

Status of Financial Inclusion and Way Forward: Madhya Pradesh



Status of Financial Inclusion and Way Forward - Madhya Pradesh 2013-18

Poorest States Inclusive Growth Program

Disclaimer

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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. 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 Way Forward Report for Madhya Pradesh 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 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.

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Purpose and Scope of the Document

One of the several ways Poverty can be defined is “a condition of deprivation where the people’s basic needs for Food, Clothing and Shelter are not met.” There are arguments that poverty can be considered as relative and absolute. Relative poverty is measured in comparison and this is something which probably cannot be eradicated, as somebody could continue to be poor in comparison to another. Absolute poverty is measured by benchmarking certain conditions and working towards the fulfillment of the same, thus leading to the alleviation and even eradication of poverty.

Thus when a vision is to be developed towards alleviation and eradication, the target should be towards absolute poverty and aim at improving the lot of low-income groups from all directions not restricting to only basic needs. These would involve facilitating access to finance (savings, credit and remittances etc.), leading to income generation, livelihood interventions, access to social security (insurance, pensions and other benefits) and access to Education and Health programmes.

As per the census 2011, out of the 24.69 crore households in the country, only about 14.49 crore (58.7%) households (54.4% rural households and 67.8% urban households) are reported to be availing banking facilities. Out of the balance households of 10.2 crores, about 3.25 crore households have been covered by the *Swabhiman* programme. Yet there remains another 6.95 crore households that requires access to finance across the country. On 3rd August, 2012 (ref. F. No. 6/23/2012-FI) the Director of financial inclusion conveyed to all the Banks (Commercial / RRBs and also SLBCs) that all banks concerned are to supervise and guide the opening of accounts in all respective States.

The Poorest States Inclusive Growth (PSIG) Programme is jointly implemented by the respective State Governments and the Small Industries Development Bank of India, with technical assistance from the Department of International Development (DFID), UK. It aims to *enhance opportunities for the poor and vulnerable, especially women, in eight low income states and benefit from economic growth through enhanced private investment and better access to financial services in India*

The Process and Methodology

The project requires working with stakeholders such as planning and execution by a wide range of stakeholders, including women from poor households, SHGs, banks, NGOs, MFIs, Business Correspondents, and apex organisations such as NABARD, SIDBI and relevant government departments, including the Department of Rural Development and the Department of Posts in enabling access to financial services for the disadvantaged sections of the population in Madhya Pradesh (MP).

In order to fulfil the task of undertaking a study to envisage the vision document, the consultant undertook a participatory process by involving all stakeholders concerned

to understand the factors that are needed to design and develop the vision document, involving many field visits, along with secondary research.

Apart from field based individual interactions with different institutions and individuals, the process comprised of conducting multi-stakeholder consultations at the State level to seek further inputs on material collected at every stage of the meet, the approach, information collected, and strategies for scaling up so as to maximize the outreach of financial services in the state of Madhya Pradesh. The field visits and consultations have helped to develop the A2F Vision document presented in this report. The document has been constrained by insufficient data, especially on the NGOs and NGOMFI sector, and whatever data could be collected could not be fully verified for reliability, where in it became necessary to estimate, extrapolate and project as and where necessary.

State Context

The population of this large state with an area of 3,08,245 sq. kms., is 7.26 Crore. Out of this, 2.14 crore comprises of SC and ST population (29.5% of the state population). The state of Madhya Pradesh has a high concentration of tribal population accounting for 14.51% of the total tribal population of the country.

About 30% of the state is covered by forests and is rich in minerals and has good reserves of copper and diamonds. Yet the HDI Value (2011) is just 0.375, with the state ranked as the lowest on the India State Hunger Index. The per capita income of MP for 2010-11 has been Rs.22,460 at constant prices of 2004-2005 and is Rs.33,906 at current prices of the years. It is 62.53% of the National Per Capita Income. The growth rate of GDP in the state is 8.22%

In spite of vast geographical space of Madhya Pradesh, the lack of contiguousness has been, for long, a deterrent in reaching financial services to the people and in financial institutions expanding their business.

Lack of awareness of banking / financial literacy, inadequate bank reach result in high clientele per bank branch (23,000 per bank branch-2011 Census) leaves a high number, about 65% of unbanked population in the state.

With this backdrop, it would require the concerted and coordinated efforts of not only banks but also the Government agencies, the civil societies, financial institutions- Formal and others, technology providers, educational institutions, industry and other related services providers.

Status of Financial Inclusion in the State

The state government reaches many of its programmes to the people through the formal financial institutions-the banks. Banks thus also form the most important link in reaching the financially excluded through branch network, ultra small branches / business correspondent networks. The banks (as of 31st Dec., 2012 have covered the

state with a network of 5,830 branches supported by a growing network of branches, business correspondents etc.

Yet, the coverage of villages with a population of 1,600-2,000 is 2,338 villages (4.9% of inhabited villages of 47,652) and those with a population of over 2,000 are 2,736 (5.25% of inhabited villages) leaving a large gap and scope for reach. About 33% of these villages are being covered by brick & mortar branches and the rest of 67% through business correspondents, mobile vans and kiosks.

The total credit supply as of 31st March, 2013 was Rs. 41,195 crore against an annual target of Rs.42,338 crore. The lion's share of the supply is taken by Agriculture Loans of Rs. 31,651 crore (76.83%), MSME Loans of Rs. 5,950 crore (14.44%) and Priority sector & other loans of Rs. 3,594 crore (8.72%)

It is estimated that there are about 2.4 lakh SHGs (after adjusting for weak SHGs and overlaps) in the state reaching out to about 31 lakh members (average 13 members per SHG). The SHG-Bank Link Programme (SBLP) has linked 40,005 SHGs to credit and 1,04,850 SHGs to Savings during 2012-13 as per the information from the SLBC report and the NPAs against SBLP loans are increasing in the state.

SHGs in the state are promoted by banks, Self Help Groups Promoting Institutions (SHPIs), RRBs and CCBs. MFIs also form SHGs and in the recent times are also forming Joint Liability Groups (JLGs). The SHGs of SHPIs, banks, RRBs and CCBs work out to about 73% and that of MFIs to about 27%

Post offices have accessed savings from about 20 million clients in the state but what percentage of this would be from low-income groups needs to be guessed. As post offices do not lend yet, it is only part reach and may not be considered as full MF reach. It is about time that a serious thought is given to involve post offices in the lending activities also, to make them work as 'Microfinance Supermarkets'.

If we look at only the MF sector's reach, at the end of the year 2012-13, it is about 3.23 Lakh of various groups with 39.3 Lakh say 40.00 Lakh clients (SBLP & Other Govt. agencies 24.0 Lakh & MFIs 15.30 Lakh after reducing the overlapping) with "No-frill" accounts created for 11.50 Lakh Clients by the banks. Hence at the lowest, still about 28.00 Lakh Clients would need to be accessed by bank accounts.

Similarly the person days of MGNREGS in the state had been a little over 10 million but again this cannot be really considered as MF. Thus there still is a need and scope for improvement in the state.

Thus there still is a need and scope for improvement in the state.

Projections for Outreach, Demand and Supply of Credit

The primary base for projections is the low-income strata derived from the Census Data and Poverty Estimates. The outreach for the years 2013-18 is based also on reports

from NABARD and State Level Bankers' Committee (SLBC) supported by stakeholders' experiences and observations. Information received from various government agencies implementing several programmes also have been factored in.

The NSSO's Round 66 data by Tendulkar¹ presents the rural poverty of MP at 37.8% and Urban poverty at 19.7%. The projections in this report are based on information from 'Progress out of Poverty Index (PPI) – A simple Poverty Score Card for India', the 'Census 2011 statistics' and the observations and opinions of various stakeholders met individually as well as through two consultative meetings in addition to secondary data accessed through various references.

Growth of various forms of groups but predominantly Self Help Groups is taken into account while estimating demand and supply of credit. Weak, defunct and overlapping groups are factored into. Though currently SHGs are more, the JLG concept is also now growing in the state. Within the SHG itself it is estimated that about 70% are poorer than about the rest, thus enabling the assumption of a household income ranging from < US \$ 1.88 and 2.50 Per Person Per Day (Round 66-Tendulkar) while estimating the projections.

With the role of banks in extending credit being crucial, there is a big need for the banks to extend credit not only through SHG-Bank Linkage Programmes (SBLP) and through government programmes, and some on-lending through SHPIs and MFIs, but also through small individual loans. Growing SHGs and JLGs also need better and continuous access to funds, for credit and support programmes like financial awareness and literacy activities. Thus the role of NABARD is seen in a more enlarged manner.

While a good amount of data was available on banking activities, dearth of authentic / real time data on NGO-MFIs, Insurance and remittances etc., impeded the projections in these aspects.

To determine the projections for "Status of Financial Inclusion and Way Forward" in Madhya Pradesh in the next 5 years, it is necessary to identify poverty levels in the State. The poverty estimates of 2011-12 by the Planning Commission, working on Tendulkar's methodology placed 1.91 crore persons as rural poor and 43 lakh persons as urban poor totally working out to 2.34 crore of persons (31.65% of total state poverty) as below poverty line (BPL) . This differs with the census figures of poverty at 36.7% which is taken by the state for its state planning.

It is understood that the State Government's vision is to reduce the poverty in the state from the present 36.7%¹ to 15% by end of 2017. The population by 2018 is projected as 8.0 crore² for Madhya Pradesh. 15% of 8.0 crore would be 1.2 crore. The present headcount of poor in the state is expected to be about 2.6 crore (out of which the BPL would be 2.34 crore) and to bring this to 1.2 crore, means to reduce by 1.4 crore in about 5 years. This would mean a target of 0.28 or say 0.30 crore per annum. With

¹ Census of India Projections 2001-2026
http://censusindia.gov.in/Census_Data_2001/Projected_Population/Projected_Population.pdf

its track of steady reduction in poverty levels, Madhya Pradesh could well realise this vision also, with all departments coordinating and working in unison.

MFIs face the challenge of accessing funds, both debt and equity in the state. In the wake of the Andhra Crisis reputed rating institutions like M-Cril and CRISIL have enforced stricter procedures for ratings. Thus it became even more difficult to access funds for the MFIs. With stricter guidelines from the Reserve Bank of India, difficulty in accessing funds and reaching the financially excluded in remote areas posed a challenge to sustainability of these MFIs.

Despite such challenges, those stakeholders in the state, who were involved in this study, expressed confidence of a growth of 25-30% per annum, in the area of reaching access to finance, provided the supply and demand requirements were met with. This information has been borne in mind while estimating the demand and supply of credit in the five year period.

To realise the Vision

Banks should be a little more liberal in the bulk lending and at affordable costs. Even in the SBLP programmes the Credit to Deposit ratios for SHGs are quite low and requires enhancement significantly to attain the State vision of alleviating poverty.

The Banking Correspondent concept needs to be strengthened with appropriate training and incentivisation to retain the BCs and to penetrate into deeper rural areas.

It is about time that a serious thought is given to involve Post Offices in lending activities also to make them work as “Microfinance Supermarkets”

Capacity building and training is absolute and need based curriculum should be designed by reviewing present systems and training modules. A Centralised Training of Trainers Institute could do well in the state. Various real-time vocational skills need to be increasingly developed to enhance livelihood opportunities.

Financial literacy with emphasis on Insurance literacy is much needed and immediate attention need to be paid in this direction.

Producer companies should be nurtured and suitable working finance should be arranged. A paradigm shift might be required to design specific fund products for the producer companies to cash in on the success of Producer companies in the state.

Insurance and Pension products and schemes should be demand based and should be marketed better. If need be they should be linked to some beneficiary programme of the government but more thrust on both these social security products is absolutely essential.

Remittances might be needed but with lesser usage in comparison to the other financial products, it does not appear to be a focal point yet.

There would be need for bold and innovative approaches from the stakeholders across the board – in designing and delivering innovative products, effectively and efficiently.

Phone / Mobile / Technological connectivity should be increased significantly to enable Mobile money and transactions to play an important role in the financial inclusion plans.

Needless to emphasise, regulation would continue to play a major role and finalising the Microfinance Bill could go a long way in helping the mission.

There is an imminent need for a central platform / a nodal agency / a coordinating system which can collect, archive and share data on all activities of the Microfinance by all stakeholders in the state to enable an efficient reach and avoid overlapping or multiple lending.

Conclusion

The real vision could be realised only with concerted and coordinated efforts by the Government, Banks and affiliates like BCs, Funding organisations, MFIs, Post Offices, Insurance companies, Pension companies, Credit Bureaus, Capacity building organisations and Technical services providers including the Mobile service operators working towards not merely opening bank accounts for the poor but in a true sense of Financial Inclusion, irrespective of urban or rural areas, so that the targeted population could be reached.

Though the general estimates and expectation of stakeholders on Microfinance growth in the state range between 25-30%, even if we take the growth conservatively at 20% the “Status of Financial Inclusion and Way Forward” vision for Madhya Pradesh at the end of 2018 (in the next five years) should be;

“A sustainable growth in terms of outreach, leading to income enhancement and to better quality of life, thus reducing poverty levels in the state by comprehensive, coordinated & integrated efforts from all stakeholders in the state with the primary objective of improving the lot of the underserved low income households / clients, in an all inclusive financial atmosphere.”

Towards this end it is envisaged that by 2017-18 about 55-60% of the Low Income Households would be reached through access to finance by meeting the credit demand and that the gap between credit demand and supply would be progressively reduced.

Abbreviations & Acronyms

A2F	-	Access to Finance
ACE	-	Brand name of a small transport vehicle
ACP	-	Annual Credit Plan
Achmt	-	Achievement
AISECT	-	Name of an organisation and a University
AP	-	Andhra Pradesh
APE	-	Brand name of a small transport vehicle
APSEP	-	Name of a Training Organisation from Andhra Pradesh
ATM	-	Automated Teller Machine
BCs	-	Banking Correspondents
BFs	-	Banking Facilitators
BIRD	-	Banker Institute of Rural Development
BLBC	-	Block Level Bankers' Committee
Bn.	-	Billion
BOP	-	Basic Orientation Programme
BPL	-	Below Poverty Line
BSPY	-	Balika Shiksha Protsahan Yojana (Girl Child Education Encouragement Programme)
BWD	-	Backward Districts
CBO	-	Community Based Organisation
CCB	-	Central Cooperative Bank
CDR	-	Credit Deposit Ratio
CEDMAP	-	Centre for Entrepreneurship Development Madhya Pradesh
CFO	-	Community Financial Organisation
CIBIL	-	Credit Information Bureau (India) Limited
CIG	-	Common Interest Group
CRP	-	Community Resource Person
CSC	-	Customer Service Centre
DAR	-	Department of Administrative Reforms
DFID	-	Department for International Development
DICs	-	District Industries Centres
DIT	-	Department of Information Technology
DOP	-	Development Orientation Programme
DTP	-	Desk Top Publishing
ECIS	-	Equifax Credit Information Systems Private Limited
EDP	-	Enterprise Development Programme
F	-	Formal
FI	-	Financial Inclusion
FIB	-	Financial Inclusion Branch
FINO	-	Name of an Organisation
FIP	-	Financial Inclusion Programme
FLCCC	-	Financial Literacy and Credit Counselling Centres
FWWBI	-	Friends of Women's World Banking India
GLP	-	Gross Loan Portfolio
HCR	-	Head Count Ratio
ICT	-	Information and Communication Technology
IF	-	Informal
IG	-	Income Generation
IGS	-	Indian Grameen Service

