district and block level organizational units with appropriate HR, preparation and obtaining approach of Annual Action Plan (AAP) / SPIP [State Potential Implementation Plan].

### 6.1.2 National Rural Livelihoods Mission (NRLM) – Position of Odisha

In Odisha, the Annual Action Plan for 2012-13, as approved by GOI, is currently under implementation. Altogether 28 blocks in 7 districts have been identified for intensive strategies under the National Rural Livelihood Program [NRLP], supported by World Bank and another 50 blocks have been identified for implementation of intensive strategies and 10 block identified as Resource Blocks.

With a view to implement the programme effectively, the required human resources were recruited by the state management unit. Against the total of 2002 staff approved for the SPMU, 30 DDMUs and 38 BMMUs, 352 staffs have been inducted and out of that 100 persons were trained as on December 2012. Intensified strategies are being implemented in 6730 clusters coming under 1,020 GPs in 38 blocks of 10 districts. A total of 3,959 internal CRPs are being engaged in these intensive blocks. Altogether 63,466 SHGs including 44,900 SHGs brought into Mission's fold after revival are functioning in the intensive blocks and 5796 SHGs have been credit linked with bank loans of Rs. 38.57 million.

The phase-wise coverage of the program is indicated in the table given below.

**Table 23: Phase out Plan of OLM**

Phases		Phase-I	Phase-II	Phase-III	Phase-IV	Total	
Unit		Blocks	Blocks	Blocks	Blocks	District [Cumulative]	Blocks [Cumulative]
<b>District</b>		10	10	5	5	30	314
<b>Year : 0</b>	2011-12	38	-	-	-	10	38
<b>Year : I</b>	2012-13	38	40	-	-	20	78
<b>Year : II</b>	2013-14	38	38	20		25	186
<b>Year : III</b>	2014-15	38	40+88	20+28	21	30	235
<b>Year : IV</b>	2015-16	38+59	40+88	20+28	21+20	30	-
<b>Total</b>		97	128	48	41	30	314

(Source: OLM)

<sup>15</sup> It envisages to cover 70 million rural poor households covering 600 districts, 6000 blocks, 0.25 million Gram Panchayats and 0.6 million villages in the country through SHGs and Federated institutions and extensions of support for financial and social inclusions, livelihood enhancement and income generation. The program is to be implemented in a phased manner, starting with 150 districts. For 2012-13, NRLM has an outlay of Rs. 39150 million

### 6.1.3 Critical Assessment

The experience of the State in TRIPTI project has been useful for planning and implementing NRLP & NRLM. The core team at State Unit under TRIPTI continues to manage the OLM (Odisha Livelihood Mission). The Panchayat Raj Department, Govt. of Odisha continued to oversee the implementation of TRIPTI, NRLP & NRLM through OLM. The core processes which were adopted to do the situational analysis, CRM – CM, MBK, PPIF, and CIF etc. during TRIPTI projects were also followed to implement the NRLM & NRLP, with marginal refinements. A few new operational guidelines are framed, a couple of professional Resource Persons recruited / empanelled under the new HR policy and given exposure in TRIPTI blocks within the state. Some of them were even sent on exposure in AP to enhance their knowledge base.

Reportedly all existing SHGs which are 6 months old and have qualified Grade I & II tests in SGSY, are validated. These validated SHGs (Grade I) which had not availed any financial assistance under SGSY or any other scheme would be provided with revolving funds of Rs.15, 000 in a single tranche. The groups which have received grant / seed money under Mission Shakti / SC-ST Scheme / MADA / OTELP / WORLP, @ Rs.5000 will be eligible to get Rs 10,000 in one tranche. Those SHGs which had availed Rs. 10,000 under SGSY will not be eligible for any assistance or RFA under NRLM. They will be considered for Grade II test. A provision of seed capital of Rs 50,000 has been envisaged for the Grade II passed SHGs to leverage credit from banks. The scale of financial assistance under the OLM is given in **Annexure XIV**.

### 6.1.4 Strategies and Challenges in the process

Social inclusion, financial inclusion and economic inclusion are the three broad components of OLM. Under the social inclusion, identifying different categories of poor/left out households through community participation, bringing in all SHGs under OLM fold, strengthening community-based organizations, capacity-building of all participating institutions, etc. are being pursued. Under the financial inclusion, providing financial assistance like seed capital, RFA to eligible SHGs/federations, tying up with banks/CSPs, for credit linkage through placement of Bank Mitras at service area branches, etc. are being taken up. 'Panchasutra' -regular meetings, regular internal lending, and regular book-keeping and regular repayment, is being followed as a strategy for facilitating repeat finance. Revival of weak SHGs/revalidation of old SHGs is also being undertaken. Under economic inclusion, facilitating graduation of matured SHGs, support for cluster development, skill development training, etc. are included as accepted interventions.

## 6.2 Opening of opportunities for SHGs

Besides, institution building, capacity enhancement and credit facilitation and seed capital, the following opportunities have been extended to WSHGs through State Govt. departments. Firstly, Mid Day Meals (MDM) in 43753 out of 60811 schools is being managed by WSHGs. Secondly, under Public Distribution system (PDS), 7966 WSHGs have been engaged as PDS agents, primarily for retailing and sub-wholesaling

of kerosene. Thirdly, nearly 6520 tanks have been entrusted to WSHGs. Fourthly, under Shakti Gain program, 2137 WSHGs have been entrusted with LPG distribution systems. Fifthly, 2011 WSHGs are operating as Shakti Dealers for Hindustan Lever Limited (HLL) products under Shakti project. Sixthly, 627 WSHGs were engaged in implementation of total sanitation campaign. Further, large numbers of WSHGs have been participating in exhibitions inside and outside the State in exhibitions for marketing of SHG products.

### ***Key Challenge-Qualities and sustainability of SHGs***

While the State Govt. through Mission Shakti has facilitated up-scaling of SHG- Bank Linkage program and opened up opportunities and extended support services for WSHGs through diversified livelihood activities, there has been dilution of quality and sustainability of the groups due to the following two key factors.

- The target approach and unhealthy competition for Govt. benefits, external encroachments in group autonomy, etc. have diluted SHG ethos and discipline.
- The groups have been formed by Anganwadi workers of ICDS; State Govt. Lack of adequate and continued handholding support affected the solidarity and sustainability of WSHGs.

### ***Transition of NRLM***

In Odisha, the focus is getting shifted from Mission Shakti to Orissa Rural Livelihood Mission for better management and handholding of these groups. A separate structure is created to implement the program under the guidelines of NRLM, which is more comprehensive in its approach and methodology. Since NRLM envisaged adopting federation approach, social and financial inclusion, SHG-bank linkage route, the transition management through transformation of existing federations and SHGs to new regime and up scaling access to financial services assumes significance in future.

### ***SHG Federations***

Another off shoot of SHG movement is the emergence of SHG Federations as business facilitators, providing support in capacity building, conflict resolution, marketing and other support services. Some of them took the role of financial intermediation as well. In Odisha, most of the federations (about 80%) had been set up under the aegis of Mission Shakti, during 2005-2008<sup>16</sup>. The transition/transformation of these federations to NRLM modalities is the major challenge. Although the district level federations are registered under Societies Registration Act, 1860, bank finance was not flowing to them. NABARD too does not prefer financial intermediation by SHG federation; it favors for a facilitator's role for the federations.

<sup>16</sup> As per APMAS study, there were 8427 federations (8044 primary, 356 secondary and 27 tertiary) as on 31 March 2009 (as against 8293 at the end of 2011)



One of the most successful models of federation was operating in Ganjam district, with district level federation-District Mahila Sanchayika Sangh (DMAS) and 23 Block level federations (BMASS)<sup>17</sup>. These were set up in 1998 with the objective of organizing rural women into SHGs and meeting their social and financial needs through a federated structure. The bank finance has been extended to these federations. The federations have been providing the financial services consisting of mainly savings, credit and insurance to their members. They also provide periodical trainings on selected skill development, enterprise promotion and various social issues. For micro insurance, they work closely with LIC and other private service providers and channelize the services to the SHG members.

### ***Self Help Cooperatives in Odisha***

Many of the community based organizations have got registered cooperatives in Odisha. In order to promote self-managed cooperatives, the state government brought out a special statute known as 'Orissa Self Help Cooperative Society (OSHC) Act, 2001' and encouraged the client owned organizations to get registered under the Act. As on 30<sup>th</sup> November 2012, 1582 societies<sup>18</sup> were registered under the Act *ibid*, out of which 367 were credit cooperatives. The district-wise distribution of SHG Cooperative Societies in the state as on 30<sup>th</sup> September 2012 is given in **Annexure XV**.

With regard to their progress, a few of them were found to be struggling and not functional, some others performed well and even attained operational self-sufficiency over the years. To mention, Swayamshree Mahila Samabaya limited (SMSL), Cuttack, a federation of SHGs registered under OSHC Act in 2006, provides financial services to the urban poor. SBI had advanced loan of Rs. 3 million to SMSL on cash-credit basis. No other bank/Development Agency except SIDBI has sanctioned any loan to federations in Odisha. Sanginee Secondary Cooperative & Mahashakti Foundation (federation of cooperatives) in Kalahandi started playing instrumental roles in offering need based financial services for the poor women.

### ***Odisha SC & ST Development Finance Cooperation (OSFDC)***

OSFDC has been engaged in implementing various economic development programs for the benefit of SC, ST, scavengers and minorities in the State. During 2011-12, OSFDC had financed Rs. 249.6 million benefiting 23925 families, while during 2010-11 it had financed 27800 families with the financial assistance to the tune of Rs. 305.3 million. Under the Credit-Linked Family Income Generating Scheme for SCs, OSFDC pays backward subsidy of Rs.10, 000 per beneficiary limited to Rs. 1, 25,000 per group having 10 or more beneficiaries.

<sup>17</sup> As on March'2013, collectively all the above BMASSes have been able to form 22385 SHGs, mobilized the savings to the tune of Rs. 7985.78 lakhs and facilitated credit linkage for 19323 SHGs for a cumulative loan amount of Rs. 26037.93 lakhs.

<sup>18</sup> As per the statement, out of 1582 societies registered under the Act, 367 were credit cooperatives located in 12 districts, (besides 4 under RCS). The districts of Puri and Cuttack had 179 and 71 societies respectively.



### ***Odisha State Financial Corporation (OSFC)***

OSFC established in 1956 as a State Government- owned financial institution providing credit support for establishment of MSMEs in the State. Since its inception till 31<sup>st</sup> March 2012, it has sanctioned Rs.13143 million in favor of 28223 units and disbursed Rs.13066.7 million to 28216 units. During 2011-12 it had sanctioned Rs.41.1 million in favor of 8 units and disbursed Rs.8.4 million. Thus, its focus has been mostly for small and medium enterprises. The financial health of OSFC has been weak due to poor recovery performance and sickness of assisted units. With the assistance of State Government, SIDBI and IDBI, the OSFC is being revived, restructured and rejuvenated.

## 7.1 India Post – Odisha Postal Circle

Odisha Postal Circle under overall in-charge of Chief Post Master General has 3 regions- Bhubaneswar, Berhampur and Sambalpur, each one headed by a Post Master General. The postal network has 18 divisions with 8163 postal outlets [including 6969 branch offices / sub-offices].

The region-wise distribution as on 30<sup>th</sup> June 2012 is outlined in the table:

**Table 24: Postal Outlets distribution**

Sr. No.	Particulars	Bhubaneswar Region	Berhampur Region	Sambalpur Region	Total
1	All kinds of offices	3,529	2,349	2,258	8,163
2	Branch / sub branch out of 1	2,969	2,042	1,958	6,969
3	Population served per branch	6,226	4,036	4,503	5,077

The average area served by the postal network financial services is 19.07 square kilometers. There were 7583 rural post offices, serving around 4069 people per post office (12104 per office in urban area & 5240 people per post office in all areas). The postal circle has been inter alia engaged in postal life insurance services, garnering postal savings, payment of MNREG wages, enrolment of UID Aadhar members as per the details given hereunder :-

The member of SB / CC accounts opened and number of live accounts during the last 4 years are provided in table below. The Postal Circle had executed MOU with PR Department of Government of Odisha for disbursing wages to MNREGA beneficiaries. The Circle had the following number of NREG accounts during the last four years.

**Table 25: Savings/CC Accounts**

Year	Total No of Live Account except MNRGS (Million)	No of Accounts (Million)	Amt. Disbursed (Rs. Million)
2009-10	7.64	0.61	1945
2010-11	7.92	1.61	4247
2011-12	8.06	1.85	3223
2012-13 [Up to May 2012]	8.19	1.87	1637

389 officers have been facilitating involvement under Aadhar Scheme and Postal circle had covered 0.74 million persons as on 31<sup>st</sup> March 2012. 35 POs have also been involved in disbursements. Under the IT modernization project, 1184 offices have been computerized in the State, 889 have been e-enhanced, 498 IMO -enabled & 720 e-enabled. Manpower for the purpose has been suitably trained. 140 offices have been identified for CBS implementation.

The five year IT modernization project with revised outlay of Rs.4990 million has been approved by GOI in November 2012 that envisages full scale computerization with components of rural ICT network connection, allocation of required hardware, e-governance cash transfer and postal financial services. Out of 130000 POs, 25000 have already been computerized. The components of the project include Rural ICT (devises, network application), Applications (customer interaction channels, mail operation, postal banking, PLI, ERP, HRMMIS, data warehouse, IT security) & Infrastructure development (data center, network connectivity, middle ware, hardware).

### **Issues and Challenges**

- Postal Network is not integrated with Financial Inclusion notwithstanding its significant contribution for financial services including savings, insurance and remittance services.
- There has been a decline in their MO /e-MO services due to steep competitions from other financial service providers, particularly banks.
- There is no integration of Savings, insurance and remittance services as they are being taken separate operation.
- Though postal outlets were made eligible as BC under the current guidelines but not much progress has been made in this direction.
- The NABARD initiatives for involving post office for SHG linkage in a few states has been adequately replicated and expanded pending certain changes in the postal statutes.

## **7.2 Role of Various Apex Institutions**

### ***National Bank for Agriculture & Rural Development (NABARD)***

NABARD has been preparing potential credit-linkage plan annually, for each of the districts in consultation with all stakeholders, which form a reference document for banks, State Governments and development institutions. During 2012-13, besides projections for 2013-14, PLPs provides sector-wise credit projections for 12<sup>th</sup> Five Year Plan Period [2012-13 to 2016-17]. NABARD has been providing refinance to banks for supplementing the resources of cooperative banks, RRBs and CBs for meeting the credit needs of rural people for farm and non-farm activities. The purpose-wise and agency-wise refinance disbursement in the State for the last 3 years are given below

During 2012-13, [up to December 2012] the disbursements to cooperative banks and RRBs have been Rs.603.3 million and Rs.923.2 million respectively.

Table 26: Broad Sector-wise Refinance Disbursements under Investment Credit (Rs Million)

Purpose	2009-10	2010-11	2011-12
Farm sector	435.5	593.1	573.2
Agri. allied activities	143.9	187.1	91.7
Non-Farm Sector	2079.9	873.1	2317.8
Govt. sponsored programs	62.4	105.6	-
Micro finance	302.7	484.1	486.3
Total	3024.4	2243	3469

Cumulatively NABARD's refinance in the state stood at Rs.55939.8 million for farm and nonfarm activities up to 31<sup>st</sup> March 2012.

**Policy Initiatives and Perspective Planning** is also one of the most important roles played by NABARD with respect to policy exploration initiatives and providing inputs to RBI/Government. NABARD has been an important player in the State/District level for coordination and review including SLBC/DLCCs/BLBCs under various developmental programs of the State having bearing on access to financial services. It has been entrusted with nodal responsibilities for several GOI- sponsored programs including special package for development of handloom weavers, interest subvention scheme, etc.

#### **Small Industries Development Bank of India (SIDBI)**

As a proactive measure of *financial inclusion in the state of Odisha*, SIDBI has taken several initiatives to ensure the flow of mF assistance to the poor. These include identification and development of local MFIs, inducing larger MFIs to operate directly or through franchisees in the state, supporting for capacity building support to the new/small MFIs of Odisha to enable them for institutional lending from Banks.

*20-NGOs/MFIs have so far been assisted with cumulative loan assistance of more than Rs 55000 million under the Micro Credit Scheme in the State benefiting around 2 million beneficiaries, mostly women.* Besides, Rs. 9.75 crore of assistance in the form of Equity/Quasi Equity has also been extended to MFIs based out of Odisha under the India Microfinance Equity Fund. For capacity building exercise of Odisha MFIs, loan assistance amounting to Rs. 9 crore for on-lending to clients and grant assistance to the tune of Rs. 1.05 crore have been provided under the **Poorest States Inclusive Growth (PSIG)** program. In addition to loan assistance, cumulative grant of Rs 26 million has also been extended for addressing the capacity building needs of the MFIs in the state<sup>19</sup>.

#### **Rastriya Mahilakosh (RMK)**

With a current corpus of Rs. 3100 crore, RMK provides loans to NGOs which lend to SHGs. Organization like Women Development Corporation, Women Cooperatives

<sup>19</sup> The said assistance covers the entire State including the backward districts of Koraput, Bolangir, Kalahandi and the minority district of Gajapati. The activities that have been covered under SIDBI's assistance include bamboo craft, weaving, tailoring, handlooms & handicrafts, petty trade, appliqué work, stone carving, rice processing, repairing shops to name a few.

and Welfare Boards/agencies, Nonprofit companies registered under Section 25 of Companies Act and other such agencies engaged in the socio- economic development of women at the grass root level are also eligible for RMK loans. RMK also organizes awareness and capacity building programs to nurture the assisted intermediary micro financing organizations (IMO) covering their field functionaries, SHG leaders and women beneficiaries. Under the Resource Centre Scheme (RCS), it has identified reputed institutions, Government Organizations/NGOs/academic institutions for specific vocational training and skill development of SHG members/group leaders and implementing agencies. Under the Nodal Agency Schemes and Franchise schemes, it promotes micro finance through NGOs, IMOs and SHGs model. Its assistance comes in the form of loans, refinance, revolving fund, credit cards for income generating activities, asset creation etc. The support schemes of RMK include main loan schemes, composite loan schemes, loan procession schemes, gold, credit card schemes, franchise schemes etc.

As on 31<sup>st</sup> March 2012, the cumulatively progress under RMK's assistance in Odisha vis-a-vis all India and other states was as under:

*Table 27: RMK Assistance- Comparative Position (Rs. Millions)*

Region	Amt. Sanctioned	Amt. Disbursed	No of New NGOs	Number of	
				SHGs	Women Beneficiaries
Odisha	187.2	176.24	126	3537	35368
All India	3273.7	2681.28	1486	70569	705694
AP	985.08	844.62	379	23031	230313
Tamil Nadu	733.13	590.45	268	15400	164002

(Source: [www.rmkn.in](http://www.rmkn.in) & RMK Annual Report)

### 7.3 Ongoing External Aided Projects

For improving the livelihood of vulnerable communities, several schemes have been implemented with active support from international donor agencies which included World Bank, DFID, IFAD, GIZ, UNDP, JICA, ADB, etc. Some of the important projects financed in the State are outlined in the following paragraphs.

#### ***Rural Initiative for Poverty Termination and Infrastructure (TRIPTI) – World Bank.***

TRIPTI, the rural livelihood project is being implemented by the Odisha Livelihood Mission under Panchayati Raj Department, Government of Odisha [earlier Odisha Rural Livelihood Mission] w.e.f. March 2009, with the assistance of World Bank. The project covers the livelihoods of rural poor households of ten coastal districts covering 1020 Gram Panchayats in 38 blocks. The project has 3 major components viz. building community owned institutions, access to micro finance by the community and promoting sustainable livelihood options among rural communities. The project aims to form and work with 30,000 SHGs and strengthening 1020 GP level Federations & 38 Block Level Federations. By 30<sup>th</sup> September 2012, 16823 [56.07% of targeted] new SHGs

have been formed and the project interventions cover 61184 SHGs [including 44311 existing SHGs] benefitting 715011 persons. So far, 6487 Cluster Level Forums [CLF] @ 6-7 SHGs on an average have been formed including 49240 SHGs [both the existing and new ones], 428 CLFs formed. Earlier GPLFs were formed by Mission Shakti with direct representation from the SHGs. With the formation of CLFs under TRIPTI, the GPLFs were to be restructured while taking representations from the CLFs. Project cost of Rs.4000 million is apportioned to Community Investment Fund [54%], Livelihood Promotion Fund [19%], Institution Building (21%) and Project Management (6%).