IIFM	-	Indian Institute of Forest Management
IMR	-	Infant Mortality Rate
INR	-	Indian Rupee
ITI	-	Industrial Training Institute
JBY	-	Janashree Bima Yojana
JLG	-	Joint Liability Group
KCC	-	Kisan Credit Card
Km²	-	Square Kilometer
KVIB	-	Khadi and Village Industries Board
KVIC	-	Khadi and Village Industries Commission
LAMP Fund	-	Livelihood and Microfinance Promotion Fund
LIC	-	Life Insurance Corporation of India
LI / P	-	Lower Income / Poor
MACS	-	Mutually Aided Cooperative Societies
MDG	-	Millennium Development Goal
MEDP	-	Micro Enterprise Development Programme
MF	-	Microfinance
MFI	-	Microfinance Institution
MFIN	-	Micro Finance Institutions Network
MGNREGA	-	Mahatma Gandhi National Rural Employment Guarantee Act
MGNREGS	-	Mahatma Gandhi National Rural Employment Guarantee Scheme
Mn.	-	Million
MoMSME	-	Ministry of Micro, Small and Medium Enterprises
MoU	-	Memorandum of Understanding
MP	-	Madhya Pradesh
MPCON	-	Name of a Consultancy organisation
MPDPIP	-	Madhya Pradesh District Poverty Initiatives Project
MPFC	-	Madhya Pradesh Finance Corporation
MPLUN	-	Madhya Pradesh Laghu Udyog Nigam
MPRAF	-	Madhya Pradesh Rajya Aajeevika / Ajeevika / Aajivika / Ajivika Forum
MPRLM	-	Madhya Pradesh Rural Livelihoods Mission
MPRLP	-	Madhya Pradesh Rural Livelihoods Programme
MPSIC	-	Madhya Pradesh State Industries Corporation
MPSIDC	-	Madhya Pradesh State Industrial Development Corporation
MSME	-	Micro, Small and Medium Enterprises
NABARD	-	National Bank for Agriculture and Rural Development
NBFC	-	Non Banking Finance Company
NDP	-	National domestic Product
NFA	-	No Frill Account
NGO	-	Non Government Organisation
NHFDC	-	National Handicapped Finance and Development Organisation
NICT	-	Network for Information and Communication Technology
NISG	-	National Institute for Smart Government
NMMS	-	National Means – cum – Merit Scholarship
NPA	-	Non Performing Asset
NPS	-	National Pension Scheme / New Pension Scheme
NRLM	-	National Rural Livelihood Mission
NRLP	-	National Rural Livelihood Project
NSIC	-	National Small Industries Corporation
NSIG	-	National Special Interest Group

NTFP	-	Non Timber Forest Produce
OBC	-	Other Backward Caste
OTP	-	Officers Training Programme
PA	-	Per Annum
PFT	-	Project Facilitation Team
PMEGP	-	Prime Minister's Employment Generation Programme
PoP	-	Progress out of Poverty
PMS	-	Post-Matric (Matriculation) Scholarship
PPPD	-	Per Person Per Day
PRI	-	Panchayati Raj Institution
Proc. Fee	-	Processing Fee
PSIG	-	Poorest State Inclusive Growth
PVT	-	Private
PWD	-	Person/s with Disability
REDP	-	Rural Enterprise Development Programme
Respy.	-	Respectively
RPLI	-	Rural Postal Life Insurance
RRB	-	Regional Rural Bank
RUDSETIs	-	(R-SETIs) Rural Self Employment Training Institutes
SAMS	-	Strategic Alliance Management Services
SBLP	-	Self Help Group Bank Linkage Programme
SC	-	Scheduled Caste
SCA	-	State Channelising Agencies
SDC	-	Skill Development Centre
SDP	-	Skill Development Programme
SDTT	-	Sir Dorabji Tata Trust
SEDP	-	Skill for Enterprise Development Programme
SHG	-	Self Help Group
SIDBI	-	Small Industries Development Bank of India
SJGSY	-	Swarn Jayanti Gram Swarajgar Yojana
SJSRY	-	Swarna Jayanti Shahri Rozgar Yojana
SLBC	-	State Level Bankers' Committee
SME	-	Small and Medium Enterprises
SPIP	-	State Perspective and Implementation Plan
ST	-	Scheduled Tribe
TARA	-	Technology and Action for Rural Advancement
ToT	-	Training of Trainers / Trainer of Trainers
UIDAI	-	Unique Identification Authority of India
UK	-	United Kingdom
USB	-	Ultra Small Branch
UWSP	-	Urban Women Self Help Programme
VDC	-	Village Development Committee
VRP	-	Village Resource Person
VTP	-	Vocational Training Provider
WATSAN	-	Water and Sanitation
WSHG	-	Women Self Help Group

During mid-December 2011, the UK Government's Department for International Development (DFID) launched its first private sector development programme, the Poorest States Inclusive Growth (PSIG) in India in partnership with the Small Industries Development Bank of India (SIDBI).

PSIG aims to help low-income people in India get access to financial services by promoting responsible and sustainable private sector investment so that entrepreneurs with innovative and creative ideas, who take risks and work hard to produce a product or a service, especially those which can help low-income segments of society, can be encouraged and supported.

SIDBI had helped a network of micro finance institutions in the country under the National Micro Finance Support Programme supported by DFID among other institutions reached 6.6 million clients. The present programme would replicate this success in identified PSIG states and it is hoped that the programme would go a long way in reducing poverty in the identified states.

PSIG will also extend the reach of financial services in underserved areas in Bihar, Madhya Pradesh, Odisha and Uttar Pradesh. This should directly benefit 12 million low-income people (of which three-fourth are women) to raise their incomes, set up or grow businesses, save for family needs like children's education, and cope with unforeseen shocks like death in the family. PSIG will create an Impact Investment Fund in India's low income states to provide patient capital to enterprises that deliver benefits to low-income people (e.g., jobs or lower-cost products). The programme will contribute to Indian central and state government priorities of promoting inclusive growth, through financial inclusion and investment in small and medium enterprises through years 2012 to 2019. To facilitate the process of translating the above goals of PSIG into reality, PSIG, SIDBI, and ACCESS-ASSIST have commissioned the preparation of vision documents, for five years, for the four underserved states.

The Indian economic scenario is complex. While liberalisation and market economy is being advocated to a large extent in the interest of the disadvantaged and downtrodden, the Central as well as State governments undertake several welfare programmes in a bid to alleviate poverty. In addition to these efforts the banking sector, as well as the private financial sector also work towards the achievement of these goals, creating opportunities. Given the opportunities and challenges that are present at this point, the vision document examines the paths by which low income people can achieve their livelihoods aspirations.

Towards fulfilment of the above requirement, this Vision Document for Madhya Pradesh is being prepared for the next five years (2013-2018). The methodology has included secondary and primary data collection; meetings with a wide range of stakeholders in the sector, to incorporate their perceptions, experiences and opinions.

The vision of the state of Madhya Pradesh is:

“An all-round and all-inclusive development of the state through which the life of citizens can become rich and prosperous and they have opportunities for putting in their best efforts according to their potential and contributing to the nation’s development.”

The State government of Madhya Pradesh has set out several objectives in the XII Five Year Plan, 2012-17, towards translating this vision into reality. Important among them and pertinent to the present vision document would be;

- *Achieving a growth rate of 12% (from Agriculture-9%, Industry-12% and Service Sector-13.75%)*
- *Reducing poverty levels from the current 36.7%²(2009-10) to 15%*
- *Empowering women through socio-economic development and increased participation in decision making*
- *Strengthening social, economic and political empowerment of weaker sections of the society through welfare of SCs / STs, OBCs, minorities and the low-income*
- *Achieving a 100% literacy rate by the end of plan period with gender gap in literacy to a zero*
- *Using Information and Communication Technologies (ICT) to bridge digital divide, generate employment, have e-governance and to prepare the state to be a knowledge economy as well*
- *Developing strong infrastructure to turn the power deficit state into a power surplus state*
- *And most importantly bring down the population growth by 1.62% by 2017*

With financial services now reaching about 20.6 lakh clients³, (12.5 lakh clients 4.69% outreach by MFIs and the rest through SHGs etc.) out of a total low-income population of 2.6643 Crore the total reach is just about 7.73% (20.6 / 266.43). Through combined efforts, across the state, there is a need and a good scope for reaching the unbanked and the financially excluded at a rate of 15-20% per annum⁴.

² Twelfth Five Year Plan 2012 – 17 and Annual Plan 2012 – 14, Volume I – Planning, Economics and Statistics Department, Government of Madhya Pradesh <http://mpplanningcommission.gov.in/annualplan/ap-2012-13/annual%20plan%202012-13%20Vol-I.pdf>

³ M – CRIL Microfinance Review 2012: MFIs in a Regulated Environment

⁴ As of March – April 2013 – MFIN Data

Keeping the plan objectives in view, as also the possible efforts through a pro-active and congenial infrastructure, the Access to Finance vision would be to ensure sustainable growth of at least 15% per annum in terms of outreach, income enhancement thus reducing poverty levels in the state leading to a better quality of life by comprehensive, coordinated, inclusive and integrated efforts from all stakeholders in the state with the primary objective of improving the lot of the disadvantaged, underserved, and those belonging to low-income groups. The vision would be to ensure financial services, such as direct cash transfers, wages, savings, micro credit, insurance remittances and micro pensions in an easy to reach and affordable manner.

Madhya Pradesh is the second largest State of India, constituting 9.4 per cent of the total geographical area. About 30% of the state is covered by forests. The state is also rich in minerals, affording good reserves of copper and diamonds.

The state of Madhya Pradesh comprises of 10 Commissioner Divisions, 51 Districts, 343 Sub districts (272 Tehsils) and 313 Community Development Blocks, including 89 tribal development blocks, 54903 villages (inhabited villages 52,117) and 476 towns. The state, at present, has 51 Zila Panchayats, 313 Janpad Panchayats and 23,012 Village Panchayats under the three tiered Panchayat System and 14 Municipal Corporations, 97 Municipalities and 258 Nagar Panchayats (Parishads) covering entire urban area (Refer Annexure -1 for more details).

Figure-1 Districts of Madhya Pradesh



Source www.mp.nic.in

The State has a high concentration of tribal population accounting for 14.51% of the total tribal population of the country. The percentage of Scheduled Caste population to the total population of the state is 15.17, which is slightly lower than the all India average of 16.20. The combined population of scheduled castes and scheduled tribes is more than one third (35.44 %) of the total population of State.

Despite being rich in natural resources, the State's GDP is the fourth lowest in the country (2010-11), although it has shown a growing trend in the recent years. The Human Development Index (HDI) value (2011) is just 0.375, with the state ranked as the lowest on the India State Hunger Index. The Infant Mortality Rate (IMR) at 59 is significantly higher than the all India average of 44 in 2011 and is the highest in the country⁵.

⁵ Sample Registration System, Office of the Registrar General, India, Ministry of Home Affairs.

3.1 State Poverty Status

Ranked fourth highest in percentage of low-income households, next only to Odisha, Bihar and Chhattisgarh, Madhya Pradesh's Rural Poverty is higher than Urban Poverty (see Table 1).

Table - 1: Historical Incidence of Poverty in Madhya Pradesh⁶

Year	Urban Poverty %	Rural Poverty %	Overall State Poverty%	National Poverty%
2009-2010	22.9	42.0	36.7	29.8
2004-2005	35.1	53.6	48.6	37.2

The State's poverty picture is improving in comparison to the national figures. Yet the incidence of poverty in MP is very high, at 37%, compared with a national average of 30%.

A major issue seen in this connection is the lack of desired amount of coordination among all stakeholders for cohesion and to avoid overlapping. There is reasonable coordination among government programmes and departments. Yet, it appears that better convergence and integration among various Government programmes and departments still has scope.

While there is MFIN for NBFC-MFIs no effective forum or regulatory body is there for the NGO-MFIs. A specific, dedicated, regulating and guiding organisation (Apex agency) at State Level for coordinating among all stakeholders, having power of registration, policy making, implementing and regulating is desired.

Insurance and pensions have a good scope but are yet to be tapped to the fullest extent possible. Remittances are low key in the state but with digital / mobile money the scenario could be change for better.

3.2 Challenges

The first challenge in a State like Madhya Pradesh is that of outreach, to the remote areas and excluded people, of whom most are tribals. Illiteracy and inadequate and sporadic socio-economic-cultural development, to bring them out of their traditional practices to modern methodologies, are just the beginning of the challenges. Lack of adequate awareness on various development schemes is another major challenge. People should be made to understand the importance taking ownership of programmes and of modern systems to use them suitably for their progress and growth.

The other challenges are bringing the poorest of the poor out of the control of money-lenders, providing more awareness of MF methodology among local administration, especially the Police Department who more often confuse MF with Chit Fund activities

⁶ http://en.wikipedia.org/wiki/Madhya_Pradesh Accessed on 29th December, 2013

leading to sporadic local administrative interferences. Albeit some of the challenges, the state has astutely utilised the existing position and the advantage of a congenial environment has brought out many people out of the control of money-lenders.

MFIs face some challenges too. The cost of compliances is becoming higher with MP charging some of the highest stamp duties. This in addition to the bankers' requirement of at least 10% margin (yielding only 8-9% interest) plus 1.5% processing fee, upfront for accessing debt is adding up to the cost of funds putting a squeeze on the real sustainability of MFIs. Understandably insufficient and not adequately capacitated employees, appropriate software continue to be a challenge.

To overcome these challenges a good amount of sensitisation, through capacity building among various departments and other stakeholders continuously is required. To aim at increasing/improving access to information and services, MPDPIP creates community resource persons to help villagers acquire these systems through rural development department. Media-community radio could be very helpful to reach far off villages. Financial literacy should be prioritized as also the financial inclusion programme in the state. Institutionalising gram sabhas, mainstreaming efforts through various linkages, continuous hand-holding should be of help.

Good schemes like Tejasvini should be spread in all districts of MP. Equally important is to document and share the schemes and progress of the same periodically with other stakeholders to help them take the information to the people they serve. Government should take a more serious role in promoting insurance and pensions through larger publicity. Better coordination will help to keep up the momentum and develop on lessons learned to attain the vision of reducing the poverty levels of the state from the present 36.7% to the targeted 15% in the next 5 years.

3.3 For a better financial (Microfinance) environment - Reality, Needs & Opportunities

The average Madhya Pradesh person has integrity, is simple, hardworking, peaceful, generally mild-mannered, cultured and co-operative and a very good partner willing to learn if convinced if somebody demonstrates.

Many changes have taken place in the MF Sector but no significant change seems to have taken place in Asset Development or to define a change in the status of the poor. MP is underserved, with a lot of Potential and where the scope for development is not fully exploited. Similarly, scope for MF & Livelihoods for the disabled exists but not much seems to be done for this segment.

About 20% of MP has Tribals. While penetration of MF in MP could be 30% in the tribal areas it is estimated to be hardly 10-15%

Complete ST belt of Jhabua / Barwani / Mandla / Dindori / Shahdol / Balaghat / Khargone (West Nimar) / Sidhi and Rewa districts remains least penetrated as high

operational costs to be incurred on reaching less populated and scattered villages was found to be non-feasible and viable financially. The reach could help mitigate the migrant issue as most of the migrants from MP are the STs.

Though most MFIs operate at a maximum of 15 kms radius of the branches, it appears that many MFIs have not reached out to STs as possible clients.

Organisations which are community and savings oriented will be more successful and thus NGOs and MFIs are still relevant to ensure outreach. As credibility issues still exist, there appears to be a strong desire for promoting Active Organisations embedded and based out of MP.

There is a need to be sensitive to ground realities considering that MF need not only be for Poor/and in groups, but for the needy *per se*, without any orthodoxy. Regional needs are to be taken into consideration and respected

While the SHG model is comfortable and ideal with a good scope for further developing of groups existing in several districts to reach Microfinance to the disadvantaged needy and the poor, JLG model is also growing. With its thrust for only credit, there is a school of thought prevailing in the state that this model may not be efficient and sustainable in long-run.

The MF crisis of Andhra Pradesh had little impact so to say on the MF operations in MP but affected the banks' sentiment for the important aspect of funding which prompted the "Wait, Watch and Act" move.

Yet several banks like NABARD, SIDBI, Central Bank of India and others apparently are trying their best to improve the situation and support with not only funding but also other required and relevant support they could.

The crisis however did bring out much learning not only for MFIs, but also for Livelihood activities in the state. Yet, despite this, no sign of reasonable uniformity in the operations of NGOs-MFIs, cooperatives has been evidenced.

While a few large MFIs like SKS Microfinance have seen their loan portfolios being reduced / halved after the crisis, MFIs like Sahayog are increasing portfolios steadily after the crisis, thus showing the lesser side of the impact of the crisis in MP.