### ***Odisha Tribal Empowerment & Livelihood Program (OTELP) supported by IFAD, DFID & WFP***

This external aided project was launched in 2003-04 with Odisha SC & ST Development Corporation, Government of Odisha as the nodal implementing agency. The objective was to provide the tribal with the greater control and access to natural and other resources, the skills and capacity to use them productively; which yielded high ratings by the Joint Review Mission [JRM] in August 2012. The project has been implemented since 2004-2005 with financial / technical assistance from DFID, IFAD and World Food Program [WFP] in 30 tribal blocks of seven tribal dominated districts in a phased manner [\* Koraput, Malkangiri, Raygada, Nabarangpur, Gajapati, Kandhamal and Kalahandi districts]. The scheme has covered 255661 beneficiaries including 127929 men & 127682 women. 4372 SHGs have been mobilized in the targeted project areas. The SHGs have saved over Rs 1000 million and received bank loan of Rs.74 million for micro economic activities. The OTELP plus has been planned for implementation in all left out blocks of the districts. In the meanwhile, the OTELP plus has been launched in four different ITDAs in Koraput district. It is envisaged to implement the project during the next 7 years with estimated cost of Rs. 550 million.

### ***WORLP (Western Odisha Rural Livelihood Project)***

The DFID- assisted project was implemented in four districts – Baragarh, Bolangir, Kalahandi and Nuapada in the Western Odisha. The joint initiatives of DFID & Odisha Watershed Development Mission had commenced in October 2001 with key objectives of providing better access to and management of natural resources, improved access to financial services, markets and development of non-farm activities. The program offered wide range of options to meet diverse needs of the poor including wage employment, micro finance services, short term and medium term investment in agriculture and agri.-allied activities as well as flexible fund for creating community infrastructure. It has been focusing on capacity building of the poor and their institutions, so that the vulnerable groups, particularly women can plan their own development and negotiate improved entitlements.

## 8.1 Incidence of Urban Poverty

The Rate of urbanization in Odisha has been slow. Major cities of Odisha are Bhubaneswar, Cuttack, Rourkela and Berhampur with a population of more than 0.5 million. Other towns with more than 0.1 million population are Puri, Sambalpur, Balasore, Baripada and Bhadrakh. The state does not have any city with population more than 1 million.

As per Planning Commission estimate: 2009-10 (under Tendulkar Methodology), in Odisha, 25.9% of BPL are urban (39.2% rural), with 17.7 million persons (13.55 million rural) as on 31<sup>st</sup> March 2010. At the national level, the % of urban poor was 20.9% of the total, comprising 76.47 million persons as on 31<sup>st</sup> March 2010. Planning Commission had fixed poverty line @Rs. 26 per day in rural area and Rs. 32/- per day for urban area.

## 8.2 Access to Finance

### *Urban Poor*

Urban poor generally covers low income households who migrate from the rural areas in search of better income and employment. They include rickshaw pullers, street vendors/hawkers, slum dwellers, informal workers, domestic servants, etc. Due to lack of financial literacy, they keep their savings at home or prefer to participate in the schemes of informal agencies like chit funds. As already discussed in the context of micro remittance services, such people mostly face problem while opening the bank accounts due to KYC norms.

### *Producers Organizations (POs)*

Producers Organizations are one form of organization that enables farmers to organize themselves as collectives and move up the value chain by ownership and operation of their own processing units and sometimes extend the chain up to retail level. In the diary sector, the approach has been successful. A dedicated entitled Producer' Organizations Development Fund (PODF) has been set up in NABARD for providing loan-cum-grant to any registered producers organizations. In Odisha, PACS have been identified as POs and financial support has been sanctioned for converting them as Multi-Service Society. NABARD has sanctioned term loan and grant to the tune of Rs. 7 million to PACS in 3 districts viz. Cuttack, Balasore and Keonjhar for procurement of farm machineries. Union Budget envisages equity grant to registered FPOs up to Rs. 0.1 million to enable them to leverage working capital from financial institutions. Further, it also provides for a Credit Guarantee Fund in the Small Farmers' Agri-business Corporation (SFAC).

### *Clusters Development Approach*

International agencies like UNIDO, ILO and also Government of India and State Government Departments have introduced sector-specific schemes. Developmental and financial agencies like SIDBI, NABARD, SBI, KVIC, Rural Non-Farm Development



Agencies (RUDA), Confederation of Indian Industry (CII) and IL&FS have been involved in cluster promotion. The GOI had introduced the National Program on Rural Industrialization (NPRI), under which 100 rural clusters were to be developed every year starting 1999-2000. NABARD has supported 120 clusters (100 of them for handlooms and handicrafts) across 110 districts in 22 states as on 31<sup>st</sup> March 2012. Thus, by virtue of various initiatives, clusters have been developed in the country under 3 broad categories- high tech clusters (IT, IT- enabled services, etc.), traditional manufacturing clusters and low technology-based poverty- intensive microenterprises.

### ***Micro Housing***

To facilitate the poor, particularly weaker sections and low income groups, in availing affordable housing in urban and rural areas, Centre and State Governments have created policy framework and institutional arrangements. At the national level, National Urban Housing and Habitat Policy (NUHHP) and supportive schemes of apex institutions like National Housing Bank, LIC and HUDCO are operational. Besides these, Credit Risk Guarantee Fund for Low income Housing and RBI's priority sector advances including housing for low income people are some of the positive steps for access to finance under housing initiatives. At the state level, State Government's notified policy and scheme for affordable houses for addressing demand-supply side (notification of 31<sup>st</sup> August 2012) and housing schemes of State Housing Board, Odisha Rural Housing Development Corporation, coupled with institutional finance through the State Cooperative Housing Finance Corporation, have been some of the initiatives in facilitating low cost housing for the poor in Odisha. The progress under subsidy oriented Govt. sponsored schemes like Indira Awas Yojana, Integrated Tribal Development Agency (ITDA) housing scheme is being reviewed in SLBC. However, the quality and sustainability of such houses continue to be the challenge.

### ***Kshetriya Gramin Financial Services [KGFS]***

The KGFS model is promoted by IFMR Trust with the mission of ensuring access of financial services for every individual and every enterprise. The KGFS serves at Thanjavur districts of Tamil Nadu, five hilly districts of Uttarkhand and Ganjam and Khurdha districts of Odisha. It is an innovative branch-based model, encompassing three basic operating principles – geographic focus, wealth management approach and provision of wide range of financial services. It's Plan–Grow– Protection–Diversify [PGPD] approach that integrates into a wealth management framework, intends to take care of the holistic view of the financial needs of households of KGFS units, which in turn, offer a basket of products to customers including credit, insurance, savings and remittance. Dhanei KGFS has been working in remote rural areas of Ganjam and Khurdha districts. KGFS has been deploying a mix of high end IT solutions which have been helpful in ensuring business automation, reduction of time for staff service and easy access to customer data. They have been pursuing a customer focus approach and principles in their operations. Under the model, a branch is expected to achieve operational efficiency in around 8 months and break even in 14 months. The desirability of replicating this innovative delivery channel can be judged and considered after proper evaluation.



## VISION

After having discussed the various issues, constraints, potentials, possibilities and strategies of access to finance in the State, it would be relevant and useful to define vision, determine contours of broad plan and chalk out the way forward to realize the vision within 2016-17. The meaning and scope of access to finance has been elaborately discussed in the First Chapter. In that perspective, vision for Access to Finance can be defined as under:

*“A Vision to ensure access to demand – based Financial Services to all low-income people in the State of Odisha, for their livelihood enrichment, improved quality of life and overall empowerment”.*

### 9.1 Limitations of Finance Inclusion Plan

There is no practice among the participating institutions to prepare long term plan and, most of the institutions including Government Departments take recourse to annual plan exercise.

The Financial Inclusion Plan as envisaged by GOI/RBI does not include MFIs, Postal Services, PACS or SHG Federations, other than the formal financial institutions (CBs and RRBs only); notwithstanding their potential in delivering financial services to low income people in the remote areas. Of course, some of these institutions as BC come under the purview of financial inclusion as a sort supporting and supplementing the service providers.

There are considerable inconsistencies, gaps and duplicities in the data-base of several stakeholders. Instances of multiple lending, ghost borrowers and non-existent SHGs do exist in the micro finance / SHG segment. The extent of such distortions has not been properly measured.

There is no borrower-wise disaggregated data with regard to membership of SHGs, KCCs, no frill/BSBDA accounts, postal deposits, insurance policies, etc., to determine the number and quality of financial services a person has access to. The imminent role of Credit Bureau in the above mentioned segments barely exists.

### 9.2 Coverage under the Vision Plan for Access to Finance -2017(Building the Projections)

Projections have been made on the basis of suggestions made in the stakeholder consultations and field visits, and drawn from the data and information given in the following key documents: Census of India 2011, Population projections by the technical group of the Census of India 2011, Progress Out of Poverty Report, NABARD Microfinance Status Reports 2011 and 2012, NABARD Focus Paper 2013, Microfinance

State of the Sector Report 2012 by Access Development Services, Odisha State Rural Livelihoods Mission plans, Post Office action plan for insurance and the State level Bankers Committee Report.

The projection is built step by step as follows:

### Step 1: Number of low income households

The total population of the State is taken from 2011 Census i.e. 41.97 Million of which 34.97 million is rural and 7 million is urban, population is projected to grow by annual growth rate of 1.4% in the State till 2017<sup>20</sup>. The average house hold size is 4.5 in Odisha; hence the number of households has been calculated accordingly.

**Table 28: Population of Odisha (Census 2011)**

Population	41974218	Household	12759133
Rural	34970562	Rural	10554975
Urban	7003656	Urban	2204158

According to the NSSO 66th round data presented under Tendulkar methodology, in Odisha, 45.1% household in rural area and 20.1% household in urban areas are estimated to be poor. However, stakeholders cautioned, during the consultations, that this was not a realistic estimate, with poverty levels in Odisha being much higher, both in rural and urban areas. Accordingly, the data presented by Progress Out of Poverty Report \$ 2.16 line is considered for estimation of low income household, that pegs 91.7% house hold in rural areas, and 49.2% house hold in urban areas as below \$2.16 line and considered as low income households.

The number of low-income households projected in Odisha, from 2013 to 2017, is given the following table:

**Table 29: No. of Low income Households Projected in Odisha**

	2012	2013	2014	2015	2016	2017
<b>No. of low income households (# millions)</b>	7.89	8.00	8.11	8.23	8.34	8.46
Rural	7.13	7.23	7.33	7.43	7.53	7.64
Urban	0.77	0.78	0.79	0.80	0.81	0.82

### Step 2: Estimating Gap in Access to Financial Services

The next step was to calculate how many low income households have access to financial services through different channels and when the financial outreach will be achieved. The assumptions for this calculation were as follows:

<sup>20</sup> Population is projected to decadal growth rate as per census 2011 of 14%.

# Summation of 91.7% house hold in rural area and 49.2% household in urban area.

- Around 0.54 million SHGs, reaching 7.02 million households exists in Odisha. Of these, the assumption is that 80% are low-income households (as government/NRLM guidelines allow up to 20% members to be non-poor). This gives 5.62 million low income households that have access to financial services through SHGs.
- Next assumption was that the above numbers of SHGs have an overlap of about 30% with No Frills Accounts, and other service channels discussed in consultative meetings; this reduced the number to 3.93 million.
- The feedback from stakeholders was that sizeable numbers of groups, for about 40% were considered inactive. This gives us a figure of 2.36 million low income households in Odisha, having outreach of financial services through SHGs.
- The number of clients served by 27 MFIs, as available from their websites was 1.69 million. Of these, 80% are considered low income households, taking the figure of those who have been financially included through MFIs to 1.35 million. The overlap of these households with NFAs is considered to be about 50%, as MFIs have been helping them to open NFAs (many MFIs also act as BCs). This yields a figure of about 0.68 million exclusive clients having outreach only through MFIs.
- The households' having outreach through NFAs and individual accounts under FI are reported to be 6.77 million. Of these, 80% are considered low income group i.e. 5.41 million. As discussed about 50% of NFA overlaps due to several mission and activities which results in about 2.7 million NFA. Further, only 50% of the NFAs are assumed to be active. This yields 1.35 million households having outreach through active individual accounts in banks.
- The total number of low income households in Odisha, achieving outreach through different channels, was 4.38 million in 2012.
- Given that the total number of low income households is 7.89 million in 2012, the number of financially excluded households is estimated to be 3.5 million, which shows financial inclusion of 56% in low income households.

The projections have been made on the basis of following assumptions, as discussed in the consultative meeting:

- The number of active members in SHGs would grow at 10% annually till 2017.
- The clients of MFIs would grow at 10% from 2012 to 2013, and thereafter up to 2017, at 15% per annum.
- Active NFAs would grow at 25% in 2013, 15% in 2014 as well as in 2015, and then at 10% till 2017.

Table 30: Low Income Households Access to Financial Services (Numbers in millions)

	2012	2013	2014	2015	2016	2017
<b>Total Low income households</b>	7.89	8.00	8.11	8.23	8.34	8.46
<b>No. of low income households access to financial services through different channels</b>						
SHGs (NGOs, coops, banks, MFIs)	2.36	2.59	2.85	3.14	3.45	3.80
MFIs	0.68	0.74	0.86	0.98	1.13	1.30
Banks (NFAs)	1.35	1.69	1.95	2.24	2.46	2.71
<b>Total low income households covered through financial services</b>	4.39	5.03	5.66	6.36	7.05	7.81
<b>Gap - no of financially excluded households</b>	3.50	2.97	2.46	1.87	1.30	0.65
<b>% of financially included households</b>	56	63	70	77	84	92
<b>% of financially excluded households</b>	44	37	30	23	16	8

The table starts with the number of low income households projected for the next 5 years, being 7.89 million households in 2012, reaching 8.46 million households in 2017. The calculation of outreach through each channel shows that in 2012, 44% households did not have access to financial services.

### Step 3: Credit Demand according to Category of Households

The assumptions made for projecting demand are as follows:

- About 48% of the low income households are assumed to be in the income range of \$ 1 and 2 where 52% of them are estimated to be in the range of earnings of less than \$ 1 per day<sup>21</sup>.
- In the income category of less than \$1, about 40% of the households are expected to take loans in the first year, 2013. Given that, efforts for financial inclusion, awareness and financial literacy will increase over the years, the number of households taking loans is expected to increase at 5% every year, reaching 60% by 2017.
- In the income category of \$1 – 2 per person per day, about 50% of the households are expected to take loans in the first year, 2013. Given that inclusion, awareness and financial literacy interventions will increase over the years, the number of households taking loans is expected to grow at 5% every year, reaching 70% by 2017. The same percentages are applied for both the income ranges.
- It is assumed that households in income category of less than \$1 range would

<sup>21</sup> A study of the Progress Out of Poverty Index shows that 41% of the households in Odisha earn less than \$ 1.08 per person per day. 43% of the households fall in the income range of \$ 1.08 and \$ 2.16, with 16% in the range of over \$ 2.1. This is inconsistent with the overall figures given for poverty in Odisha, at 45.1% for rural and 20.1% for urban areas. Correcting for the errors, the assumption taken for projections, is that 48% of the households lie in the income range below \$1 and another 52% in the income range from \$ 1 to 2.

take an average loan of Rs. 7000 per household. These levels were taken at 2012, and the average loan amounts are assumed to grow by 10% every year.

- It is assumed that households in the income range of \$ 1-2 will take average loans of Rs. 14,000 per household, in 2012. The average loan amount would increase by 10% annually.

#### Step 4: Projecting the Credit Demand

Based on the above assumptions, the credit demand in the next five years, among low income households in Odisha, is estimated in the following table:

**Table 31: Credit Demand of low income households in Odisha (in millions)**

Income Category of low income Households	Indicators	2012	2013	2014	2015	2016	2017
		No. of Low income households	7.89	8.00	8.11	8.23	8.34
Households having income of <1\$	Households with <1\$ (48% HHs)	3.79	3.84	3.89	3.95	4.00	4.06
	% of HH take loan	1.52	1.54	1.75	1.97	2.20	2.44
	Loan amount (Rs million)	10,606.79	11,830.55	14,845.27	18,398.24	22,573.54	27,467.48
Households having income of 1-2\$	Households with 1-2 \$ (52% of the HHs)	4.10	4.16	4.22	4.28	4.34	4.40
	% of HH taken loan	2.05	2.08	2.32	2.57	2.82	3.08
	Loan amount (Rs million)	28,726.72	32,041.08	39,312.48	47,835.43	57,801.94	69,431.69
	<b>TOTAL Loan amount (Rs million)</b>	<b>39,333.51</b>	<b>43,871.63</b>	<b>54,157.75</b>	<b>66,233.67</b>	<b>80,375.48</b>	<b>96,899.17</b>

The Table shows a demand level of Rs 39,333.51 million in 2012, at baseline. This demand is likely to increase to Rs. 96,899.17 million by 2017.

#### Projections of Credit Supply

Assumptions were built in step by step to project the credit supply to low income households in Odisha which are as follows:

#### Credit Supply through SHGs:

- The credit estimation for SHGs includes all types of SHPIs: NGOs, Cooperatives, MFIs and banks.
- The total number of SHGs in Odisha is 0.54 million and is estimated to grow at 10 % per annum.
- The rate of growth of group borrowing from banks was 9.23% in 2011-12. It is estimated that the number of groups that would get loans from banks will

increase by 11% in 2013, given that NRLM is still taking root. In 2014 and 2015, 15% of the SHGs are estimated to get loans. In 2016 and 2017, banks are expected to extend loans to 20% of the groups formed; however the figure might go up with assessment of the groups by banks likely to increase in the following months.

- The average size of a group in Odisha, estimated on the basis of NABARD data, is 14 members. The average loan per member is Rs 11,000 in 2013, subsequently Rs 12,000 in 2016 and 2017 respectively.

### Credit through MFIs

- Based on Sa-Dhan data for the year 2013, there are about 22 MFIs functioning in Odisha; there are around 1 million borrowers and loan portfolio of Rs.6320 million.
- It is projected that number of borrowers will increase by 10% in 2013 and there will be a subsequent yearly increase of 15% till 2017.
- Size of loan amount per borrower is projected to grow by 10% in 2013 and 2014. Thereafter, it will escalate to 15% in 2015 and 2016 and to 20% in 2017.

### Credit through Other Channels

Post Offices which are the key to the Financial Inclusion (FI) agenda were kept out of the purview of current FI interventions. Besides loans against NSCs are not considered here as this is likely to be an emergency support and not credit for livelihoods.

**Table 32: Credit Supply Estimation through different Delivery Channels (In Million)**

Sl. No	Channels	2012	2013	2014	2015	2016	2017
1	SHPIs/SHGs (NGOs, coops, banks, MFIs)- No. of groups	0.54	0.59	0.68	0.79	0.90	1.04
	No. of groups borrowed	0.05	0.07	0.10	0.12	0.18	0.21
	No. of households borrowed	0.50	0.65	1.02	1.18	1.81	2.08
	Loan amount borrowed (Rs Million)	5409	7188	12296	14141	23489	27013
2	MFIs						
	No. of households borrowed	1.69	1.86	2.05	2.35	2.71	3.11
	Loan amount borrowed (Rs Million)	9529	11530	13952	18452	24403	33676
3	<b>Total credit</b> (Rs. Million)	<b>14939</b>	<b>18718</b>	<b>26248</b>	<b>32593</b>	<b>47892</b>	<b>60689</b>

### Estimating the Credit Gap

An estimate of credit supply to meet the demand and supply gap has been calculated as shown in the following table:

**Table 33: Demand and Supply Gap (in Rs. Million)**

	2013	2014	2015	2016	2017
Total loan demand	56,852	66,589	77,148	88,558	100,849
Total credit supply	18,719	26,249	32,593	47,892	60,689
<b>Demand-Supply Gap</b>	<b>38,134</b>	<b>40,340</b>	<b>44,555</b>	<b>40,665</b>	<b>40,160</b>
<b>%Demand-Supply Gap</b>	<b>67.07</b>	<b>60.58</b>	<b>57.75</b>	<b>45.92</b>	<b>39.82</b>

### 9.3 Vision for access to finance for Agriculture Sector

The State Focus Paper of NABARD highlighted overall credit potential of Rs. 326487.8 million for priority sector in the state for the period 2013-14, with agriculture and allied sector constituting Rs. 166589.9 million. The share of weaker sections and women which were 21.12% and 11.80% respectively as on 31<sup>st</sup> March 2010 increased to 29.50% and 28.52% of total priority sector advances respectively on 30<sup>th</sup> September 2012. So, the segments have potential of Rs.97946.34 million @ 30% each during 2013-14. Further, during 2016-17, the SFP projects would have credit potential of Rs.671244.9 million for crop loans and Rs.240396.60 million for allied activities. Assuming 35% for weaker sections and women, they would share Rs 628159.86 million during 2016-17 out of total PSA of Rs. 1794742.4 million. As discussed earlier, separate disaggregated data on number of agricultural loan accounts are not generated and reviewed. However, in view of large stake of CCS in crop loan (almost two third) in the state, through KCC mechanism, preponderance of small and marginal agricultural land holdings(91.85%), large farmer HHs (5.5 m), we can assume significant coverage of small and marginal farmers in institutional credit in the state. Considering the focus of Planning Commission, GOI and State Government on agriculture during 12<sup>th</sup> Plan period and also that various initiatives for addressing structural issues in agriculture under way, it is expected that there would be significant access to financial services for small and marginal farmers by 2017.