Payments / recoveries are good but cannot be said to be uniformly good. An NGO-MFI who had to close operations in one district due to heavy NPAs could have 99% recoveries in the new district where it started operating.

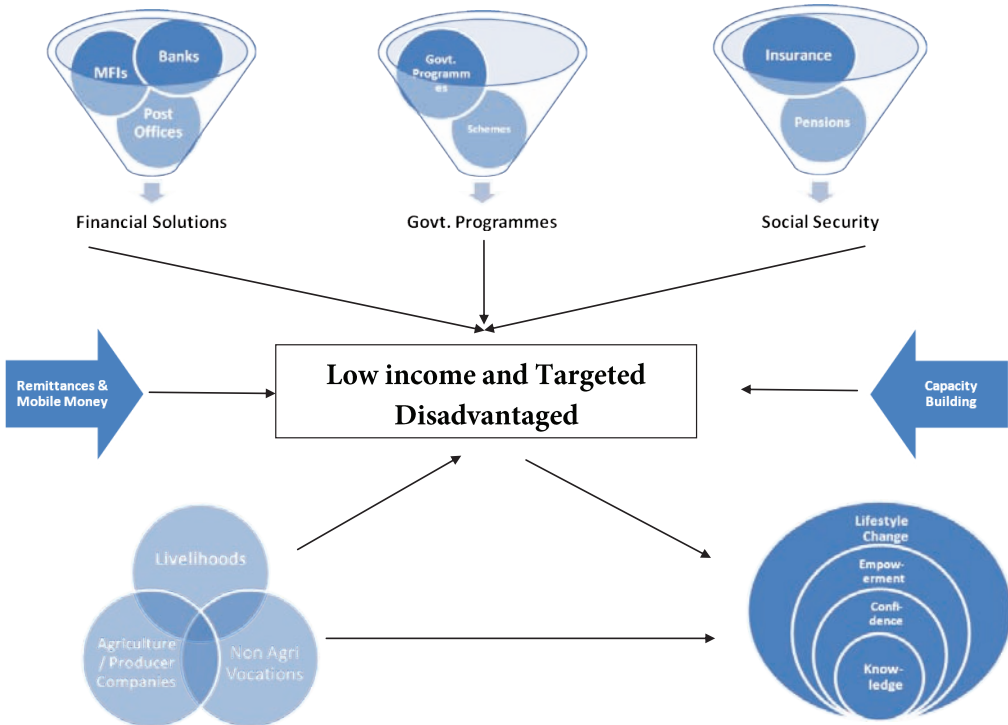
Government programmes like MPDPIP / MPRLM / MGNREGS / Tejasvini etc., had made a good impact, but more on the livelihoods & Asset creation front. For example, MGNREGS helped construct some 3 lakh dug wells in MP in 2012 alone. MPRLM made a difference because professionals from private sector were outsourced (one such is Strategic Alliance Management Services (SAMS), Delhi).

The Producer companies facilitated and supported by MPDPIP have helped the state record a 19% growth in agriculture and helped spawn several other Producer Companies in the State. Today the Producer Companies of the State have become a demonstrable success story for the country.

Yet, finding further / different sources of funding for Producer companies is becoming an issue as traditional funding agencies dub the Producer companies as “For Profit Organisations”

So the development activities are through government programmes, the banks sponsored programmes, the MFIs and other stakeholders like Insurance, Pensions etc., (Insurance, Pensions and Remittances are quite low in the state) as depicted in the Flow-gram.

Figure 2: Access to Finance (A2F) flow-gram



**Table-2: Present Status of Microfinance in Madhya Pradesh
Supply, Needs (Demand), Advantages, Opportunities, Challenges and Vision (Way Forward)**

Present Scenario (Supply / Issues)	Needs (Demand)	Advantages / Opportunities	Challenges	Vision - Way forward
<p>1. Limited Penetration. Despite good efforts reach of MF is still low</p> <p>2. Geographical constraints</p> <p>3. Most MFIs are Urban based and other state based perceived to be with only peripheral interest</p> <p>4. Many Regional Organisations folded</p> <p>5. Excepting a few, several existing MFIs in MP may not stand the rigours of ratings</p> <p>6. AP Crisis effect may persist to a limited effect (on funding)</p> <p>7. Present minimum interest rate on MF is 22% and maximum is 26.5% / annum</p> <p>Moneylenders is 5% / month</p> <p>8. About 2.14 lakh SHGs formed till March, 2012. JLGs are being formed in recent times</p>	<p>1. Good Demand exists in Rural areas</p> <p>2. Desire for more regional organisations</p> <p>3. Better and continuous coordination among all stakeholders required</p> <p>4. State Level Networking / coordinating / Nodal agency is urgently required</p>	<p align="center">General Microfinance</p> <p>1. Good growth prospects exist</p> <p>2. Good Political & governmental environment</p> <p>3. Recovery less troublesome</p> <p>4. Estimated potential for SHGs in MP is 5 Lakh 13 members average per SHG</p>	<p>1. Limited accessibility of Banks</p> <p>2. More literacy levels to be reached, especially by women</p> <p>3. Risk of multiple lending, especially in Urban areas</p> <p>4. Less concentration in Tribal areas.</p> <p>5. NGO-MFIs who dared to go to rural areas could succeed little work.</p>	<p>1. Increase Bank penetration through kiosks, USBs, etc</p> <p>2. Collections should be through employees and not by agents/agencies</p> <p>3. Regional organisations should be established and encouraged</p> <p>4. Group sustainability should be focused upon</p> <p>5. Though in urban areas the sway of money-lenders is significantly reduced, they still matter in the outreach, especially in rural areas</p> <p>6. Along with JLGs, SHGs also should be formed for stronger economy. JLGs should be more for small farming and SME categories</p> <p>7. MF growth in state should be 25-30% / annum for the next 5 years. It should at least be in line with the growth of the State</p> <p>8. Poverty alleviation / eradication should be targeted at 17-18% / annum at least</p>

Savings				
1. Banks & Post Offices are catering	New Saving / small investment products to be designed	Savings create an economic security among the people and thus independence and confidence	Poverty & lack of thrift	1. Saving in cash / kind be encouraged 2. Savings through Insurance / Pensions be encouraged
2. SHGs save among themselves				
Debt Funding				
1. Banks and other private institutions are funding	1. MF loans from Banks should be treated as real priority and made available at lesser rates of interest or at least on par with Agriculture Loan rates	1. Better and quantitative debt at the right time help on-lending better	1. AP crisis is having a shadow effect	1. Ensuring regular inflow of funds
2. Banks are willing to fund for smaller MFIs on securitization	2. Bank's Loan processing charges all across to be removed totally or should be reduced drastically	2. Helps reach width and depth of outreach	2. Rates of Interest still perceived to be high pressurizing the margins	2. Optimum and uniform rates of interest from all bankers
3. Interest rates range from 8.5% to 15% plus processing fee	3. All commercial banks should be charging uniform rates of interest to MFIs		3. Outreach hampered due to lack of sufficient funds	3. Less or no processing fee to be charged on loans for MFIs, at least to the NGO-MFIs
	4. Confidence for funders can be rebuilt through -More and genuine players' participation -Educating the players on prudence -Sensible, sensitive, entrepreneurial local players			4. Producer companies also to be considered as part of priority lending and help the farming community
Credit to the Poor				
1. Credit support through SHGs and JLGs from MFIs and banks	1. Loan amounts should be based on requirement, Income and Paying capacity Innovative financial products needed	1. The State has many opportunities as it is considered as a state that needs rapid development.	1. Irresponsible & Multiple Lending	1. New financial Products be designed, tested and firmed
2. Various government schemes like MPDPPIP	2. Minimum Loan amounts for individuals should be Rs.10,000-15,000 in rural and Rs.20,000 in urban areas		2. Utilisation need to be checked to avoid fungibility	2. Loans should be based on requirement and not as a matter of routine
1 & 2, NRLM / NRLP, Antyodaya Swarozgar	3. Cash Credit Accounts for SHGs with banks			3. Minimum levels of loan amounts be rationalized and increased
Yojana, PMEGP,	4. Loan tenors can be re-designed from 6-24 months			4. Loan tenors be re-designed
UWSP, Tejasvini etc along with Banks provide Financial and Livelihood support	5. New & different products			5. Cash credit for SHGs may be considered
				6. Post Offices should be considered and facilitated to lend as well and thus make them "Financial Supermarkets"

<i>Financial Inclusion and BCs / BFs</i>				
1. About 1.2 Mn. No-Frill Accounts opened in State 2. Banks going in for shadow areas through small and ultra small branches 3. Services of BCs and BFs pressed forward	1. Post offices to be more aggressive 2. Minimum amount for opening No-frill accounts can be considered to be lowered or made to '0' balance accounts 3. NBFC-MFIs may also be considered to be BCs / BFs	1. Due to geographical challenges, scope for expanding the BC / BF network huge in MP	1. Still reluctance on part of some bankers to open accounts 2. Delayed payments for BCs – disincentivising 3. Dearth of suitable employees for BCs / BFs	1. Banks to reach remote areas more rapidly 2. MFIs to expand their areas of operations 3. Post offices can become more aggressive and reach out 4. With RBI permitting new initiatives like TATA's Indicash and other indigenous ATMs, rural penetration should be given importance 5. Reputed and long standing small and medium business houses / super markets / petrol pumps / good hotels may be tapped to be BCs. 6. Financial Literacy programmes to help in financial inclusion through motivation of people.
<i>Insurance</i>				
1. Insurance now is done more to cover Loan risks only. 2. For life, Janshree Bima Yojana is being done in Panchayats but people are not aware that they are being insured	1. Small Insurance Mutuals may be thought and planned for 2. More publicity is needed 3. Credit Guarantee Schemes 4. Introduction of Weather based Insurance	Good scope for insurance	1. Lower premium rates and lower incentives 2. Low / no interest in selling micro insurance by the agents 3. Low insurance literacy 4. Low willingness to take any kind of insurance among people	1. A real insurance product which is 'needed' by people has high potential 2. People should be made aware of the importance of various forms of insurance on an evangelical footing 3. Micro Insurance to be made mandatory for receiving government benefits.

<i>Pensions</i>				
1. Low penetration 2. Clients upto age 30 years and who can understand better have shown positive response 3. Takes several meetings and discussions (at least 3-4) to convince 4. Swavalamban, NPS-Lite and India Invest programmes are current now	Sufficient training to staff concerned	Most required product	1. People do not understand the concept yet 2. Despite Government's subsidy people resist pensions 3. NGOs working on pensions are being required to advance the balance complimentary 9to subsidy) amount 4. Rs.70 per Rs.1,000 subsidy per pension is felt grossly inadequate	1. There is huge opportunity for Pensions in MP. However, it requires a humungous amount of education to ensure people use the facility. 2. It may be contemplated to make Pensions mandatory for availing certain facilities / schemes of government.
<i>Remittances</i>				
1. Not much in MP 2. People hold money and bring them home whenever they visit 3. Transfer funds through friends and relatives if there is a need 4. Use Postal Money Orders		With the advent of BC / USB network migrants may find it more convenient to remit and transfer funds.	Insignificant Migrant scenario People either bring money themselves or send in through friends and relatives.	1. Post offices may incentivise even those who bring money with themselves or send through friends to use the Postal Remittances through Money-Orders.
<i>Mobile Banking / Money</i>				
1. Very Limited Interface Airtel & Beam 2. Mobile Wallet		Quick and cost saving banking facilities	Mobile Density and Illiteracy level	1. Mobile banking / money would help better penetration. 2. Connectivity to be increased to ensure density 3. Technological capacities to be increased across the clients as well as intermediary stakeholders

<i>Microfinance and Livelihoods</i>				
1. Present Livelihood interventions are more of grant based.	1. MF should lead to Livelihoods & both should work in together	Rural women are now empowered to earn livelihoods	1. Limited livelihood enabling environment 2. Connectivity, Infrastructure, Knowledge issues 3. Seed, Fertiliser & working Capital issues	1. All departments / stakeholders need to be cooperative and work in an integrated manner 2. Knowledge, good inputs, Credit & Capital, Risk taking ability, Market Linkages for people needed
2. Producer companies are trying out to be sustainable with their capital	2. Fee based livelihood interventions needed 3. Continuous & Self-sustainable Training till enabling level needed 4. Tourism related livelihoods to be developed / intensified 5. Suitable & enabling framework needed Livelihoods for Youth needed 6. Single window for MF & Livelihoods			
<i>Producer Companies</i>				
1. Agriculture sector faces vagaries of Monsoon	1. Lack of Intensive investment	1. The producer companies of MP are well acclaimed and appear to be doing good to become ideal for replication and multiplying.	1. Connecting the Rural based Producer Organisations in the mainstream value-chain system 2. Improving agriculture and Livestock rearing practices	1. Working Capital requirement to be considered as a product of Micro finance? 2. If not work out alternative arrangements 3. Capacity building efforts to be increased. 4. Should ensure regular linking within the supply chain system
2. Producer companies (Some 55 with above 60,000 members & with a Rs.150 Crore turnover per annum) are established and succeeding reasonably	2. Each company with an average turnover of Rs.3-4 Crore per annum need financial services 3. Loans to be designed for Land Leasing, Irrigation, Fertilisers, Seed Production, Produce aggregation, Processing, Warehousing, Transporting and Marketing			
3. New Producer companies are being set up rapidly				

<i>Capacity Building and Training</i>				
<p>1. Capacity Building, financial Literacy Programmes and Skill Building in the state is seen as inadequate in relation to the need and demand</p> <p>2. Rural Self Employed Training Institutes- RSETIs are doing well</p> <p>3. Financial Literacy and Credit Counselling Centres – FLCCCs (initiative of bankers) are seen more as for counselling</p> <p>4. Skill Building University is in the office in Bhopal, MP</p> <p>Training are more grant driven</p> <p>5. Financial Literacy is covering aspects of Account Opening / Savings (Deposits) / withdrawals / Bank Linkage for loans / Recovery / Other products like Life/Crop Insurance etc. for training</p>	<p>1. Capacity Building and Training is needed almost in all spheres</p> <p>2. Training facilitation needs improvement by Better Qualified trainers, Dedicated time for training to be increased / enlarged, broader curriculum focusing on the entire MF activities</p> <p>3. Need for an apex Training Institute in the state concentrating on Staff / SHG Clients / Financial Literacy and BC/BFs</p> <p>4. Standardised, uniform content, curriculum, modules and methodology in training is needed.</p> <p>5. Standardised content for Financial Literacy, Credit Appraisal, Accounts, Operations, Livelihoods, Asset Creation, Maintenance, Recovery and Growth is the real demand</p> <p>6. Staff Capacity Building</p> <p>7. Bankers' capacities also needed to be upgraded frequently as it is seemed that they need more sensitisation</p> <p>8. Banks should add MF & Livelihoods training to bankers in their regular training programmes with a dedicated module</p> <p>9. Fee-based trainings should be considered for better valuing and effect</p>	<p>Knowledge of the clients improved</p> <p>Leads to empowerment</p> <p>And to better livelihoods and eventually changed lifestyles (to the better)</p>	<p>1. Disinclination on part of clients / beneficiaries to attend training programmes</p> <p>2. IFEM, Bhopal teaching MF & rural development for a class of 30 students graduating every year but the state is unable to retain them within the state</p> <p>3. FLCCCs of one bank canvasses more for that bank</p> <p>4. Insufficient trainers</p> <p>5. Inadequate training capabilities</p> <p>6. Infrastructural and logistical challenges in imparting training in rural and remote areas</p>	<p>1. A State Centric apex training institution may be considered</p> <p>2. Entire training programmes and capabilities need to be assessed and strengthened suitably</p> <p>3. Real time and demand oriented trainings be made part of capacity building exercises</p>

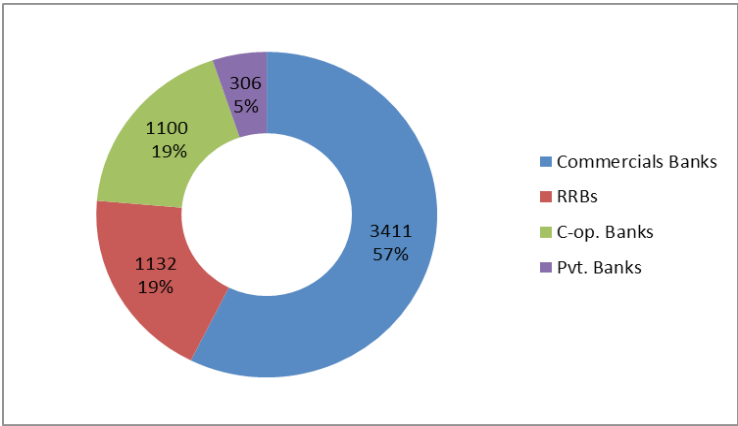
<i>Policy Matters and State support</i>				
1. Uniform policies in the State for MF and related activities among all departments and stakeholders	1. Who regulates / controls MF in the state? Clarity is needed 2. State Administration's support, especially at times of frauds and crisis very much necessary 3. Approval of MF bill at the centre 4. Improved awareness of MF, at Policy maker and Police level	1. Government support is creating an enabling environment in the state	1. Misunderstanding MF activities as those of Chit funds in some districts leading to inconvenience and impediments	1. Clear and enabling policies on MF needed 2. All departments be informed suitably on role of MF in the development of the State
<i>Credit Bureaus</i>				
1. Credit Bureaus have an important role 2. Though functioning, full efficiency not reached yet	1. Formats need to be further frequented and automated to the need 2. Need for uniform MIS 3. Bankers also need to share information	Credit information certainly helps in avoiding undesirable clients Ensures avoiding multiple-lending Ensures better repayments and asset quality Ensures reduction of NPAs and helps in enhancing ratings	1. Information supplied by members may not always be reliable 2. Delays caused in sharing makes the information redundant 3. Following a Uniform MIS for sharing with Credit Bureaus 4. Non-sharing of information by non-members also makes the available information insufficient or redundant	1. Information should be shared by all players including banks 2. Information should be shared more frequently and at the peak on daily basis

March 2013 saw the celebration of the 150th State Level Bankers’ Committee (SLBC) of the State of Madhya Pradesh. The MP SLBC is seen as a pro-active and strong committee intending to fulfil the needs and requirements of not only the banks but also of the people⁷

4.1 Spread of Bank Branches

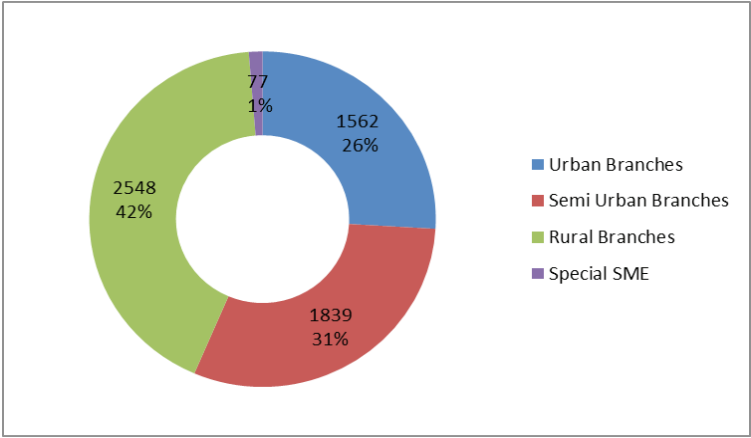
The banks and their branch network as of 31st March, 2013 are as depicted in Figure 1 below:

Figure 3: Bank-wise Branches: 5949



The figure shows that 57% of the branches are by commercial banks, 19% each are from cooperative banks and RRBs, and private sector banks have 5% of the bank branches in the State. Figure 3 shows the regional spread of these.

Figure 4: Region-wise Bank Branches



⁷ Minutes of SLBC meeting, Madhya Pradesh
http://www.slbcmadhyapradesh.com/pdf/Minutes_of_151_SLBC.pdf

About 42% of the total branches are in rural areas, and 31% in semi urban areas, with urban branches constituting 26% of the total number of branches in the State. The total number of branches is 6,026 (the bank-wise break-up and also the details of ATMs in MP are given in Annexure 2).

There are a total of 4,175 Automated Teller Machines (ATMs) in the state, of which the major portion (3646) are from Public sector banks, private sector banks have 525, and RRBs and Cooperatives have set up only 4 ATMs.

4.2 Credit Plans of the State

The Annual Credit Plan of 2012-13 envisages a 29% growth over the previous year. According to the Plan (details in Annexure 2), short term credit for agricultural production, marketing and food security was to be of the order of Rs. 23,086 crores, and long term credit Rs. 9,006 crores. The credit for MSME was targeted to be Rs. 6,028 and for other priority sector Rs. 4,219 crores. 76% of the total priority sector credit was directed towards agriculture and allied activities, 14% towards MSME and 10% towards other priority sector. The achievement against targets has been around 70% over the past three years.

Table – 3: Credit Deposit Ratio (Amounts in Rs. Crore)

Region	FY 2010-11 (March-2011)				FY 2011-12 (March-2012)				FY 2012-13 (March-2013)			
	Deposit	Growth	Credit	Growth	Deposit	Growth	Credit	Growth	Deposit	Growth	Credit	Growth
Rural	21,818	-----	20,133	-----	21,745	-0.33	24,776	23.06	25,794	18.62	29,275	18.16
Semi Urban	39,584	-----	16,712	-----	44,496	12.41	18,946	13.37	55,432	24.58	24,194	27.70
Urban	90702	-----	54,654	-----	114,630	26.38	69,570	27.29	139,464	21.66	85,868	23.43
Total	152,104	-----	91,499	-----	180,871		113,292		220,690		139,337	

Table - 4: Credit Deposit Growth / Ratio

National Benchmarking (as of 31 st March, 2013) 78				State Average 63
Banks	FY 2010-11 (March)	FY 2011-12 (March)	FY 2012-13 (March)	June 2013
Com. Banks	61	60	59	62
RRBs	52	53	54	
Coop Banks	61	109	130	
Total	60	63	63	

One of the points to be made out regarding the Access to finance is that the bankers should look into avenues of increasing the credit ratio. While the state target is 65%, the current credit to deposit ratio is 61% (2011-12) and 62% (2012-13) with a state average of 57%. While the rural credit outlook is encouraging, that of the semi-urban has much scope for increasing.

4.3 Products / schemes offered by the banks

A large number of loan schemes are offered in MP. These include:

- Education Loan
- Chief Minister Rural Housing Mission
- Priority sector Advances
- Agriculture Advances
- MSME Advances
- Advances to weaker sections
- DRI Advances
- General Housing schemes
- Swarojgar Credit Card
- Artisan Credit Card
- General Credit Card
- SHG Bank Linkage
- Financial Assistance to Scheduled castes
- Financial Assistance to Scheduled Tribes
- Direct Benefit Transfer (Direct Cash Transfer)
- NRLM
- Prime Minister's Employment Generation Programme
- Swarna Jayanti Shahri Rozgar Yojana
- Antyavyavasayee Swarozgar Yojana
- Kapildhara Yojana
- Tejasvini
- Weavers Cards
- National Horticulture Mission & NHB

In the wake of schemes such as Direct Benefit Transfer into the accounts of the beneficiaries, it has become imperative that bank accounts need to be opened.

The above status reveals that;

- a. Efforts to reach the banking services are in earnest, though not enough
- b. Growth in the financial year 2012-13 towards various advances has been lesser than that of the growth in financial year 2011-12

- c. There is much ground to be covered leaving out a large gap and scope of reach for financial services
- d. The balance of SHGs linked to Banks for Savings and for Credit is skewed in favour of savings than credit. While this could be an economically strong factor, it also denotes the need for deepening the credit extension/penetration to spur livelihoods and income generation.

4.4 Self Help Group Bank Linkage Programme (SBLP)

The Self Help Group Bank Linkage Programme, now acclaimed as the largest microfinance programme in the world, has so far been the most preferred and viable model for financial inclusion of the hitherto unreached poor. The SBLP was given renewed thrust with the launch of SHG-2 programme with its focus on voluntary savings, cash credit as a preferred mode of lending, avenues to meet higher credit requirements for livelihood creation, rating and audit of SHGs as part of risk mitigating system and strengthening the monitoring mechanisms.

Table- 5: SHG Coverage through the SHG Bank Linkage (NABARD MF Status Report 2012-13)

SSL. #	Details of Credit etc.	Details
1	Potential Rural households to be covered	63.72 Lakh (members) About 4.90 Lakh SHGs
1.1 a	Rural Households Covered	20.73 Lakh (members) About 1.59 Lakh SHGs
1.1 b	Achievement	32.53%
2	Among 50 Districts low coverage of SHGs	In 40 districts (74% with inadequate coverage) 9 WSHG districts
3	Average Savings per SHG	Rs. 7,727.00 (MP)
		Rs. 11,230 (National)
4	Average Credit disbursed per SHG	Rs. 90,415 (MP)
		Rs. 1,68,757 (National)
5	Credit / Loans given	To 0.15 Lakh SHGs
		Amount Rs. 137.27 Lakh
6	Loans Outstanding	Rs. 444.19 Crore
7	Gross NPA	Rs. 94.01 Crore

There are 73.20 lakh SHGs with SB accounts in the country as on 31 March 2013 of which 35 lakh SHGs are in the Southern Region comprising of AP, Tamil Nadu, Karnataka, Kerala, Lakshadweep, and Puducherry (47%). While the Central Region accounts only for 8.1 lakh SHGs (10%), the share of Madhya Pradesh in the SHG movement is only 2.17% with a huge scope for reaching out.

Table – 6: Comparison among select states on Status of SHG Savings & Credit
(Microfinance India – State of the Sector Report 2013)

State	2011-12		2012-13		Growth (%)	
	No. of SHGs	Savings Rs. Crore	No. of SHGs	Savings Rs. Crore	No. of SHGs	Savings Rs. Crore
Bihar	305,113	140.42	270,890	169.67	-11.22	20.83
Madhya Pradesh	163,588	112.29	159,457	123.21	-2.53	9.73
Odisha	540,029	361.36	522,837	418.28	-3.18	15.75
Uttar Pradesh	471,184	368.21	403,932	392.01	-14.27	6.46
		Loans Rs. Crore		Loans Rs. Crore		Loans Rs. Crore
Bihar	39,241	398.60	30,574	222.00	-22.09	-44.3
Madhya Pradesh	8,751	95.40	15,182	137.3	73.49	43.82
Odisha	49,831	541.00	47,676	473.3	-4.32	-12.51
Uttar Pradesh	34,497	445.40	33,140	451.0	-3.93	1.25

The above table reflects that the loans extended to SHGs under SBLP are increasing in the case of Madhya Pradesh, especially in the year 2012-13 significantly.

For a true inclusion attention must be focused on to enhancing the credit vis-a-vis the deposits of the SHGs. Though in some districts the credit linking targets are higher than the savings linking targets, in reality the credit linkages are still found to be wanting in the state.

As of 31st March 2012, about 2.14 lakh SHGs are with SB account in MP of which 0.90 lakh SHGs have been credit linked, leaving around 1.24 lakh SHGs to be credit linked with banks.

In order to achieve this goal, a multipronged strategy involving the following has been adopted:

- Promotion of SHGs through NGOs / Voluntary Agencies / Banks with NABARD grant.
- Capacity building of Bankers, NGOs, Govt. Officials etc., with NABARD grant.
- Advocacy through training programmes, workshops, meets, publicity through informative publications and hand holding of partner agencies.

The SHG movement is yet to gather steam in M.P considering the size of untapped rural population. All the financing banks have a major role to play in this field. Yet, at present, the RRBs and DCCBs seem to be ahead of commercial banks.

In recent times, banks have planned to expand their operations and reach through small and mini branches to the excluded segment. This is the first step towards financial inclusion in the state.

The major initiatives towards financial inclusion include:

5.1 Financial support to Banks to implement Financial Inclusion in the State for Development of Infrastructure

2,736 villages have been identified in the State of Madhya Pradesh as unbanked villages having population more than 2,000 as per census of 2001. To provide banking facilities in these villages, Government of Madhya Pradesh has introduced a scheme for financial support to the banks for providing smart cards to the beneficiaries of these villages and to provide hand-held device to the Customer Service Provider (Business Correspondent).

Under the scheme 50 percent of the cost with a maximum limit of Rs. 60 per card and Rs. 10,000 per hand-held device is made available. In addition, if banks establish a bio-metric ATM in such villages, capital grant of Rs. 1 lakh would be made available.

Government of Madhya Pradesh is also making efforts to cover villages having population between 1,000 and 2,000. For implementation of the scheme, an amount of Rs. 38 crore is provided in the 12th Plan.

5.2 Increasing Outreach through Business (Banking) Correspondents/ Business (Banking) Facilitators

Most banks allotted with serving the unbanked villages have signed MoUs with M/s. MP CON, an organisation promoted by SIDBI, IFCI, ICICI Bank Limited, MP Financial Corporation (MPFC), MP State Industrial Development Corporation (MPSIDC), MP Laghu Udyog Nigam (MPLUN), MP State Industries Corporation (MPSIC) and some public sector banks like State Bank of India and Central Bank of India. MP CON facilitates the recruitment and training of BCs. M/s. MP CON has been directed to ensure operating the CSCs in about 3,000 shadow villages in the state.

Organisations like SEED of AISECT, Network for Information and Computer Technology (NICT), Oxigen Services, Progressive and Synapse Solutions are offering services in the “Business (Banking) Correspondent and Business (Banking) Facilitators” domain in the state. In addition, several NGO-MFIs in the state are also offering such services within their areas of operations.

5.3 Financial Literacy

Literacy programmes are offered and conducted by Banks through designated training organisations and these programmes are called 'Formal' programmes. NGOs and MFIs are reaching out by organising capacity building programmes which also include financial literacy programmes. MFIs are using their own modules towards financial literacy in areas of bank account opening / operations, savings (deposits), withdrawals, bank linkage for loans, insurance, pensions, credit appraisal, accounts, operations, recovery, asset creation / maintenance / growth. Financial literacy is also promoted through Financial Literacy and Credit Counselling Centres (FLCCCs) and RSETIs, set up in the State (Details in Annexure 3).

The literacy rates of Madhya Pradesh are a tad better than those of Bihar, Odisha and Uttar Pradesh. For this reason, financial literacy is expected to yield good results in MP. A study conducted by UNDP has shown that compared to other States, financial literacy initiatives have yielded better impact in MP, when measured in terms of management of the household budget (details in Annexure 3).

5.4 Credit Bureaus' in Financial Inclusion

Credit bureaus play an important role in the Financial Inclusion ensuring quality lending and healthy assets.

In addition to the services of Credit Information Bureau India Limited (CIBIL) in providing the general Credit Information, Highmark Credit Information Services and Equifax Credit Information Services Private Limited (ECIS) offer focused credit information on Microfinance and related financing sectors in Madhya Pradesh. Only four MFIs of the entire Central Region comprising of other states as well in addition to Madhya Pradesh had referred 1,70,319 clients to Equifax, 11,243 clients to High mark totalling to 1,81,562 clients during 2011-12⁸.

⁸ www.equifax.co.in, www.highmark.in

6.1 Postal Financial System

The Indian Posts and Telegraph system with its deep penetration through 8,213 branches (details in annexure) in the state, and with envious outreach holds and important and vital link in the Financial Inclusion of not only Madhya Pradesh but the country itself through its various saving schemes [Total Savings Accounts 2,03,80,000 (about 28% of the state population)] and the Rural Postal Life Insurance schemes (with 10,98,501 live policies across two categories).

The Post offices are also handling MGNREGS matters as also contributing to the Remittances through the Postal Money Order System.

As the Post offices have demonstrated their reach into remote areas for several years, it might be a good idea to involve Post offices more efficiently and in depth for not only accessing Savings, facilitating / selling insurance but also in purveying credit as well. Time is at hand to seriously consider involving Post offices into credit activities as well. They can at least be on par or a bit above the Banking Correspondent Organisations where the postal delivery employees could be considered as either sub-agents or banking correspondents.

With the proposed modernization of the Indian Postal system, with right training inputs, credit purveying may really not be a major issue.