In view of continuing priority sector guidelines, GOI interest subvention & State Government interest subsidy schemes being opened up for all banks, funding from banks for financing agriculture would be available. Various potential subsectors as reflected in PLPs of districts can provide guidance.

### 9.4 Vision Plan for Micro Insurance

The outreach per year under Micro insurance schemes had been very nominal (0.1 million). However, under insurance-linked social security schemes/health insurance schemes like AABY, Janashree Bima Yojana and Rastriya Swasthya Bima Yojana (RSBY), there has been comparatively better progress in the concerned area. GOI's policy directives, as announced in Union Budget 2013-14, such as opening of insurance offices in every town with more than 10000 population, banks to act as insurance brokers, BCs to be permitted to sell micro insurance, offering group insurance products to an expanded list of groups, expanding coverage of RSBY, convergence of all GOI- sponsored insurance- linked social security schemes and amendment of insurance laws will lead to substantial positive growth in micro insurance sector. Growth projection suggested is as under:



**Table 34: Micro Insurance Plan**

Sl. No.	Particulars	Present Position	Outreach in 2017
1	Micro Insurance	0.1 million	1.0 million
			[Cumulatively LIC had 0.196 m from 2008-09, which constitute 80%]
2	JBY	0.519m	4.0 million
		[0.870 million cumulatively] from 2008-09]	
3	O-AABY	0.2m	2.0 million
4	RSBY	3.23m	8.0 million *
	* Assuming total BPL would be over 8 million by 2017		

RSBY has been able to reach out a large base of BPL families, through use of biometric cards, ensuring identification of beneficiaries and thereby causing the benefits to reach the intended recipients. It is essential to have necessary coordination between the banks and insurance companies, also between RBI and IRDA, considering the fact that banks are being involved in distribution of micro insurance services. The Vision Plan 2022 of LIC envisages one insurance policy per pocket/individual, though it does not spell out micro insurance, it can be assumed that all people including low income individuals will have insurance by 2022. IRDA might consider stipulating certain % of Insurance company's total insurance services for delivery of micro insurance services as done by RBI towards agriculture/weaker sections/ women in relation to priority sector advances.

### 9.5 Vision Plan for Micro Remittance

In the absence of any correct and consolidated data on existing micro remittance business in the state, it may be difficult to place any benchmark in terms of number and amount. However, the following interventions should be part of vision plan

**Table 35: Micro Remittance Vision Plan**

Sl. No.	Nature of Activity	Present Position	Plan by 2017
1	CBS in CCS and connectivity	CCS not computerized/connected : CBS yet to be in place in 3 tiers-	Full participation of CCS in payment/settlement system on completion of CBS in all tiers.
2	Banks/ BCs taking up remittance	BCs not taking remittance as business proposition along with savings and credit in integrated manner	Smooth & fast transfer of remittance for low income people, especially migrant families -becomes part of FIP parameters.
3	Exploring various convenient options :	People line up in bank counters involving travel and long waiting hours.	Putting in place innovative processes for smooth delivery of remittance; branches for sending/receiving money at door steps; SHGs, PACS as BC for cost-effectiveness, speed & convenience-Pilot testing in every district in first two years.



Sensitization programs for bank officials for reorienting their approach and perception towards migrants should be organized by banks and development agencies. The Vision is to make remittance a business proposition and convert migrants as perspective business clients.

**Postal Services:**

Postal services have enormous network and been undertaking huge financial services with their 8163 branch offices, which is shown in the following table:

Table 36: Postal Services Plan

Sr. No.	Type of Services	Present Services 2012-13: Number Amount	Future Possibility by 2017
1	Insurance : PLI	172,630- Rs. 673.71 million	Both the schemes can reach 1.2 m Persons
2	Rural PLI	783,226- Rs. 902.01 million	Policies together can fetch premium @ 20% rise can reach Rs1010.9m
3	Saving Accounts	80,56,569- Rs131.1 million@ Rs 151.00 per Account	1.0 million account@ Rs175.00 per account
4	BPL Accounts	0.43 m A/c of Rs 0.52 m( 2011-12)	
5	MNERG Ac- counts	1,875,376-Rs2549.7 million	

The postal authorities are participating in remittance, insurance and saving services significantly. However, there is no segregated data, except BPL/NAREGA accounts, on number of low income people who take recourse to PLIs, savings and remittance services. The SB accounts are mostly zero balance NFAs. Accounts related to payments under Government schemes are, however, dedicated to poor. There is no linkage between savings, remittance and insurance transactions within Postal Services. Further, there is no linkage between the financial services extended by banks and MFIs with the services provided by postal authorities.

Vision Plan envisages initiation of steps for establishing these intra and inter-institutional linkages. IT automation/CBS implantation/e-governance plan, called India Post 2012, are likely to bring in substantial expansion in providing financial services by 2017. The Postman, who enjoys the trust of people, would emerge as an effective BC, providing the last mile link.

The following strategies will enable and support realization of the vision of total and comprehensive Financial Inclusion in the state:

### Area-Specific Interventions

The focus on KBK region, LWE affected districts, dry lands and tribal areas should continue to be in the developmental initiatives of the State Government, GOI and the apex agencies. Forest-based livelihood programs, improvement in CD ratio, formation of SHGs / JLGs, deployment of BCs coupled with incentive mechanism for grass root level organizations in these difficult regions, need to be given added focus.

### Access to Finance for Different Clusters / Communities/areas:

Access to finance for different traditional crafts e.g. hand looms, handicrafts and artisans can be addressed through a clustered approach. A few clusters can be rolled out in each district based on skills as identified by skill gap study by NSDC. Various segments of urban poor- street vendors, hawkers, rickshaw-poolers, slum dwellers, scavengers, migrants, contract labour, domestic servants, etc. can be formed into JLGs in urban areas to provide access to finance. Pilot schemes can be implemented in major cities like Bhubaneswar, Cuttack, Berhampur and Rourkela for financing these categories of low income people. Housing Schemes for low income people in small towns through cooperative model or Gram Vikash model, with an embedded livelihood component can be tried in 10 identified towns. Access to 1 million urban poor can be set as the benchmark through meaningful financial services.

### Access to finance through Livelihood Programs:

Among all livelihood programs in the state, NRLM would be the major program facilitating access to finance in the whole state by 2017. As per the transitory report till December 2012, intensive blocks of 13 districts (28 blocks in NRLP, 50 blocks in NRLM, and 10 resource blocks), various interventions were underway. Thus, intensive strategies have commenced in 1020 GPs. It is reported that 1.25 million POP, poor & non-poor have been identified. Total 0.74 million (0.072 POP, 0.67m poor and 0.52m Non- poor) target groups have been mobilized in SHGs. 63,466 SHGs have been identified as functioning in intensive blocks and 44900 SHGs have been brought under the Mission. Formation of SHG Federations, deployment of Cluster Resource Persons(CRP), Book-Keepers and Bank Mitras, linkage with banks/CSPs, opening of Banking Kiosks at all GPLF levels, help desks for SHGs envisaged will increase access to finance in all blocks by 2017. The World Bank assisted TRIPTI will continue to be implemented in the state. Budgeted funds from GOI and State Government will continue flow in for OLM. Since funding is not an issue, Vision Plan is to include evolving strategies for convergence between NRLM and SHG-BLP, federations of various forms/origins and for replication of best practices on the ground.

## Institution-building and innovations

Innovation is the key to addressing the diversities of low income people in different regions, communities, age groups and occupations. Systematic approach of successful institutional models and practices after considering the impact studies should be included in the vision plan so as to ensure quality and suitability of financial access. These could include KGFS model, Producers Cooperatives, DMASS type of federations, to name a few.

## Studies, research, documentation & dissemination

Empirical studies, exploratory studies, impact studies, pilots, surveys, etc. would be necessary to support various initiatives under the vision plan. The status and state of affairs of money lenders, chit funds and other informal agencies should be studied and necessary safeguards to be laid down.

## ICT Technology Adoption:

It is visualized that there would be over 7000 ATMs (including WLA, standalone) in the state by 2017, covering all GPs. EBT system launched in all 30 districts, will facilitate popularization of e-banking. Now, e-payment constitutes 40% of total payment interventions, which should be increased to 80% by 2017. Direct Benefit Transfer Scheme is envisaged to be introduced in 4 districts of Puri, Cuttack, Bolangir and Sonepur from July 2013. We can envision having direct benefit transfer introduced/stabilized in all districts under all schemes of Govt. by 2017. RBI had framed IT vision-2015 for banks, which states CBS will be in place in all banks including CCS and postal branches. The State Government has made budget provision for CCS whereas the Centre has rolled out for Postal Circle. Besides CBS, development of IT tools, risk-management architecture in banks/financial institutions, digitized MIS, IT-based Offsite Surveillance System (OSS) at regulators' level, risk-based supervision/audit, supervision plus approach for regulators, greater use of electronic media, should be part of vision plan.

## Financial Literacy

Financial literacy campaign is relevant for SHG members, MFI clients, members of PACS, other low income people, which constitute around 15 million people. All SHG federations, State Government agencies implementing livelihood programs, OLM organizational structure, FLCs, RSETIs, Farmers Clubs and other SHPIs, BCs, MFIs are potential organizations and can be roped in for implementing this campaign. It is possible to have wide coverage through a common capsule program under the aegis of OLM. Most of the institutions are *suo motto* doing their product promotion programs. These programs need to be converted to product-neutral basic financial awareness programs. The target is to cover 8 million low income people in 4 years (assuming 7 million people already covered over the years). A state level dedicated Financial Education Fund, (with contribution from State Government, Banks, OLM, SIDBI, NABARD, donor agencies, besides CSR wings of corporate) and a state level independent professionally managed

entity to manage the fund and intervention, can possibly help in translating this vision to reality.