6.1.2 Post offices as “Microfinance Super Markets”

It should be noted, with much interest, that the post office have the advantage of wider and deeper outreach and serving not only in postal stream but also in savings, insurance, remittances, micro-pension and other social security scheme delivery. The only service they have not yet been entrusted with is the microcredit and formal financial literacy activities. Including Postal system into the total financial inclusion process of not only Madhya Pradesh but of the country itself could see that the Post Offices becoming “Microfinance Super Markets”.

6.2 Microfinance Institutions

The microfinance supply in the state is through Banks lending through SHG-Bank linkage programmes, Banks lending to MFIs for on-lending, MFIs lending through their equity or debt sourced from other resources etc. The government through programmes such as MPDPIP and Tejasvini also reach out financial support through group mechanism. The status of the Microfinance in Madhya Pradesh is as depicted below.

Table - 7: State Microfinance Profile⁹

Particulars	Details
Calculated Rate of Financial Exclusion	81.5%
Financially Excluded Families	13.45 Mn.
Microfinance Loans (Total 2.06 Mn.)	SHGs 0.85 Mn.
	MFIs 1.21 Mn.
Coverage of Excluded families (Microfinance Penetration)	17%
Active borrowers	~ 0.85 Mn.
Coverage of MF Loans (SHGs + MFIs)	17%

Table - 8: - Over-indebtedness in the State

Outstanding in SHG (Per member)	INR 4,442
Outstanding to MFI (Per member)	INR 12,678
Annual Payment (of Family Income)	22%
Estimated Debt Servicing capacity	10% only
Likely over-indebtedness by	12% (22 – 10 = 12)

Table - 9: Summary of Microfinance status in the State

Category	Details
Banks Providing MF in State	35 (Public-17; RRBs-8; DCCBs-10)
Total SHGs under SBLP	1.64 Lakh (Estimated average members / SHG-13)
Total MFIs in MP	About 30+ (Including MFIN Members)
MFIs with HQ in MP	9+ (Many have stopped since)
MFIs with MFIN	17 with a client outreach of 1.25 Million
Gross Portfolio of these MFIs	Rs.10.11 Billion (MFIN members' Rs.9.76 + Other MFIs (estimated at) –Rs.0.35)
Total Credit Reach	1,895,978 members (MFIs 1,009,932; Banks 886,046) Present estimate 2.2 Mn.
Total Portfolio Outstanding (In Rs. Lakh)	103,569.65 (MFIs 65,616.58 and SHGs 37,953.07) Present estimate Rs.11.50 Bn.
Districts served by MFIs	33 (17 of these are Poorest)

Scope for MFIs for further penetration – at least 17 districts

17 MFIs registered with MFIN (out of 41 pan-India MFIN members) are providing microfinance and related services in Madhya Pradesh in addition to several other NGO-MFIs and societies. The MFIs operating in Madhya Pradesh also are Asmitha, Bandhan, BASIX (BSFL), Equitas, Esaf (EMFIL), Fusion, Grama Vidiyal, Janalakshmi, Mimoza, Sahayata, Sahayog, Share, SKS, Sonata, Spandana, SVCL, Trident and Utkarsh.

Table - 10: Data on Microfinance in MP (March-2013 data)

Indicators	Pan India	In MP*
No. of MFIs	41 NBFC-MFIs	17 NBFC MFIs (41%)
Client Outreach	2,25,13,615	1.25 Mn. (5.55%)
No. of Branches	9,341	511 (5.47%)
Gross Loan Portfolio (GLP)	Rs.16,941 Cr	Rs.976.3 Cr (5.75%)
Employees	39,926	3,253 (8.14%)
Clients per branch	2,410	2,145

* Courtesy: Office of MFIN, MP Chapter

⁹ M-CRIL Microfinance Review 2012: MFIs in a Regulated Environment

The Gross Loan Portfolio (GLP) growth has been found to be as 14% in Madhya Pradesh.

Table - 11: Financing Joint Liability Groups (JLGs)

State	2010-11		2011-12		Cumulative	
	No. of JLGs	Loans Rs. Crore	No. of JLGs	Loans Rs. Crore	No. of JLGs	Loans Rs. Crore
Bihar	1,614	10.28	19,325	111.43	20,939	121.71
Madhya Pradesh	3,683	13.57	3,603	9.61	7,286	23.18
Odisha	32,146	123.71	21,116	107.90	53,262	231.61
Uttar Pradesh	13,207	16.47	7,106	88.11	20,313	104.58

Table - 12: Details of Reach of MFIs in Backward Districts (BWD)*

State	No. of BWDs	BWDs with MFI Reach	% of BWDs with MFI Reach	No. of MFIs with BWD Reach	Total Clients (Lakh)	Total Clients in BWDs (Lakh)	% of Clients of MFIs in BWDs
Bihar	27	27	100	16	12.93	9.71	75
Madhya Pradesh	23	20	87	18	11.71	4.60	39
Odisha	8	8	100	9	11.45	2.76	24
Uttar Pradesh	20	16	80	17	16.83	1.75	10

* Courtesy: Microfinance India – The Social Performance Report 2013

The combined outreach of both NBFC-MFIs and the NGO-MFIs could be of an estimated 20.0 Lakh. While the Minimum Interest rate for specific product is about 18%, the average interest rate is 26.5% per annum whereas the Moneylenders' rate is about 5% per month.

The products of MFIs in MP, with the prices, are given in Annexure 4. The products include general and interim loans, for both productive and social purposes. The amounts range from Rs. 4,000 to Rs. 50,000. While the minimum Interest rate for a specific product is about 18%, the average interest rate is 26.5% per annum. By comparison, the moneylenders' rate is about 3 to 5% per month.

6.3 Debt Funding Providers

Debt funding is not easy to procure in Madhya Pradesh. While the national CDR of 54.7% itself is inadequate, that of MP is much lower at 41.6% giving a clarion call to the bankers to work towards increasing this ratio to at least 60%. On one hand, the state is large and the government has an ambitious programme of alleviating poverty in the state in the next 5 years to bring it down to 15%. On the other hand, there is indeed a good demand for credit.

Though it is alleged that the AP Crisis did not have much effect on Madhya Pradesh, it does show a hesitation on part of the funding institutions, especially several of the bankers. Although the bankers' statistics assure that the NPAs out of lending to the MFIs under Priority sector is comparatively lower and safer, the prudential attitude of

“Wait, Watch and Act” is still being followed by many bankers in the state.

The banks could become more proactive in adopting a multi pronged approach of reaching the remote areas on their own, encouraging MFIs through term lending or otherwise to reach out. Presently NABARD and SIDBI are the large Debt / Grant fund providers. In addition, there are also several banks, public and private institutions, providing funds for microfinance activities in the state as detailed in Annexure 5.

6.4 Micro Pensions

Although pensions are very important for the poor as well, and despite several attempts of Pension programmes such as ‘Sri Kushabhau Thakre Contributory Pension Scheme for People of Unorganised Sector’ and The UTI Retirement Benefit Pension Fund etc., micro pensions in the state are still low leaving a good potential to grow.

Several organisations like Invest India Micro Pensions, Life Insurance Corporation of India and SAMHITA et al., are working in MP on Micro Pensions; yet, the penetration level of pensions, especially the Pension schemes are extremely tiny and slim.

6.4.1 Sri Kushabhau Thakre Contributory Pension Scheme for People of Unorganised Sector

The pension scheme, on the lines of the Vishwakarma Unorganised Sector Co-contributory Pension Scheme of Rajasthan, was designed in 2009-10 with a Co-contributory amount from the MP State Government, to fight the old age poverty amongst the working poor of Madhya Pradesh.

The scheme was designed by the Finance Department of MP State Government and was handed over to the Social Justice Department for implementation. But, despite making efforts in searching for suitable channel partners like banks, India Post and also attempts to converge the scheme with NPS Lite by having deliberations with Pension Fund Regulatory and Development Authority, the novel and noble scheme pioneering the cause of the informal sector workers really could not take off well. (Details of budgets and expenses of this scheme in Annexure 6)

An amount of Rs.1.0 Crore is budgeted for 2012-13. The scheme may be more beneficial if an institutional implementation mechanism could be devised to deliver the benefits to the targeted people.

6.4.2 “Swavalamban”

Administered by the Pension Fund Regulatory and Development Authority (PFRDA), and funded by grants from the Government of India, the “**Swavalamban Yojana**” seeks to provide pension scheme to all citizens in the unorganised sector who join the scheme. Under the scheme, the Government will contribute Rs. 1000 per year to each National Pension Scheme / New Pension Scheme (NPS) account opened in the year 2010-11

and for the next three years, that is, 2011-12, 2012-13 and 2013-14. The benefit will be available only to persons who join the NPS with a minimum contribution of Rs. 1,000 and maximum contribution of Rs. 12,000 per annum.

The scheme is operated by LIC Housing Finance as the “Aggregator” and Life Insurance Corporation of India (LIC) as the “Facilitator” LIC operates this scheme through agents and are also now contemplating on roping in NGO-MFIs and BCs as so far the enrolment has been dismal / insignificant in the state.

6.4.3. Indira Gandhi National Old Age Pension Scheme (IGNOAPS)

IGNOAPS is a national Old Age Pension (OAP) Scheme launched by the Ministry of Rural Development to cover all persons of age 60 years and above belonging to the Below Poverty Line (BPL) category with a monthly pension amount of Rs.200 from 60-79 years and Rs.500 per month per person for those who are 80 years and above. The states are supposed to contribute an equal amount.

While states like Delhi, Haryana, Maharashtra and Punjab are contributing more than the Centre’s contribution, states like Gujarat, Jharkhand, Karnataka, Rajasthan, Tamil Nadu, Tripura, Uttarakhand and West Bengal are matching the Centre’s contribution. While states like Assam, Chhattisgarh, Jammu and Kashmir, Kerala, Madhya Pradesh and Uttar Pradesh contribute lesser than the Centre’s contribution (details in Annexure 6).

While Madhya Pradesh is at least contributing a 37.5% of the Centres’ contribution and thankfully ahead than some states like Andhra Pradesh, Bihar, and Odisha whose contribution seems to be NIL (for whatever reason) the contribution from Madhya Pradesh has quite a good scope to increase its contribution share, as part of the Access to Finance to the poor in the state.

6.5 Insurance – Products and Issues

With an estimated penetration of some 0.7% (information gained from meetings with the insurance sector), Micro Insurance is another area which has a large growth potential in the state and yet is to make a mark in the state.

India is characterised by a relatively low but increasing insurance penetration. Insurance penetration in India, at 3.5% of GDP in 2006 is very low compared to the average of 9.2% for industrialized countries but higher than the average of 2.7% reported for emerging markets. It has grown fast over the past few years, however, increasing from 1.93% in 1998-99¹⁰. This signifies the amount of scope insurance and micro insurance has in the state too.

Presently a few types of Insurance are made available to people.

LIC developed and is offering three specific Micro Insurance Products (In addition to Janashree Bima Yojana) viz., Jeevan Madhur Plan (from 28th September, 2006), Jeevan Mangal Plan (from 3rd September, 2009) and Jeevan Deep Plan (from 1st September, 2012).

¹⁰ MCRIL’s “Micro-Insurance regulation in the Indian financial landscape – A Case Study 2008

6.5.1 Jeevan Madhur

It is a Micro Insurance Plan with facility to choose premium amount, mode and term of the policy and the death benefit would depend on the premium payable during the selected term irrespective of age at entry. However, the amount payable at maturity called Maturity sum Assured would vary for different ages and terms.

6.5.2 Jeevan Mangal

It is a Micro Insurance Term Assurance Plan with return of Premiums on maturity along with Death Benefit and Accident Benefit Rider.

6.5.3 Jeevan Deep

It is a Micro Insurance Endowment Assurance Plan with guaranteed additions and loyalty additions along with Death Benefit, Accident Benefit rider and Auto-cover Facility.

6.5.4 Aam Aadmi Bima Yojana (AABY)

The Aam Aadmi Bima Yojana was initiated in October, 2007 covering both death and disability for the Rural Landless Households in the State providing insurance against natural as well as accidental and partial / permanent Disability. The scheme was operated through LIC and worked on a group model. The groups should have a minimum of 25 beneficiaries, whether found under aegis of Panchayats, NGOs, Self-help groups, nodal agencies or any other institutionalized arrangements. The premium of Rs.200/- per person per annum was shared equally by the Central Government and the State Government. The member to be covered should be aged between 18 and 59 years.

There were as many as Eight Lakh individuals for whom Insurance Premium was paid by the Government. However, the number of beneficiaries and payment received by their successors is as follows:

Table - 13: AABY Cost and Beneficiaries

Nature of Benefits	2010 -11		2011 -12	
	Claimed Amount	No. of Actual Beneficiaries	Claimed Amount	No. of Actual Beneficiaries
Scholarship	8,656,000	14,427	7,701,000	12,836
Natural Death	54,960,000	1,832	76,710,000	2,557
Accidental Death	79,853,000	225	10,845,000	159
TOTAL	143,469,000	16,484	95,256,000	15,552

Info Courtesy: Mr. Kavim V Bhatnagar (Source: Annual Report - Department of Social Justice)

AABY was intended to provide a life insurance coverage to 15,00,000 persons in 2009 – 10 and accordingly the premium was paid to LIC towards each head of the family. However, the actual expenditure on the scheme was only Rs. 1.61 crore which was just 11% of the budgeted amount. Thus the premium paid by the government could be for only 1,65,000 heads of family. During the year 2011 -12, the budgetary provision was Rs. 12 Crore and the utilization just 45%. Since 2012 AABY has been merged with Janashree Bima Yojana hoping to increase administrative efficiency.

The General Insurance products (167) offered by over 20 organisations outweigh the Life Insurance products (24). There are just a few above 20 products earmarked as Micro-insurance policies / products.

6.5.5 Janashree Bima Yojana (JBY)

In MP, JBY was intended to provide insurance coverage to 5,00,000 persons in 2009 – 10 with a payment of Rs. 100/- as premium for each head of the family. However, the actual expenditure on the scheme was only 15%, with premium paid by the government only for 75,000 heads of family. However, in 2010 -11 as well as 2011 -12 the utilization of budget was to its fullest extent of 100%.

The claim amounts averaged to about Rs.30,000 per person for natural death, Rs.72,000 for death by accident and Rs.600 scholarship (details in Annexure 7).

6.5.6 Khadi Karigar Janashree Bima Yojana

“Khadi Karigar Janashree Bima Yojana” is a group insurance scheme for Khadi workers covering spinners, weavers, pre-spinning and post-spinning artisans engaged in the Khadi sector, with LIC of India as the insurers. This scheme provides risk cover for the death / disability of the insured worker and the worker will not be entitled to get any returns on the premium paid even if the worker survives the entire period of insurance.

6.5.7. Other Insurance Schemes

6.5.7.1 Rural Postal Life Insurance (RPLI or Grameen Dak Jeevan Bima) - Postal Department

6.5.7.2 Prerana Health Insurance Scheme of Emmanuel Hospital Association

6.5.7.3 Future Sampoorana Suraksha Micro Insurance of Future Generali

6.5.7.4 Jeevika Personal Accident Micro Insurance of L & T

6.5.7.5 New India Assurance offers has over 30 different policies as General Insurance. Presently they are offering a specific comprehensive plan called “Jan Suraksha Laghu Bima Yojana” covering life risks in Accidents and Hospital Expenses.

6.5.7.6 United India Insurance offers about 24 different Micro Insurance policies as General Insurance. Life is covered only in accident policies.

Despite such products, except for the insurance insisted by the lenders to the poor and general insurance, life insurance *per se* has not been successful at all. It is estimated

that the Micro Insurance reach across the country is likely to be than 2% or lesser. The following Table shows that there is still a good scope for tying up insurance with Government Programmes.

Table - 14: Micro Insurance under SRLMs in Madhya Pradesh¹¹

State	Life Insurance	Health Insurance
Andhra Pradesh	96,69,452	-----
Bihar	2,18,490	-----
Madhya Pradesh	16,340	-----
Odisha	2,02,267	-----
Tamil Nadu	65,397	82,095

The inference is that there appears to be;

- No incentive for the agents to sell micro-insurance as the policy and premium values are so small that their commission / incentive is tiny relating to the time spent/to be spent and many do not feel like taking that extra effort to push the policies. Thus Delivery Channels is a major challenge.
- The insured also really never understand the insurance concept properly and insist that their premium money is lost and do not continue the policies.
- Follow-up on such lapsed policies are rarely being taken up. This has resulted in many of the policies lapsing and redundant.
- Claimants rarely come into the picture at the time of claim settlement as the “Village Heads” manage on behalf of the insurers.

The above factors are clearly reflected from the table below:

Table - 15: Claim Ratios on Insurance Schemes

Years	Budget AABY (In Rs.)	Budget JBY (Rs.)	Total Budget for Insurance	No. of Lives Covered	Beneficiaries (Natural + Accident Death)
2012-13	18,00,00,000	250,000,000	430,000,000	4,300,000	NA
2011-12	12,00,00,000	200,000,000	320,000,000	3,200,000	7,301
2010-11	15,00,00,000	180,000,000	330,000,000	1,500,000	4,852
2009-10	14,99,99,000	50,000,000	199,999,000	1,999,990	NA

Source: Annual Report Department of Social Justice

Out of a total of about 32 Lakh lives covered under the Life Insurance component in the year 2010–11, the claim ratio was just about 0.0022 %. In the year 2011-12 it was 0.0032 %. This means that either the claims are too little which should encourage the Insurance Companies to penetrate further or that there are actually more claims but people are unaware of how to claim which necessitates all the more Insurance literacy as part of Financial Literacy.

There is an impending need to develop and sustain insurance literacy as part of the financial literacy towards total financial inclusion. In addition, unless insurance is linked to some other programme the success is likely to be very low.

¹¹ Microfinance India – State of the Sector Report 2012

The State government of Madhya Pradesh is proactive to development activities and to alleviate poverty in the state through several National and State level programmes. A short discussion follows, while the details of programmes are provided in Annexure - 9.

One important initiative of the state is the “SAMVRIDDHI” programme to ensure an equitable growth for all, through Financial Inclusion which would be to help the deprived and disadvantaged by providing them access to banking facilities such as credit, use of funds to find better livelihood, earn income and thus join the mainstream of development.

The Madhya Pradesh Model of Financial Inclusion has indeed attempted towards providing easy and hassle free banking access in the State especially in the shadow area or the area which are left uncovered till now, despite several efforts by several agencies in the area of Financial Inclusion.

7.1 Programmes for Livelihoods

The employment opportunities in the country as also in the state have to continuously run the un-yielding race with ever increasing population. Several schemes / programmes to tackle this situation have been initiated and undertaken at the National as well as the State Level.

7.1.1 Madhya Pradesh District Poverty Initiatives Project (MPDPIP)¹²

The Madhya Pradesh District Poverty Initiatives Project (MPDPIP), funded by the World Bank, is an ambitious project of the Government of Madhya Pradesh, towards the alleviation of poverty in the State. The project, based on the needs and demands of the community, has been complementing the objective of reforms in governance and improved access to social services for the low-income and the vulnerable, by promoting de-centralisation and a more effective demand based approach. The project comprises of two phases, MPDPIP-1 (2001-2008) and MPDPIP-2 (2009-2014). The per capita income of Madhya Pradesh has increased to Rs. 22460/- in the year 2010-11 from Rs. 15442/- in 2004. The growth of Per capita Income at constant prices has been grown at an annual rate of 6.82% for the nation and 6.64% for the state level respectively during 2004-05 to 2010-11. The primary sector growth, which employs nearly 70% of the population, has seen very wide fluctuations across past 10 years. Over dependence on monsoon based agriculture is as the principal reason for such a wide variation.

The programme has formed 56,089 Common Interest Groups, with a membership of about 2.80 lakh members, which are federated into over 2,650 registered Village Development Committees (VDCs), to become a service provider to the members. They manage the Apna Kosh (village fund) for microfinance; book keeping etc. 60%

¹² Available at, <http://www.dpipmp.mp.gov.in/english/PatG.htm>, Last accessed on 26th April, 2013

of the VDC executive members and 94% of the Chairpersons of the VDCs are women. During Phase-1 of the MPDPIP, 34,030 credit linkages were established with Rs.57.53 crores out of which Rs. 46.60 crores have been created through 25,906 Kisan Credit Card Scheme. The programme has had many successful initiatives, for water resources, farm and non-farm income generating activities, and in setting up producer companies. The programme has rolled out its second ambitious phase, from 2009-2014, hopes to follow the same methodology and aims to promote both producer companies and Mutually Aided Cooperative Societies (MACS).

7.1.2 Madhya Pradesh Rural Livelihoods Project (MPRLP)

MPRLP is a DFID funded bilateral support programme¹³ to address poverty alleviation in 10 districts with four project components – institutional and human capacity development, state livelihood support, innovation and partnership support and project implementation support¹⁴. The programme facilitates the strengthening of the Gram Sabhas to facilitate microcredit and address food / social security of the ultra low-income by reaching out through individual households as well as CIGs / SHGs. The credit linkages are expected to spur, promote, protect and diversify the farm and non-farm based livelihood options of the targeted low-income. It also would invest in developing a wider base of implementing partnerships with private sector, civil society, and other development institutions for bringing in new ideas, innovations, services, and delivery mechanisms. The MPRLP approach covers a total of 10 districts comprising 46 blocks, which again comprises 2781 Gram Panchayats made of 6207 villages¹⁵.

7.1.3 National Rural Livelihood Mission (NRLM) – Formerly Swarn Jayanti Gram Swarojgar Yojana (SJGSY) implemented through Madhya Pradesh Rajya Aajeevika Forum (MPRAF / MPRLP)

The main scheme to target poverty in rural areas is Swarn Jayanti Gram Swarojgar Yojana (SJGSY) which was later (2010) restructured as National Rural Livelihood Mission. With state level interventions to strengthen SHGs in addition to the centrally sponsored scheme, 2.80 Lakh SHGs are formed in the state.

7.1.4 Antyodaya Swarojgar Yojana¹⁶

Targeted at people belonging to the SCs/STs and also for those engaged in unhygienic occupations and living BPL, the scheme facilitates loans from banks with the Corporation extending a 50% subsidy, to help 7000-8000 beneficiaries annually to establish themselves in gainful employment and raise their income levels to come out of the Below Poverty Level status and improve their lives.

¹³ State Perspective and Implementation Plan (SPIP) for National Rural Livelihood Mission (NRLM) – Madhya Pradesh Rajya Aajivika Forum (MPRAF), Panchayat and Rural Development Department, Government of Madhya Pradesh

¹⁴ National Rural Livelihoods Project (NRLP) an Intensive Strategy under National Rural Livelihood Mission (NRLM) - <http://pib.nic.in/newsite/erelease.aspx?relid=73268> last accessed on 10th May, 2013

¹⁵ Annual Action Plan of MP for Implementing NRLM (Aajeevika), (F.Y. 2012-2013), Panchayat and Rural Development Department, Government of Madhya Pradesh, available at <http://www.aajeevika.gov.in/AAP/AAP-MPRAF-GoMP.pdf> - Accessed on 21st January, 2013

¹⁶ Available at <http://www.infoleop.com/011-antyodaya-swarojgar-yojana-mp> - Accessed on 9th May, 2013

7.1.5 Urban Women Self-Help Programme (UWSP)¹⁷

Part of the Swarnjayanti Shahari Rozgar Yojna (SJSRY), the UWSP is a programme for groups of women to enable them set up self-employment ventures as groups of women, through micro group enterprises supported by microfinance.

The Programme is aimed at encouraging activity-focused and area-specific approach for the group / micro enterprise suited to their skill, training, aptitude and local conditions. Besides generation of income, this group strategy strives to empower the urban low-income women by making them independent as also providing a facilitating atmosphere for self-employment.

The minimum loan amount per group will be Rs. 5.0 lakh with a 35% subsidy. Loans are facilitated without collateral and a repayment period of 3 to 7 years and a moratorium period of 6 to 18 months.

7.1.6 Tejasvini Rural Women Empowerment Project¹⁸

The Tejasvini Rural Women Empowerment Project aims at empowering low-income women to make use of economic, social and political opportunities for improving their well-being. There are four key aspects of Tejasvini Programmes as follows:

- The development of strong and sustainable SHGs and their apex institutions.
- Provision of access to micro finance services.
- New and improved livelihood opportunities and empowerment of women to use these opportunities.
- Access to functional literacy, improved health, labour saving infrastructure and participation in local governance.

Presently, the Programme is being implemented in six districts of Madhya Pradesh through 12,400 plus Women Self Help Groups comprising of about 1,65,000 members. An outlay of Rs.2130.00 lakh for the 12th Five year plan period and Rs. 899 lakh for Annual Plan 2012-13 has been proposed, to form and nurture Self Help Groups with Microfinance and Livelihood support.

¹⁷ UWSP Guidelines – available at, http://www.google.co.in/url?sa=t&rct=j&q=URBAN+WOMEN+SELF-HELP+PROGRAMME+%28UWSP%29&source=web&cd=3&cad=rja&ved=0CDsQFjAC&url=http%3A%2F%2Fwww.apmepma.gov.in%2Fdownloads%2FLivelihoods%2FUWSP_Guidelines.doc&ei=VVK3UfbBDsT4rQeIsIDQAg&usg=AFQjCNElp8oh7_X7eo7O2D_0XMIEqzuTxA&bvmbv.47534661.d.bmk Accessed on 9th May, 2013

¹⁸ Available at, <http://www.mpinfo.org/mpinfofnew/english/cd/050606.asp> - Accessed on 9th May, 2013

The SHGs promoted under different government initiatives are given in Table 3 below:

Table - 16: SHGs Promoted Under Various Initiatives (Government & NGOs)¹⁹

Sl. #	Programme / Project / Scheme	SHGs Created
1	SGSY / NRLM	3,10,235
2	MPDPIP	13,842
3	MPRLP	8,606
4	Tejasvini	12,400
5	NGOs & Others (towards NRLM)	13,234
Total		3,58,317
LESS	Weak Groups and overlapping count (Approx 33%)	1,18,245
Active SHGs		2,40,072

Of the total of 3.58 lakh groups formed, about 1.18 lakh groups are weak or double counted, so 2.40 lakh groups are considered as active.

7.1.7 Mahatma Gandhi National Rural Employment Guarantee Act. (MNREGA)

The flagship scheme for providing employment and security against extreme poverty and hunger is Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS)²⁰. Madhya Pradesh has been the frontrunner in implementation of National Rural Employment Guarantee Scheme (NREGS). However, the MGNREGA person days achieved (in MP) during 2012-13 were 10.27 crores (103 million), against an anticipated / expected demand of 19.60 crore (196 million) person days.

This inadequacy could be attributed to the level of awareness about NREGS is very low among the beneficiaries in the state. The beneficiaries need to be more adequately aware about their rights regarding the unemployment allowances, minimum number of labour days to be provided, minimum wages per day, parity in wages across gender, worksite facilities, role of Gram Sabha, Right to Information (RTI) and social audit²¹. The success of MGNREGS in the state would depend upon the participation of the masses in the planning as well as in mechanisms of transparency and accountability building process. For this more and more awareness should be generated directly and through civil society organisations.

7.1.8 Prime Minister's Employment Generation Programme (PMEGP)²²

PMEGP has been created by merging two earlier programmes – Prime Minister's Rozgar Yojana (PMRY) and Rural Employment Generation Programme (REGP) – towards generating employment opportunities aiming unemployed youth and widely

¹⁹ Annual Action Plan of MP for Implementing NRLM (Ajeevika). (F.Y. 2012-2013), Panchayat and Rural Development Department, Government of Madhya Pradesh <http://www.aajeevika.gov.in/AAP/AAP-MPRAF-GoMP.pdf> - Accessed on 21st January, 2013

²⁰ MGNREGS Physical progress for 2012-13 – available at http://nrega.nic.in/netnrega/Data/State_brief_17.pdf last accessed on 11th June, 2013

²¹ Management of National Rural Employment Guarantee Scheme in Madhya Pradesh: Issues and Challenges by TapasKumarDalapati&D.C.Sah http://www.mpissr.org/file/project_completed/Management%20of%20National%20Rural%20Employment%20Guarantee%20Scheme%20in%20Madhya%20Pradesh.docx.pdf, last accessed on 9th May, 2013.

²² Available at <http://www.mpruralindustries.gov.in/khadigram/SchemeI.aspx> - Accessed on 10th May, 2013

dispersed traditional artisans, by establishing new micro enterprises in rural and urban areas and thus trying to arrest migration.

Administered by the Ministry of Micro, Small and Medium Enterprise (MoMSME), the scheme is implemented by Khadi and Village Industries Commission (KVIC) directorates in the States, State Khadi and Village Industries Board (KVIB) and District Industries Centres (DICs). The scheme is implemented in association with reputed Non Government Organizations (NGOs) / reputed autonomous institutions / Self Help Groups (SHGs) / National Small Industries Corporation (NSIC) / Udyami Mitras / Panchayati Raj institutions and other relevant bodies, especially in the area of identification of beneficiaries, of area specific viable projects, and providing training in entrepreneurship development.

Individuals of over 18 years of age, ex-service men, SHGs which have not availed benefits under any similar scheme, societies, cooperatives and charitable trusts are eligible to benefit. With a margin money of 5-10% and subsidies of 15-35% depending on urban or rural areas and categories of beneficiaries, projects costing above Rs.5 lakh in the business / service sector, and Rs. 10 lakh in the manufacturing sector are considered, if they are new projects under the PMEGP.

7.1.9 Kisan Credit Cards (KCC)

A Credit Product that allowed farmers financial liquidity and credit when needed was introduced in 1998-99 in the form of Kisan Credit Cards. The product also provided flexibility of process, cost effectiveness and timeliness and most importantly hassle free services to the farmer when credit was absolutely required.

As per a news report of Times of India²³ dated 13th July, 2012, out of the 73.23 lakh farmers in the state 7.65 lakh farmers have been provided with KCCs so far, with an average credit of Rs.1.0 Lakh per farmer/KCC. Out of these, 28.42 Lakh KCCs were from Commercial Banks. In addition, loans are being extended through 38 Coop. Banks and 4,526 Primary Agriculture Credit Societies (PACS).

However, as per a study undertaken by NABARD in 2009-10 by Samir Samantara²⁴, the lending agencies including coop. banks were following the Scales of Finance (SoF) properly as the credit limits sanctioned were less by about 19% at Rs.8,500-9,500 as against the fixed amounts of Rs.10,500-13,500.

Thus it is felt that the banks and other agencies involved can introspect and ensure compliances suitably to enable the farmers benefit from the scheme.

²³ http://articles.timesofindia.indiatimes.com/2012-07-13/india/32662426_1_kisan-credit-cards-lakh-farmers-commercial-banks

²⁴ Occasional Paper 52 "Kisan Credit Card – A Study" by Samir Samantara, Department of Economic Analysis and Research, NAMARD, 2010 - <http://www.nabard.org...OccasionalPapers/Kisan%20Credit%20Card.pdf>

7.1.10 Financial support to Banks for Development of Infrastructure in implementing Financial Inclusion in the State

2,736 villages have been identified in the State of Madhya Pradesh as unbanked villages having population more than 2,000 as per census 2001. To provide banking facilities in these villages, Government of Madhya Pradesh has introduced a scheme for financial support to the banks for providing smart cards to the beneficiaries of these villages and to provide hand-held device to the Customer Service Provider (Business Correspondent).

Under the scheme 50% of the cost with a maximum limit of Rs. 60 per card and Rs. 10,000 per hand-held device is made available. In addition, if banks establish a Bio-metric ATM in such villages, capital grant of Rs. 1 lakh would be made available.

Government of Madhya Pradesh has also decided to go further down for financial inclusion in the villages having population between 1,000 and 2,000 and also to provide assistance on the same pattern for these villages. For implementation of the scheme, an amount of Rs. 38 crore is provided in the 12th Plan. During first year of the 12th Plan period, i.e. 2012-13, an amount of Rs. 5 crore has been provided in the plan.

People earn their livelihoods from various sectors like agriculture, forestry and fishing, mining and quarrying, manufacturing, electricity, gas and water supply, construction, trade, restaurants and hotels, transport, storage and communications, finance, insurance, real estate and business activities, community, social and personal services, public administration, defence and other services.