## **Training and capacity building**

The training and capacity building of participating stakeholders need to be given sharper focus in all the interventions/programs. Training need assessment, development of training modules, training material and tools, trainers' training, etc need to be accompanied with all training efforts. Recently set up OSCERT should be strengthened to add value to training interventions in CCS. The need for State-level training institutions of excellence for MF sector, financial literacy, Livelihood Promotion, Leadership training, etc is vital. The expected trainees include 10000 officers of 3500 branches of banks, 2700 PACS Secretaries, 50000 BCs, 5000 officials of 30 MFIs/ 100 SHPIs besides other developmental agencies – nearly 0.2 million personnel. Institution-building for sustained and systematic training for various categories of trainable should be a part of Vision Plan.

## **Role Delineation**

In carrying forward the Vision in all its dimensions, it would be expedient, if all stakeholders make concerted effort with a convergence approach. The interventions encompass policy initiatives, operational strategies, financial assistance, service provisions, extension, supervision, etc. The State Government, RBI, NABARD, SIDBI, SLBC convener, IRDA, PFDRA, etc., have critical role in policy explorations and sustaining congenial policy environment. The banks, MFIs and other financial institutions have critical role in delivery of financial services in an adequate and timely way. Again, they have also credit plus roles to make financial services qualitative and effective. Further, service providing institutions and intermediaries like BCs & BFIs, NGOs, and several collectives at the grass root levels like PACS, Producers' Co-operatives, and Farmers Clubs have important role in ensuring outreach of financial services for the last mile. While each has to have demarcated legitimate role and responsibility, all should function in synergy so as to meet the needs of low income people.

## **Financial Resources**

The availability of financial resources with the delivery institutions is another critical factor for access to financial services. Refinance from NABARD, both direct finance and refinance from SIDBI, finance from Commercial Banks, budgetary support of GoI and State Government, financial assistance from RMK and RGVN, and above all, donor agencies like World Bank, DFID, GIZ and IFAD for financial resources coupled with their promotional and technical assistance are all major resources for delivery institutions. Given their commitment for low income segment of Odisha, resources would not be a constraint for translating the vision. Apart from these sources, private equity funding/venture finance agencies are also looking for opportunities to make investments in the region. The Challenge Fund under the aegis of PSIG, CGTMCE and India MF Equity Fund in SIDBI would provide comfort to banks and MFIs. The confidence-building for

MFIs/main-stream banking through debt, equity and risk capital, encouraging access to private capital as envisaged under PSIG are expected to impact investment climate. Even certain institutional arrangements, providing comfort to banks for financing increasingly SHG-BLP can be explored. The rating agencies, audit authorities and supervising agencies have to make critical assessment of the performance of all financial institutions and bring out the evidential facts and figures to ensure proper use of funds and provide confidence to the funding agencies. Recently, there has been resurgence of funding and equity in MFI sector in as much as some of the bigger MFIs have been able to tap resources from private equity investors and CBs. It is expected that investment climate would further change in opening up support for good- working MFIs, particularly from SIDBI and CBs.

### **Differentiated Products & Services**

The products and services should be designed in tune with customers' needs and capacity. For inclusive strategies and penetration to last mile, the supply agencies should have differentiation (reasons to stand out), relevance (reason to be adopted in consumers' level), esteem (regard & loyalty) and knowledge (awareness and saliency). For inclusive strategy, competing with each other in same space and same clients has been harmful. Responsible finance and social performance management are two principles that need to be pursued by all agencies in the years to come. Ultimately, supply agencies should reorient their attitudes, assumptions and perspectives, in tune with the needs and preferences of people.

### **Information- Sharing**

Resorting to a broad- based and comprehensively equipped credit information Bureau, adoption of UIN for SHGs, robust MIS with inclusion of outreach parameters, etc. assume critical importance for avoiding duplication and multiple financing.

To quote the Working Group's Report on Outreach of Institutional Finance, Co-operative and Risk Management for 12<sup>th</sup> Five Year Plan [2012-2017]- "Technology is growing at this pace and evolving fast to meet the poorest, it is possible that access to financial services will be fundamentally redesigned in the coming years. [Para 2.58] The approach to the delivery of credit should be based on principle of data, information, technology and flexibility. There should be constant monitoring of where the credit is going, how effective credit is and whether the horizon is that of creating long term sustainability". Market intelligence and field level feedback / early warning signal system would be important tools for timely corrective action.

### **Institutional Protection & Deposit Safety System**

The Legal framework for regulation of the entire micro finance sector in the form of proposed MF [Regulation & Development] Act will bring about orderly development of the sector. Although self- regulation is important, the regulatory framework and the regulator's facilitating/developmental approach have assumed significance. Further,

regulation of chit funds, money lenders, etc., needs to be expedited to avoid a repeat of instances such as Shradha that jeopardize the interest of the small depositors. Entire legislation governing chit funds needs to be reviewed and rationalized. Greater financial literacy can save the people being carried away by glitz and glitters of unscrupulous agencies. The proposed fund/mechanism for institutional protection and deposit safety for PACS deposits”, as recommended by the Working Group of Planning Commission for XII Five year Plan and RBI Expert Committee on STCCS is also a necessity, in the emerging environment.

## **Best Practices in the State and in other Parts of the Country**

Success stories, new business models and best practices need to be documented for motivating the players in the State. Several instances of innovations and success stories, pertaining to MFIs, PACS & SHGs, banks, NGOs, State Governments, etc., have been witnessed across the country. For example, PACS in Odisha are engaged in paddy procurement business in a large way, adding their fee-based income. In other states, PACS doing warehousing facilities, stocking and providing other inputs including common service centers providing land records, information on weather, market prices and extension advisories and thereby enhancing the scope of their financial services and income are reported. In Karnataka, brand promotion of SHG products, mobile feeds to SHG members on financial transactions under mobile book-keeping project in AP, pension services for unorganized sector, particularly for migrants in Rajasthan- several such good initiatives are reported. All these stories need to be circulated through media-based sustained campaign in the state.

## **Visionary Leadership**

The participating institutions while pursuing their Vision/ Mission, should keep in view the Vision Plan for Access to financial services, drawn. NABARD, SIDBI armed with PSIG, and OLM with National Livelihood Program and TRIPTI program can be supportive to achieve 21 dimensions of the Vision outlined. The visionary leadership under these key organizations can help in translating the Vision by 2017. The Vision Plan for access to finance can be integrated with growth plans of agriculture and MSMEs in the State.

## **Possible Utility of the Vision Document**

It is expected that the document would serve as a reference material showing pathways, for implementing various interventions. It can facilitate participating institutions in goal setting at various levels and garnering resources by visualizing emerging scope and opportunities. It will also help them to appreciate the broader perspectives of access to financial services as analyzed in this document. This can provide a base line for building up detailed plan. It is also hoped that there would be efforts for revival of SHG-BLP, fresh thrust on livelihoods and savings mobilization, generation of positive energy of the State Government, MFIs and banks in deepening financial services. It will also direct efforts for popularizing micro insurance, pension and remittance services. Lastly, vision planning,

working with mission, banking with poor, taking recourse to financial services are not just concepts, but way of life. Hopefully, there would be a paradigm shift in the demand, delivery and use of financial services and policy environment and all stakeholders would step forward with commitment, dedication and optimism.

To sum up, the state has excellent potential; identifiable initiatives have been undertaken by all stakeholders in the efforts towards financial inclusion, livelihood promotion, social and economic development in recent years. However, the state still lags behind the national averages on several key parameters. Multiple challenges like improving per capita income, production and productivity of agriculture, removing regional imbalance, and exploitation of natural resources in transparent and environmentally sustainable manner, livelihood promotion of low-income people, etc still exist. Access to finance can be the major facilitating factor for livelihood promotion, poverty reduction, growth and empowerment. Greater, systematic and sustainable access to finance in the state would be possible through implementation of the vision plan and suggested strategies. Some of the initiatives at the national level like progressive coverage of Aadhar UID number, popularization of mobile service, branchless banking, direct cash transfer scheme, legislations like Food Security Act, setting up of exclusive public sector Women's Bank are expected to be the game changers for low income people. State Government's initiatives in amendment of Odisha Public Dues Recovery Act, progressive coverage under Right to Public Services, financial support for CBS in CCS, etc are supportive to banks. More supportive policy initiatives from GOI and State Government would contribute in a big way in making financial services reach to vulnerable people of the state. All stakeholders should rise to the occasion and take positive initiatives. Focused and improved monitoring arrangements, close co-ordination among the stakeholders and vision for a prosperous Odisha will bring in quality lasting benefits to the people.



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## Annexure I

### List of Institutions visited during January 2013

- SIDBI Regional Office, PSIG Cell
- NABARD, Odisha
- Regional Director & other officers ,RBI ,Officers of SBI, GM,UCO Bank/SLBC Convener
- Regional/Divisional Offices of Bank of India, Bank of Baroda, Syndicate Bank, PNB, Corporation Bank, Odisha Gramya Bank, Odisha State Cooperative Bank(OSCB)
- Odisha Livelihoods Mission, Directorate of Institutional Finance, Finance Department, Joint Planning & Coordination Department, Women & Child Development Department, Department of Cooperation & MD, Housing Cooperative Corporation, Govt. of Odisha.
- LIC Divisional Office, Birla Sunlife Insurance Co, Post Master General (PMG)
- RGVN, SMCS, Madhyam Foundation, Adhikar, Sa-Dhan
- Professors of KITS Business School and Local Director, EDII

## Annexure II

### District – wise Bank Branch – Population Ratio

Sr. No.	District	Population [2011 Census]	No. of Branches [31.03.2012]	Population Branch Ratio	No. of Branches [30.09.2013]	Population Branch Ratio
1	Angul	1271703	129	9858	144	8831
2	Balasore	2317419	150	15449	185	12526
3	Baragarh	1478833	114	12972	113	13087
4	Bhadrak	1506522	101	14916	117	12876
5	Bolangir	1648574	102	16162	122	13512
6	Boudh	439917	31	14190	37	11889
7	Cuttack	2618708	233	11239	296	8847
8	Deogarh	312164	31	10070	32	9755
9	Dhenkanal	1192948	75	15906	95	12557
10	Gajapati	575880	46	12519	52	11074
11	Ganjam	3520151	306	11504	331	10634
12	Jagatsinghpur	1136604	106	10773	130	8743
13	Jajpur	1826275	144	12652	152	12015
14	Jharsuguda	579499	64	9905	73	7938
15	Kalahandi	1573054	93	16915	118	13331
16	Kandhamal	731952	52	14076	60	12199
17	Kendrapada	1439891	99	14544	105	13713
18	Keonjhar	1802777	163	11060	179	10071
19	Khurdha	2246341	339	6626	455	4937
20	Koraput	1376934	85	16199	93	14805
21	Malkangiri	612727	20	30636	32	19147
22	Mayurbhanj	2513895	200	12569	217	11584
23	Nabarangpur	1218762	42	29018	64	19043
24	Nayagarh	962215	87	11060	87	11060
25	Nuapada	606490	43	14104	46	13184
26	Puri	1697983	131	12962	160	10612
27	Rayagada	961959	70	13742	76	12657
28	Sambalpur	1044410	114	9161	126	8288
29	Subarnapur	652107	47	13875	53	12303
30	Sundargarh	2080664	195	10670	208	10003
	<b>TOTAL</b>	41947358	3412*	415332	3958	351221

(Source: PLPs of NABARD & Census Report 2011) NB: \*As per SLBC, the total is 3595-they do not maintain district-wise branch figures.