As per the Government of India's quarterly Delivery Monitoring Unit (DMU) Report (prepared on the basis of quarterly review of the Planning Commission of India), Madhya Pradesh is performing well in MGNREGA implementation and is in the list of top 10 states in five categories out of seven. As many as 489,000 families were benefited, including 27% of STs, 20% of SCs and 40% women curtailing migration. 65% of the beneficiaries admitted that their income has gone up to 24% while 88% villagers lauded the role of MGNREGS in the creation of permanent assets as also increasing agriculture production in the villages. However, it was pointed out that people also need to be trained in to these activities and hand-held during the course of their profession for skill enhancement and diversification. For that there is a necessity for good training institutions in the state.

8.1 Indian Institute of Forest Management (IIFM)

Indian Institute of Forest Management was established in 1982 as an autonomous institution by the Ministry of Environment and Forests, Government of India. The vision of IIFM is to be among the leading international institutions in the area of environment, forest and development management and be respected, both nationally and internationally, for its outstanding contributions in the fields of education, training, research, consultancy and thoughts' leadership²⁵.

8.2 Training / Capacity Building

Capacity building and trainings are provided by the financial institutions themselves through "in-house services" as also by outsourcing the same. Some of the resource institutions are listed below.

8.2.1 Centre for Entrepreneurship Development Madhya Pradesh (CEDMAP)

Founded in 1988 CEDMAP in Madhya Pradesh & Chhattisgarh, having Trainers and Motivators called District coordinators all on Govt. pay rolls, as staff members providing capacities towards Rural development through SHGs and others.

8.2.2 National Institute for Smart Government (NISG)

Forged as a public-private partnership, NISG offers the orientation and efficiency of the private sector combined with the accountability of the public sector, in offering its

²⁵ Available at <http://www.iifm.ac.in/> - Accessed on 15th June, 2013

services in the areas of strategic consulting, project consulting, programme management unit and training and capacity building with a mission of facilitating and promoting the induction of private resources in the area of Governance in India” in financial, managerial and technological resources, in order to accelerate effective governance.

8.2.3 SAMARTHAN-Centre for Development support

Samarthan, a leading non-profit organization with significant presence in Madhya Pradesh and Chhattisgarh, started out in the year 1995 in the Sehore district of Madhya Pradesh, as a support organization building capacities and networks of voluntary organizations working at the grassroots, gradually spreading their intervention to another 14 districts of Madhya Pradesh.

8.2.4 Technology for Rural Advancement (TARA)

Established in 1985, as an “Incubation Engine” TARA has been a social enterprise of the Development Alternatives Group providing development solutions in the areas of training and capacity building, livelihoods and market access, green products and services, technology management and programme management.

8.2.5 Vrutti

Vrutti, Livelihood Resource Centre works in the Budhni Block of Sehore District & Bankhedi Block of Hoshangabad district with support from NABARD, towards contributing to livelihoods promotion, improving the quality of life of disadvantaged groups. Skill Development Centres (SDCs)

8.2.6 Industrial Training Institutes

Presently Vocational Training is imparted mostly at Industrial Training Institutes (ITIs) under the aegis of several departments in the state as detailed below:

Table - 17: Vocational Training by ITIs

Sl. #	Department	Institutions	Candidates
1	Technical Education and Training	(ITIs) 171	21,900
2	Home Department (Police)	(ITIs) 2	188
3	Private Institutions	(ITIs) 101	7,164
Sub-Total		(ITIs) 274	29,252
4	Skill Development Centres (from Nov.2011)	(SDCs) 113	2,700
Total		(ITIs + SDCs) 387	31,952

To augment the efforts of the other like-minded institutes, it was proposed to establish Skill Development Centres (SDCs) at every block of the State (details on planned SDCs and efforts by NABARD in annexure 10).

As mentioned earlier, Madhya Pradesh is a large state, with high poverty levels where financial services have still not reached the poor regions and populations, to the extent desired. An analysis of the strengths and weakness in the status of financial inclusion by the vulnerable sections in MP is given in the following table:

Table - 18: Status of Financial Inclusion in Madhya Pradesh: A SWOT analysis

Strengths	Opportunities
<ul style="list-style-type: none"> With 36.7% poverty rate in the state a huge and true demand for financial inclusion Congenial and pro-active State government and bureaucracy No direct fall-out of the Andhra Pradesh Microfinance Crisis Strong and sensitive SLBC Generally an amicable atmosphere for credit People generally are willing to repay 	<ul style="list-style-type: none"> Vast State / 50 districts / 54,903 villages (awaiting banking facilities) 36.7% poverty in the state With about only 7.2% penetration in MP²⁶ the scope for growth is imaginably immense 17 districts, especially those inhabited more by tribals, are to be still penetrated into in a large scale Decent irrigation and power situation Felt need for organisations embedded in MP MF to look into creating financial products for Producer Companies / disabled and so on More enabling atmosphere to be created for MF & livelihood development Good scope to reach in 'width' and 'depth' Scope for credit guarantees Larger (lending) role for post offices
Weaknesses	Threats
<ul style="list-style-type: none"> Vast State / Scattered Villages (logistical challenges) Low Inhabitant villages Increase in logistical / operational expenses Literacy / financial literacy issues Lack of awareness of various schemes and resources Several players - but insufficient coordination Overlapping interventions Need for regulations / uniform policy for state for MF & related activities across all players By and large mid level poor are targeted-real poorest of the poor left off Interventions more supply oriented than demand/needs Insufficient sensitivity on part of some ground level bankers. BC/BF concept being tried out but facing road blocks Lack of suitable awareness of schemes / interventions 'Sporadic' continuation of multiple lending due to insufficient loan amounts Wrong / late data feed to credit bureaus Training related issues Lack of sufficient dedicated and competent trainers Insufficient time allocation for training than needed Broader and uniform curriculum for MF training Dependency on grant / subsidy culture Regional needs not given desired consideration Despite MF and livelihood interventions in the past real 'concrete' asset creation is not to be seen much Inadequate mobile / software solutions Escalating 'cost of compliances' Inability to lend by post offices 	<ul style="list-style-type: none"> Less coordination among all players Inconsistent reach of players Overlapping, leading to multiple lending and indebtedness Continuing 'Watch-n-Wait' attitude of large funders (Post Andhra Crisis) Confusing micro finance with chit-fund activity at lower levels of administration

²⁶ IFMR Study "Map of Microfinance Distribution in India" <http://www.centre-for-microfinance.org/mfimap/maps.htm> - Accessed on 27th January, 2013

9.1 Working on Projections

The projections of the “Status of Financial Inclusion and Way Forward: M.P. 2013-18” document are based on references and secondary data, important among them are the Census of India 2011 documents, the latest SLBC agenda and reports, NABARD reports, Progress Out of Poverty information, MFIN data etc., supported by notes taken during consultative meetings, individual meetings/interactions through e-mails and phone calls, with stakeholders that include bankers, MFIs, postal, insurance, micro pensions, business correspondent organisations etc. along with practitioners, advisers and academicians etc.

9.1.1 Projecting the Numbers of Low Income Households in MP

The total population of the State is taken from 2011 Census, which also projects the population of the State till 2017²⁷. The average of 5 persons per house hold for MP²⁸, hence the number of households has been calculated accordingly.

The rural population at 72.37% dominates that of the urban population at 27.63% in Madhya Pradesh as of 2011; for the projections of households, the actual rural-urban population projections by the Census are taken. The NSSO 66th round data presented by Tendulkar estimates poverty in MP to be 37.8% in rural areas, and 19.7% in urban areas. However, stakeholders in MP cautioned that the poverty on the ground was much higher than these estimates. A better set of estimates is available from the Progress out of Poverty report, whereby households are classified by income categories. The figures for MP, for households in two low income categories, are depicted in Table 21 below:

Table 19: Percentage of households in low income categories (2009)

Income Category	% of Households	
	Rural	Urban
US \$ 0.81 to 1.35	57.0	21.8
US \$ 1.36 to 2.16	29.2	25.7
Total	86.2	47.5

The table shows that 86.2% of rural households earn less than \$2.16 per person per day (PPPD), and 47.5% of the urban population can be considered low income by the same standards. These are the percentages of households that were taken for projecting the low income households in MP, in this document.

The number of low-income households projected in MP, from 2013 to 2017, is given in Table 22.

²⁷ Report of the Technical Group on Population Projections constituted by the National Commission on Population, May 2006

²⁸ Report on Indian National Family Health Survey -3 by International Institute for Population Sciences (IIPS) and Macro International Inc. Calverton, Maryland, USA, September 2007

Table 20: No. of Low Income Households Projected in MP (Numbers in Lakhs)

	2013	2014	2015	2016	2017
Rural					
\$0.81 - \$1.35	59.45	59.29	59.10	58.87	58.61
\$1.36 - \$2.16	29.94	29.32	28.67	27.99	27.28
Rural - Total	89.39	88.62	87.77	86.87	85.89
Urban					
\$0.81 - \$1.35	8.43	8.15	7.86	7.55	7.23
\$1.36 - \$2.16	10.01	9.75	9.49	9.20	8.91
Urban - Total	18.44	17.90	17.34	16.75	16.14
TOTAL					
\$0.81 - \$1.35	67.88	67.44	66.96	66.42	65.84
\$1.36 - \$2.16	39.95	39.08	38.16	37.20	36.19
Total	107.83	106.52	105.11	103.62	102.03

The table shows that in 2013, there are a total of 107.83 lakh low income households in MP, of which 67.88 lakhs are in the category who earn less than \$1.35, and another 39.95 lakhs are in the income category of \$1.36 to \$2.16 PPPD. Poverty levels are expected to reduce by 1% per year from 2013, both in urban and rural areas. Projecting according to these assumptions, the number of rural and urban households with low incomes in 2017 is estimated to be a total of 102 lakhs. This shows that even as the percentage of low income households reduces over the five years from 2013 to 2017, the actual number of households remain more or less the same, with only a very marginal decline of 6 lakh households.

The estimation of coverage in low income households that access to finance, their credit demands and supply gap are worked out in the following sections:

Step 1: Estimating Household Gap in Access to Financial Services

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

1. The total number of savings linked SHGs is stated to be 1.63 lakhs, reaching 21.27 lakh households. Of these, the assumption is that 80% are low-income households (as government guidelines allow up to 20% members to be non-poor). This gives 17.01 lakh low income households reached through SHGs in the year 2012.
2. The feedback from stakeholders was that some groups are inactive, and accordingly, 20% were considered inactive and 80% as active groups. This leads to a figure of 13.61 lakhs low income households in MP, reached through SHGs.

3. The next calculation was outreach through JLGs. Here too, 80% are considered poor. Of these, 30% are considered to overlap with SHG and other channels. All of these are considered to be active accounts. Thus the households reached by JLGs, are about 20,401 households in JLGs.
4. The data on number of clients was available for MFIs, from MFIN data. As well as non MFIN member client data and common interest group formed under project DPIP was considered. Of these, 100% are considered low income households, giving an estimation of 16.30 lakh households reached through MFIs. It is assumed that about 25% of households have a MFI account, members of SHGs and have NFA, yielding an estimate of 12.23 households covered through MFIs.
5. The overlap of these households with NFAs is also considered to be about 50%, as MFIs have been helping them to open NFAs (many MFIs also have operations as BCs, where they earn a commission for this linkage). However, as currently, NFAs are opened for DBTs and G2P payments, and don't yet have cash credit limits, no change is made in the estimation of clients for savings and loan products.
6. The households reached through NFAs and individual accounts under FI are reported to be 11.53 lakhs. Of these 10% were considered accounts of same households. Further, 80% were considered low income households, as BCs reported covering many more than the low income households, for NFAs, under the FI drive. Further, 50% of these are considered to overlap with SHG members and other channels. Finally, only 60% of the NFAs are seen to be active (as per stakeholder meet). This yields that 2.48 lakh households have been reached through active individual accounts in banks.
7. Thus the total number of low income households in MP, reached through different channels, was 28.53 lakh in 2012.
8. Given that the total number of low income households is 139 lakhs in 2012, the financially excluded households number 111.41 lakhs, which shows financial inclusion of 20%. According to Crisil Inclusix report, MP has an inclusion score of 29.9 (for a scale of 0-100) and ranked at 26 out of 35 States covered by the study²⁹. These are likely to be overestimated as it counts accounts, and does not allow for more than one account per person, whereas it is quite likely that in the higher income ranges, people would have more than one account.
9. Further, the financially included households are divided into the two low income categories of <\$ 1.35 and \$ 1.36 - \$2.16 PPPD. The assumptions were made that 75% of the SHG members, as well as 75% of those who hold NFA accounts, fall in the lower income category of <\$1.36 PPPD. The remaining 25% of SHG members, and NFA accounts holders, and all the clients of MFIs

²⁹ Source: CRISIL (2013). CRISIL Inclusix: An index to measure India's progress on Financial Inclusion. Mumbai: CRISIL

and JLG by Banks, are assumed to fall in the higher of the two low-income categories.

10. The projections have been done on the following assumptions:

- a. Though there was no growth in SHG promotions in the State from 2011 to 2012, this is seen as an anomaly in a year when SGSY is closing down and NRLM still to be rolled out in Madhya Pradesh. It is assumed for the projections that SHGs grow at 10% in 2013, 15% in 2014, 20% in 2015, 25% in 2016, and 30% in 2017. These growth rates are high, and assumed to be at this level, because the base in 2013 is very low, and because it expected the NRLM and NABARD SHG II will take root from 2013.
- b. JLG by bank in the state has shown growth of 97% from 2011 to 2012 expecting same growth rate in year 2013. For projection a conservative growth rate has been taken i.e. 50% growth rate for 2014 and 2015. 35% growth rate for year 2016 and 2017.
- c. Considering that the current capital constraints for MFIs are expected to be overcome by 2014, they also expect to grow at the same rate as SHGs.
- d. NFAs grow at 10% in 2013, but then the financial inclusion drive is expected to escalate, therefore, it is assumed that NFAs will grow by 20% in 2014, 30% in 2015, and 40% in 2016, and 50% in 2017. These are aggressive estimates, as the base is very low.
- e. The rationale for taking aggressive estimates is also that the government, and RBI, and the banks and MFIs are all gearing up for full financial inclusion, and therefore likely to put in their best efforts to reach out to low income people.

11. These projections are detailed in Table 23.

Table 21: Low Income Households Access to Financial Services (Numbers in Lakhs)

	2012			2013			2014			2015			2016			2017		
	<1.35\$	1.36-2.16\$	Total	<1.35\$	1.36-2.16\$	Total	<1.35\$	1.36-2.16\$	Total	<1.35\$	1.36-2.16\$	Total	<1.35\$	1.36-2.16\$	Total	<1.35\$	1.36-2.16\$	Total
I	87.69	52.25	139.94	67.88	39.95	107.83	67.44	39.08	106.52	66.96	38.16	105.11	66.42	37.20	103.62	65.84	36.19	102.03
II to financial services through different channels																		
1	10.21	3.40	13.61	11.23	3.74	14.97	12.92	4.31	17.22	15.50	5.17	20.66	19.37	6.46	25.83	25.18	8.39	33.58
2		0.20	0.20		0.40	0.40		0.60	0.60		0.90	0.90		1.22	1.22		1.65	1.65
3		12.23	12.23		13.45	13.45		15.46	15.46		18.56	18.56		23.20	23.20		30.16	30.16
4	1.87	0.62	2.49	2.05	0.68	2.74	2.46	0.82	3.29	3.20	1.07	4.27	4.48	1.49	5.98	6.73	2.24	8.97
Total low income households covered through financial services																		
	12.08	16.45	28.53	13.28	18.28	31.56	15.38	21.19	36.57	18.70	25.70	44.40	23.86	32.37	56.23	31.91	42.44	74.35
III Gap - no of financially excluded households																		
			111.41			76.26			69.95			60.72			47.39			27.67
			79.61			70.73			65.67			57.76			45.73			27.12
% of financially excluded households																		

The calculation of outreach through each channel shows that in 2012, 79.61% households did not have access to financial services. By 2017, the percentage of financially excluded household would drop to 27.12%, showing that the gap is covered to the extent of 73% in the next five years.