### Annexure III

#### District – wise CD Ratio of Odisha (Rs Million)

SL. NO.	DISTRICT NAME	Mar-11			Mar-12			Mar-13		
		Deposit	Advance	CD Ratio	Deposit	Advance	CD Ratio	Deposit	Advance	CD Ratio
1	ANGUL	35889.8	17641.4	49.15	42412.2	19695	46.44	45409.8	23918.9	52.67
2	BALASORE	32374.1	22860.5	70.61	38884.7	27143	69.80	45837.8	31079.9	67.80
3	BHADRAK	15186.5	10845.3	71.41	19313.7	12399	64.20	21581.1	15652.3	72.53
4	BARAGARH	15699.2	12827.2	81.71	18211.4	14900	81.82	23219.0	18033.7	77.67
5	BOLANGIR	20014.5	11650.4	58.21	20938	12005	57.33	18693.2	12004.1	64.22
6	BOUDH	3567.1	2710.9	76	4248.1	2736.4	64.41	9091.2	3195.9	35.15
7	CUTTACK	87091.6	45680	52.45	106099.1	55285	52.11	120209.8	69131.8	57.51
8	DEOGARH	4267.4	1327	31.1	5122.1	1665	32.51	5798.5	1873.8	32.32
9	DHENKANAL	14685.7	8131.4	55.37	19429.8	9623.7	49.53	21510.7	10693.1	49.71
10	GAJAPATI	6056.6	2196.7	36.27	6751.1	2545.4	37.70	7482.1	2996.6	40.05
11	GANJAM	58770.2	32236.9	54.85	58667.5	35574	60.64	64540.7	38416.0	59.52
12	JAGATSINGH-PUR	37605.7	12111.1	32.21	38890	13149	33.81	42499.4	10394.2	24.46
13	JAJPUR	22789.4	13883.7	60.92	29192.9	17161	58.78	35499.3	20812.8	58.63
14	JHARSUGUDA	14651.9	10318.9	70.43	17084.8	11120	65.09	19622.3	11241.1	57.29
15	KALAHANDI	11885.3	9410.5	79.18	14143.4	10400	73.53	16297.0	11127.4	68.28
16	KANDHAMAL	9598.6	3789.3	39.48	11146.7	4159.7	37.32	12489.8	4445.4	35.59
17	KENDRAPARA	17000.9	8539.9	50.23	19299.4	9752.9	50.53	22506.9	11346.4	50.41
18	KEONJHAR	37862.1	22054.6	58.25	47020.2	26841	57.08	39081.0	22135.5	56.64
19	KHURDA	334589	231813	69.28	415015.1	253120	60.99	441146.4	314417.9	71.27
20	KORAPUT	20879.4	8567.4	41.03	21125.1	9244.3	43.76	23297.2	10091.7	43.32
21	MALKANGIRI	6645.2	1471.6	22.15	7660.6	1539.1	20.09	8860.1	1648.4	18.60
22	MAYURBHANJA	32143.1	16941.4	52.71	47064.2	26356	56.00	39222.8	23533.6	60.00
23	NAYAGARH	10932.1	7080.3	64.77	12457.2	8086.9	64.92	14342.3	9288.0	64.76
24	NOWRANGPUR	7115.4	3642.8	51.2	8436.2	4360.7	51.69	9419.8	4985.4	52.92
25	NUAPADA	7548.2	3029.2	40.13	9113	3173.6	34.82	8388.6	3418.9	40.76
26	PURI	22682.8	13438.2	59.24	29020.7	18691	64.41	34010.7	16318.4	47.98
27	RAYAGADA	11776.5	4877.8	41.42	14304	5304.3	37.08	17835.5	7014.7	39.33
28	SAMBALPUR	77742	16423.8	21.13	10304	17116	16.55	147396.0	32479.0	22.04
29	SONEPUR	6071.3	3777.7	62.22	7134.1	4555.5	63.43	8192.3	4985.8	60.86
30	SUNDARGARH	49052.9	40604.4	82.78	6688	4198.9	62.78	67330.4	44131.4	65.54

(Source:SLBC)

## Annexure IV

### Projection: District-wise Deployment of BCs (Vision Plan)

Sr. No.	Districts	No of BCs – Road Map for Districts					Total
		No of villages allotted	March 2013	March 2014	March 2015	March 2016& beyond	
1	Angul	1726	49	118	342	1217	1726
2	Balasore	2472	100	682	773	917	2472
3	Bargarh	1002	354	382	314	239	935
4	Bhadrak	1048	2	21	31	36	60
5	Bolangir	1690	33	177	227	1242	1679
6	Boudh	1090	1	10	9	-	20
7	Cuttack	1659	112	308	532	707	1659
8	Deogarh	697	2	10	83	556	651
9	Dhenkanal	968	29	44	39	23	135
10	Gajapati	1510	-	11	3	-	14
11	Ganjam	2859	134	46	583	1681	2859
12	Jagatsinghpur	1107	51	152	357	547	1107
13	Jajpur	1364	101	223	418	582	1364
14	Jharsugudha	316	4	9	10	12	35
15	Kalahandi	2153	2	30	20	72	128
16	Kandhamal	2517	4	41	206	226	2517
17	Kendrapara	1392	67	193	426	677	1363
18	Keonjhar	1975	153	635	721	451	1960
19	Khurdha	1244	39	148	226	175	588
20	Koraput	1875	18	156	363	1318	1875
21	Malkangiri	1109	12	50	177	870	1109
22	Mayurbhanj	3401	186	349	306	251	1092
23	Nabarangpur	542	32	51	57	75	215
24	Nayagarh	1485	18	64	185	1030	1297
25	Nuapada	625	-	1	5	10	16
26	Puri	1436	60	217	446	713	1436
27	Rayagada	2591	3	26	149	1209	1387
28	Sambalpur	1201	8	12	51	107	178
29	Subarnapur	791	25	85	211	470	791
30	Sundargarh	1618	1	17	15	7	40
	<b>TOTAL</b>	<b>45463</b>	<b>1315</b>	<b>4655</b>	<b>7264</b>	<b>17464</b>	<b>30698</b>

## Annexure V

### Position of BSBDA's Accounts in Odisha (as on 31<sup>st</sup> December 2013)

		Public Sect. Bank		Pvt. Sect. Bank		RRBs		Consolidated	
		As on Dec'13	Target-Mar'14	As on Dec'13	Target-Mar'14	As on Dec'13	Target-Mar'14	Achieve-ment-Dec'13	Target Mar'14
Total No. of Branches		2382	2429	312	276	915	1018	3609	3723
Out of above No. of Rural Branches		1176	1183	78	38	777	940	2031	2161
No. of Branches in Unbanked Villages		226	249	43	8	0	64	269	321
Total No. of CSPs Deployed		2234	3904	243	292	476	2134	2953	6330
No. of Banking Outlets in Villages with Population >2000	Through Branches	884	953	52	38	435	458	1371	1449
	Through BCs	1108	1085	55	39	469	677	1632	1801
	Through Other Modes	17	65	0	40	0	5	17	110
	Subtotal: >2000	2009	2103	107	117	904	1140	3020	3361
No. of Banking Outlets in Villages with Population <2000	Through Branches	283	230	26	0	342	482	651	712
	Through BCs	4505	12821	1346	1915	1247	1942	7098	16678
	Through Other Modes	52	8	0	40	0	862	52	910
	Subtotal: <2000	4840	13059	1375	1955	1589	3286	7804	18300
Total Banking Outlets in All Villages		6849	15162	1482	2072	2493	4426	10824	21660
No. of BC outlets in Urban Locations		52	258	0	0	0	0	52	258
BSBDA through Branches	No. in Actuals	3173203	1785814	97617	81542	1556740	2161200	4827560	4028556
	Amt. in Rs. Thousands	3862772.27	2514543.66	56102	561339.38	2081894	901200	6000769	3977083
BSBDA Outstanding through BCs	No. in Actuals	3113814	3437484	2021860	1747958	117658	496000	5253332	5681442
	Amt. in Rs. Thousands	772379.54	485878.2	13077	25740.93	68901	106600	854357	618219
BSBDA (Bank as a whole)	No. in Actuals	6287017	5223298	2119477	1829500	1674398	2657200	10080892	9709998
	Amt. in Rs. Thousands	4635151.81	3000421.86	69179	587080.32	2150795	1007800	6855126	4595302
OD Facility Availed in BSBDA's	No. in Actuals	90628	103395	0	85	0	81200	90628	184680
	Amt. in Rs. Thousands	91505.21	49455.05	0	42.5	0	40120	91505	89618
Transactions in BC-ICT A/Cs (during the quarter)	Savings Deposit (No. in Actuals)	916699	3314986	70076	29358	11911	2985200	998686	6329544
	Savings Deposit (Amt. in Thousands)	2102942.04	2037407.81	2029	2041.58	2066	115165	2107037	2154614
	Credit/OD (No. in Actuals)	6331	209749	0	0	0	156100	6331	365849
	Credit/OD (Amt. in Thousands)	12434.96	384393.62	0	0	0	42610	12435	427004
	Term Dep./RD (No. in Actuals)	6519	34390	11	2000	0	155000	6530	191390
	Term Dep./RD (Amt. in Thousands)	11018	31656.33	10	200	0	15500	11028	47356
	EBT/Remittance (No. in Actuals)	160507	621731	55892	891107	1125	1907000	217524	3419838
	EBT/Remittance (Amt. in Thousands)	721284.6	1300543.66	8852	402117.57	1169	1030000	731306	2732661
	Others (No. in Actuals)	9438	22400	597	0	0	33000	10035	55400
	Others (Amt. in Thousands)	4283	2720	60	0	0	132000	4343	134720
Total of Transactions in BC-ICT Accounts	No. in Actual	1099494	4203256	126576	922465	13036	5236300	1239106	10362021
	Amt. in Thousands	2851867.6	3756721.42	10951	404359.15	3235	1335275	2866054	5496356

Source: Status of Micro Finance in India-2012-13 by NABARD

## Annexure VI

### Odisha SHG-BLP Status

1	Potential Rural households to be covered	23.20 lakh	
T2	Rural households covered* (SHG: savings linked)	67.97lakh	
3	Districts with low coverage of SHGs	02 outof30districts	
4	Average savings/SHG(Rs)	Rs 8000 National Average :Rs. 11230 Highest Priority State: West Bengal: 12388	
5	Average credit disbursed/SHG(Rs)	Rs 99270 National Average: Rs. 168757 Highest Priority State: Uttar Pradesh: 136085	
		<b>2011-12</b>	<b>2012-13</b>
6.1	Loans issued - No. of SHGs (lakh)	0.50	0.47
6.2	Loans issued(in Rs crore)	540.98	473.28
7	Loans outstanding(in Rs crore)	1653.39	1796.75
8	Gross NPA(in Rs crore)	196.09	328.21
8.1	SGSY(in Rs crore)	51.06	116.23
8.2	SHG (non-SGSY)(in Rs crore)	145.03	211.98
9	No. of WSHG districts	19	
No. of SHGs x 13 members / SHGs			

Source: Status of Micro Finance in India-2012-13 by NABARD

Agency-wise, the position of SHG savings in the State reflected in the following table.  
**SHG Savings under SHG-BLP in Odisha (Rs. Million)**

Agency	2010-11	2011-12	2012-13			
	No.	Amount	No.	Amount	No.	Amount
CBs	243,965	1,052	235,829	1,236	206,331	1,818
RRBs	199,679	1,979	226,745	1,795	242,789	1,943
Coop Banks	77,508	504	77,455	582	73,717	421
Total	521,152	3,535	540,029	3,613	522837	4,182

Source: Status of MF in India-2012-13 – NABARD

## Annexure VII

SHG-BLP Bank Loan Outstanding against SHGs as on 31<sup>st</sup> March 2013 – Odisha (Amount in Rs. Lakh)

Agency	Total Loan O/S against SHGs		Out of total-under SGSY		Out of total-Exclusive Women SHGs	
	No. of SHGs	Loan O/S	No. of SHGs	Loan O/S	No. of SHGs	Loan O/S
PSB(21)	130717	98881.91	27650	29764.69	120433	90645.81
Pvt. CBs(4)	1146	1811.12	12	14.83	1146	1811
RRBs(2)	119409	65507.38	53041	40239.73	113501	60423.73
Coop. Banks(17)	26682	13475.45	3274	4766.17	26145	12489.20
<b>Total</b>	<b>277954</b>	<b>179675.86</b>	<b>83977</b>	<b>74785.42</b>	<b>261225</b>	<b>165369.74</b>

## Annexure VIII

Savings of SHGs with Banks: Agency-wise position as on 31<sup>st</sup> March 2013: (in Rs Lakh)

	No. of SHGs	Savings Amount
Commercial Banks	206331	18181.06
RRBs	242789	19431.46
Cooperative Banks	73717	4215.29
<b>Total</b>	<b>522837</b>	<b>41827.81</b>

## Annexure IX

Bank Loan Disbursed to SHGs: Agency-wise position during 2012-13

	No. of SHGs	Loan Disbursed Amount (Rs. lakh)
Commercial Banks	16115	22217.02
RRBs	26483	21179.93
Cooperative Banks	5078	3931.15
<b>Total</b>	<b>47676</b>	<b>47328.10</b>

## Annexure X

**NPAs against Bank loans to SHGs in Odisha: as on 31<sup>st</sup> March 2013 (amount in Rs. lakh)**

	Loan Amount O/S against SHGs	Amount of Gross NPAs against SHGs	NPA as %age to Loan O/S
Public Sector Commercial Banks	98881.91	23106.88	23.37
Private Sector Commercial Banks	1811.12	3.57	0.20
RRBs	65507.38	6532.67	9.97
Cooperative Banks	13475.45	3177.84	23.58
<b>Total</b>	<b>179675.86</b>	<b>32820.96</b>	<b>18.27</b>

Source-All data from Annexure VII to X taken from Nabard Status of MF in India: 2012-13

## Annexure XI

**Agency-wise position of NPA under SHG portfolio in the State (Rs. Million)**

Agency	2009-10	2010-11	2011-12	2012-13
CBs [Public]	2.35	6.5[627.28]	15.9[1685.79]	23.37[2310.68]
CBs [Private]	30.42[full data NA]	Full data[NA]	20.74[0.19]	0.20[0.357]
RRBs	3.24	5.2[264.6]	2.98[134.43]	9.97[653.27]
Coop Banks	3.36	8.5[92.59]	9.93[140.51]	23.58[317.78]
<b>Total</b>	<b>2.94</b>	<b>4.72</b>	<b>11.86[1960.91]</b>	<b>18.27[3282.09]</b>

Figures in bracket indicate gross NPA. Source: Nabard

## Annexure XII

**Data on Financing JLGs – 31<sup>st</sup> March 2012 – by Banks (Rs Million)**

Region	No of JLGs promoted as on 31.03.2011	Loan disbursed as on 31.03.2011	No of JLG Promoted during 2011-12	Amt disbursed	Cumulative No of JLGs promoted as on 31.03.12	Cumulated Loan disbursed as on 31.03.2011
ODISHA	32146	1237.15	2116	1078.99	53262	2316.15
Eastern Region	54620	2664.74	68512	2212.62	123132	4877.37
All India	141045	11452.94	191662	177003.90	332707	28456.85

Source- NABARD

## Annexure XIII

### Status of selected MFIs in Odisha (Rs.crores)

Sr. No.	Name of the MFI	As on 31st March'2013				As on 30th September'2013			
		No. of Active Borrowers	Amt. of Loan outstanding (Rs. Crores)	No of Staff	No. of districts covered	No. of Active Borrowers	Amount of Loan outstanding (Rs. Crores)	No of Staff	No. of districts covered
1	AMPL	86445	48.58	321	19	112107	63.03	353	19
2	Ma-hashakti	4178	4.64	35	5	5010	5.07	38	5
3	Sam-bandh	15709	13.48	56	2	18331	16.32	65	2
4	Gram-Utthan	49800	39	250	8	58212	43.25	272	8
5	SMCS	34331	26.7	120	15	30055	26.77	127	15
6	Dhanei KGFS	42192	14.2	90	1	48709	25.9	100	1
7	Adhikar	34054	19.70	218	15	30834	28.99	211	15
8	SMSL	14510	13.28	50	3	14942	13.92	55	3
9	SKS	4,59,291	285.62		29	5,88,494	313.19		27
10	Ujjivan	27378	23.20	102	7	30499	28.1	105	7
11	Asmitha	132762	120.69	422	22	130854	102.2	360	22
12	Surya-doya	7241	7.22	12	2	15510	18.18	25	5
13	L &T MF	85000	59	150	10	106000	69.6	220	12
14	Spandana	161699	120.01	436	24	178210	121.93	470	25
15	BSFL	27000	20	300	14				

Source: Access Assist



## Annexure XIV

### Scales of Financial Assistance under Odisha Livelihood Mission's Programme

Activity	Financial Norms
Formation of SHGs	Rs. 10,000 per SHG
Revolving fund	Rs.10,000 to Rs. 15,000 per SHG *
Capital Subsidy	Rs. 25000 per SHG* (*one time to eligible SHGs, which are appropriately graded)
Capacity building and skills training	Rs. 7,500 per beneficiary
Interest subsidy	Subsidy on interest rate above 7 percent per annum (up to Rs. 0.1 million on bank loan)
One time grant for corpus fund for sustainability and effectiveness of federations	<ul style="list-style-type: none"><li>• Rs. 10,000 for Village/Panchayat level federation</li><li>• Rs. 20,000 for Block level federation</li><li>• Rs. 100,000 for District level federation</li></ul>
Infrastructure and Marketing	Up to 20 % of the allocation
Skills and Placement Projects and Innovations	15% of allocation (7.5% for state specific projects): 5% on innovative projects
Administrative expenses	5% of the allocation

(Source: Panchayat Raj Department, Government of Odisha)

## Annexure XV

### MF program status of Self Help Cooperatives in Odisha as on September, 2012

mF program status of Self Help Cooperatives in Odisha as on September, 2012				
Sl. No.	Name of the partners	Members	Operational Districts	Loan Outstanding (Rs. Million)
1	Sanginee Secondary Cooperative	17591	Kalahandi and Nuapada	35.11
2	Bijayini Anchalik Mahila Sambaya promoted by Mahashakti Foundation	12378	Kalahandi and Nuapada	9.75
3	AIR Credit Cooperative promoted by AIR	12379	Cuttack, Kendrapara	20.09
4	9 Primary Cooperatives promoted by Pragati, Puri	10200	Puri	9.92
5	3 Cooperatives promoted by Banki Anchalika Adibasi harijan Kalyan, Cuttack	4000	Cuttack	1.1
6	Khandagiri Madhyamika Mahila Sambaya Ltd.	5554	Khurda, Puri, Nayagarh	9.2
7	Samrudhi Mahila Samabaya Ltd.	1200	Khurda	1.12
8	Samudram, cooperative of Fisherwomen	5050	Ganjam, Puri, Balasore	1.4
9	Mahila Vikas Prathamika Sambaya Sanachya Samiti	3200	Khurda	2.2
10	Welcome, Astaranga, Puri	2700	Puri	2.34
11	Swayanshree Mahila Sambaya Ltd	24496	Cuttack, Jagatsingpur, Khurda	111.59
12	Gajapati Women Self Help Co. promoted by CCD	8677	Gajapati	20.38
13	Utkal Mahila Sambaya Ltd. (UMASS)	2836	Ganjam, Khurda	8.14
14	3 Primary Cooperatives promoted by CARR	2100	Cuttack, Nayagarh	8.5
15	19 primary cooperatives of Krushaknidhi Secondary Cooperative Ltd.	18826	Koraput, kandhamal, Balasore, Puri and Khurda	24.86
16	Banadurga Laghu Banajt Drabya Sangraha-kari Samity promoted by SAA-RC, Sambalpur	570	Sambalpur	4.4
17	Subhalaxmi Mahila Sambaya Ltd.	1355	Jharsuguda	4.59
	<b>Total</b>	<b>133112</b>		<b>274.69</b>

(Source: Access Development Services)



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