Step 2: Credit Demand Projection according to Category of Households

The assumptions made for projecting demand are as follows:

1. The demand projections are taken based on the total number of low income households projected in Table 22 from 2013 to 2017.
2. The credit demand for each channel is estimated for the two low income category households separately.
3. In both income categories, about 40% of the households are expected to take loans in the first year, 2013. Given that 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.
4. It is assumed that households in the extreme poverty range (less than \$1.35) will take an average loan of Rs. 10,000 per household. These levels were taken at 2013, and the average loan amounts are assumed to be increased by Rs. 2,000 per year, till in 2017 the average reaches Rs. 18,000 per borrower.
5. It is assumed that households in the income range of \$ 1.36-2.16 will take average loans of Rs. 12,000 per household, in 2013. This amount is also increased by Rs. 2,000 per year, so that the average loan in this category is estimated to be Rs. 20,000 by 2017.

Based on the above assumptions, the credit demand in the next five years, among low income households in MP, is estimated in Table 24 below:

Table 22: Credit Demand of Low Income Households in MP

Income Category of low income Households	Indicators	2013	2014	2015	2016	2017
Households having income of <1.35\$	Households with <1.35\$ (In Lakhs)	67.88	67.44	66.96	66.42	65.84
	No. of HH taking loan (In Lakhs)	27.15	30.35	33.48	36.53	39.51
	Loan amount (Rs. Crores)	2,715.15	3,641.89	4,686.85	5,845.10	7,110.95
Households having income of 1.36-2.16\$	Households with 1.36-2.16 \$ (In Lakhs)	39.95	39.08	38.16	37.20	36.19
	No. of HH take loan(In Lakhs)	15.98	17.58	19.08	20.46	21.71
	Loan amount (Rs. Crores)	1,917.48	2,461.89	3,052.74	3,682.32	4,342.24
	Total Households (In Lakhs)	107.83	106.52	105.11	103.62	102.03
	No. of household take loans (In Lakhs)	43.13	47.93	52.56	56.99	61.22
Total	% of HH taking loan (In Lakhs)	40.0	45.0	50.0	55.0	60.0
	TOTAL Loan amount (Rs. Crores)	4,633	6,104	7,740	9,527	11,453

The Table 24 shows a demand level of Rs. 4,633 crores in 2013 by 107.83 lakhs low income households (40% of the households). This demand is likely to increase to Rs. 11,453 crores, by 102.03 households (60%) in 2017.

Step 3: Projections of Credit Supply

Assumptions were built in step by step to project the credit supply to low income households in MP. The credit estimation for SHGs includes all types of SHPIs: NGOs, Cooperatives, MFIs and banks.

Credit Supply through SHGs

1. The total number of SHGs in MP is 1.63 lakhs, of which number of groups estimated under both the low income categories in 2012 is 1.04 lakhs and estimated to grow to 2.58 lakhs in 2017.
2. Banks extended loans to about 6% of the groups in 2012, which is roughly 5% of the households from <\$1.35 category and 13% of the households from the \$1.36-2.16 income category was accessed loans. On this base, a small increase

is estimated in 2013, i.e., 10% by the <\$1.35 category and 20% by \$1.36-2.16. This increase in 2014 and 2015 to 20% and 30% respectively expecting that support from agencies like NABARD would be extended to SHPIs to improve the quality of the groups, and also MPSRLM would have built capacities of the weak groups in the State, which allow the poor households to access loans from the banks. As stated earlier, the key assumption here is that banks would have improved their supply of loans by 2014-15. The increase of households access to loans will reach by 50% and 60% by the <\$1.35 and 1.36-2.16 categories respectively by 2017.

Table 23: Percentage of households which get loans through SHG Channel

Income Category/ Year	2013	2014	2015	2016	2017
\$1.35	10	20	30	40	50
\$1.36-\$2.16	20	30	40	50	60

The average size of a group in MP, estimated on the basis of NABARD data, is 13 members. The loans per member from 2013 to 2017 are estimated as per the table given below:

Table 24: Estimated Average Loan per Member

Income category	2012 ³⁰	2013	2014	2015	2016	2017
<1.35\$	8,000	9,000	11,000	13,000	15,000	17,000
1.36-2.16\$	8,000	10,000	12,000	14,000	16,000	18,000

As the existing average for 2012 is an anomaly, it is expected that the average in 2013, will be about the same for <1.35\$ category, and an increase of Rs. 2,000 for the 1.36-2.16\$ category. This grows at a reasonable pace each year.

Credit to JLGs by Banks

1. The total number of JLGs in MP is 7,286 of which number of groups estimated under low income household is 20,401 and estimated to grow to 1,64,802 in 2017.
2. Given that banks/SHG II would promote JLGs to give loans, all JLGs should get loans. However, field realities show that banks too wait for JLGs to qualify as creditworthy. In 2012, 53% JLGs proved to be creditworthy as per the NABARD report. Taking this as the base, and assuming that groups formed in later years will get capacity building trainings, the percentage of creditworthy JLGs is expected to increase by 5% each year, and is depicted in the following table:

³⁰ In 2012, the average loan per member is Rs. 8,000.

Table 25: Percentage of Creditworthy JLGs (2013-17)

Income category	2012	2013	2014	2015	2016	2017
1.36-2.16\$	53	60	65	70	75	80

Therefore, by 2017, as many as 80% of the JLGs are likely to be worthy of bank loans.

3. Assuming that all members of a JLG will take loans, the number of loan members per JLG is assumed to be 5.
4. The loan amount per member is assumed to be Rs. 7,000 for 2013, and further increase of rupees 1000 every year till 2017.

Credit through JLGs Promoted by MFIs and other programs

1. The total number of MFI clients and CIG member in MP under low income household in year 2012 is 12.23 lakh and estimated to grow to 30.16 lakh in 2017.
2. The average loan size for MFI client in year 2012 was Rs. 6000. Hence loan amount per member is assumed to be Rs. 7,000 for 2013, and further increase of rupees 1000 every year till 2017.

Credit supply estimated through different channels is calculated on this basis, and is given in Table 28.

Table 26: Credit Supply Estimation through different Delivery Channels

Different channels	Indicators	2012		2013		2014		2015		2016		2017	
		<1.35\$	1.36-2.16\$	Total	<1.35\$	1.36-2.16\$	Total	<1.35\$	1.36-2.16\$	Total	<1.35\$	1.36-2.16\$	Total
SHGs (NGOs, coops, banks, MFIs)	Low income Households (Lakhs)	10.21	3.40	13.61	11.23	3.74	14.97	12.92	4.31	17.22	15.50	5.17	20.66
	No. of groups (Lakhs)			1.24			1.36			1.57			1.88
	No. of groups get loan (Lakhs)			0.09			0.23			0.48			0.84
	No. of HH get loan (Lakhs)												
	Loan amount (Rs. Crores)	0.51	0.44	0.95	1.12	0.75	1.87	2.58	1.29	3.87	4.65	2.07	6.72
JLGs by Banks	Low income Households (Lakhs)	40.84	35.39	76.23	101.08	74.87	175.95	284.13	154.98	439.11	604.43	289.30	893.73
	No. of groups (Lakhs)			0.20			0.40			0.60			0.90
	No. of groups get loan			0.04			0.08			0.12			0.18
	No. of HH get loan (Lakhs)												
	Loan amount (Rs. Crores)	0.11	0.11				0.24			0.39			0.63
MFIs	Low income Households (Lakhs)			6.81		16.88	16.88			31.35			56.97
	No. of groups (Lakhs)			12.23		13.45	13.45			15.46			18.56
	No. of groups get loan (Lakhs)			2.45		2.69	2.69			3.09			3.71
	No. of HH get loan (Lakhs)			1.96		2.15	2.15			2.63			3.15
	Loan amount (Rs. Crores)			9.78		10.76	10.76			13.14			15.77
Total	Total Households (Lakhs)	12.08	16.45	28.53	13.28	18.28	31.56	15.38	21.19	36.57	18.70	25.70	44.40
	No. of Households taken loans (Lakhs)	0.51	10.33	10.84	1.12	11.75	12.87	2.58	14.83	17.41	4.65	18.47	23.12
	Total Loan amount (Rs. Crores)	41	629	670	101	845	946	284	1,238	1,522	604	1,766	2,370

The table above shows that the credit offered by banks to SHGs, and JLGs, and by MFIs to 28.53 lakhs low income households, totals to Rs 946 crores in 2013, rising to Rs. 6,178 crores in 2017.

Credit through Other Channels

1. The channels not considered here are post offices, as they concentrate mostly on savings, and loans against NSCs are not considered here as this is likely to be emergency support and not credit for livelihoods. Secondly, those who currently save in post offices are not likely to be among the low income categories of people considered in this document.
2. Further, No Frills Accounts (NFAs) only allow people to save. Current information is that the amount of transactions per NFA is about Rs. 500, and only 51% of the NFAs have been operated at least once. This shows that NFAs are currently used largely for transfer payments of pensions or NREGA wages. They are not yet used by banks to give individual loans. Even when loans are extended, this will be through cash credit limits, the usage of which cannot yet be estimated with any reasonable assumptions. Therefore, although basic savings accounts may be used for transfers, and may be used for savings facility, credit through them is not yet likely, therefore has not yet been estimated.

Step 4: Estimating the Credit Gap

On the basis of an estimation of demand and supply, the unmet demand for credit has been estimated.

Table 27: Demand and Supply Gap (in Rs. Crores)

	2013	2014	2015	2016	2017
Demand	4,633	6,104	7,740	9,527	11,453
Total Supply amount (Rs. Crores)	946	1,522	2,370	3,858	6,178
Supply gap	3,687	4,582	5,370	5,669	5,275
% of gap	80	75	69	60	46

It is expected that supply of credit will leave a gap in loan demand of about 46% by 2017.

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Annexure -1

Madhya Pradesh State Profile - Details

Districts, Towns, Villages, Divisions, Municipalities & Panchayats of the State

Category	Number	Category	Number
Commissioner Divisions	10	Districts	51
Community Development Blocks	224 }	Sub-Districts (Tehsils)	343 (272)
Tribal Development Blocks	89 } 313	Villages	54,903
Towns	476	Inhabited villages	52,117
Zila Panchayats	51	Village Panchayats	23,012
Janpad Panchayats	313	Municipal Corporations	14
Nagar Panchayats (Parishads)	258	Municipalities	97

Profile of Madhya Pradesh State

Particulars	Details
Area	308,245 Km ² (2 nd Largest State in the country)
Districts	50
Villages	54,903 (inhabited 52,117)
Total Population	7.2598 Crore (2011 Census) (20.3% decadal growth from 2001 Census)
Males	3.7613 Crore (51.81%)
Females	3.4985 Crore (48.19%)
Gender Ratio	930 Females : 1,000 Males
Total Children	1.0548 Crore
Male children	0.5517 Crore
Female Children	0.5031 Crore
Schedule Caste Population	0.9155 Crore (12.61% of total state's population)
Schedule Tribe Population	1.2233 Crore (16.85% of total state's population)
State's Rural Population	5.2538 Crore (72.37% of total state's population)
State's Urban Population	2.0060 Crore
Households	1.4968 Crore (1,49,67,597 to be precise)
Average persons / household	4.85
Population density	236 persons/Km ² (20.41% growth from 196 of 2001 Census)
Population constitutes	6.0% of national population
Population growth	20.3% (over previous census in 2001)
Total Literates	70.6% (National literates 74.0%)
Males	80.5% (National literates 82.1%)
Females	60.0% (National literates 65.5%)
Urban Literacy	79.4% (National Urban Literacy 79.9%)
Rural Literacy	57.8% (National Rural Literacy 58.7%)
NDP Growth Rate	8.22 (National 8.0)
State's Total Poverty (2009-10)	36.7% (2.6643 Crore) HCR based (National Poverty 29.8%)
Urban Poverty	22.9%
Rural Poverty	42.%
State's BPL households	46.3%
State's total number of poor	26.18 Mn. (National poor 3.5468 Crore - 7.38% of Nation's Poverty)

Annexure -2

Status of Bank operations in MP

Branches of Banks in MP (as of 31-03-2013) (247 branches increase in 12 months)

Sl.#	Bank type	No. of Banks (SLBC)	Branches
1	Public Sector Banks	26	3,411
2	Private Sector Banks	12	303
3	Regional Rural Banks (RRBs)	3	1,132
4	M. P. Cooperative Bank	1	832
5	M. P. State Agriculture and Rural Development Bank	1	268
Total		43	5,949

Automated Teller Machines (ATMs) in MP (as of 31-03-2013)

Banks	Number of ATMs
Public Sector Banks (Commercial Banks)	3,646
Private Banks	525
Regional Rural Banks	3
Cooperative Banks	1
Total ATMS in the State	4,175

Annual Credit Plan (ACP) of Banks in MP 2013-14 (Amounts in Rs. Crore)

Sl. #	Sector	ACP FY 11-12	ACP FY 12-13	ACP FY 13-14	Growth over last year (%)
1	Short Term Credit for Production, Marketing and Food Security	19,853.00	23,085.85	Details in table below sub sector wise	
2	Agriculture Term Credit for Food Security	5,925.00	9,005.97		
Total Credit-Agriculture and Allied Activities		25,779.00	32,093.18	41,623.84	29.70
3	MSME	3,480.00	6,027.73	7,520.84	24.77
4	Other Priority Sector	3,517.00	4,218.66	6,542.54	55.09
Total Credit		32,777.00	42,339.57	55,687.22	31.53

Sub - Sector	Amt. In crores
Agri & allied – direct	40307
Agri & allied – indirect	1316
Total agriculture & allied	41623

ACP Achievement in MP over past three years (Amounts in Rs. Crore)

Sector	FY 2010-11 (March)			FY 2011-12 (March)			FY 2012-13 (March)		
	Target	Achmt.	%	Target	Achmt.	%	Target	Achmt.	%
Total Agriculture	21,445	19,702	92	25,779	24,493	95	32,092	31,651	99
Crop Loans	16,384	14,308	87	19,853	19,556	99	23,086	26,779	116
Agri. Term Loans	5,061	5,394	107	5,926	4,937	83	9,006	4,827	54
MSME Loans	2,836	3,054	108	3,480	5,023	144	6,028	5,950	99
Other (Priority)	3,223	2,755	85	3,518	3,904	111	4,218	3,594	85
Total	27,504	25,511	93	32,777	33,420	102	42,338	41,195	97

Bank-wise ACP Achievement in MP for FY 2012-13 (Amounts In Rs. Crore)

Banks (Agency)	Agriculture			MSME			Other Priority Sectors			Total Advances		
	Target	Achmt	%	Target	Achmt	%	Target	Achmt	%	Target	Achmt	%
Com.	19,712	16,979	86	5,448	5,800	106	3,786	3,389	90	28,946	26,169	90
RRBs	3,950	4,321	109	295	150	51	256	199	78	4,501	4,670	104
Coop.	8,430	10,350	123	285	0	0	176	5	3	8,891	10,356	116
Private	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Total	32,092	31,651	99	6,027	5,950	99	4,219	3,593	85	42,338	41,195	97

Sector-wise Advances/Loans & NPAs (as of 31-03-2013–Amounts in Rs. Crore)

Product/ Scheme	Total Advances/ Loans (FY- 2012-13)	NPA Category				% of NPA to Total Advances / Loans
		Sub- Standard	Doubtful	Loss	Total NPAs	
Regular Advances						
Agriculture	47,123	4,881	1,260	133	6,274	13.31
Education	1,804	34	21	13	68	3.77
Housing	11,615	78	72	29	179	1.54
MSME	17,688	346	456	120	922	5.21
OPS	15,002	806	121	49	976	6.51
Sub-Total	93,232	6,145	1,930	344	8,419	9.03
Government Sponsored Schemes / Advances / Loans						
Antyavyavasay	90	14	14	7	35	38.89
KVIC	168	11	12	4	27	16.07
PMEGP	345	20	18	16	54	15.65
PMRY	258	14	64	33	111	43.02
SGSY (Group)	325	33	27	21	81	24.92
S G S Y (Individual)	487	32	54	50	136	27.93
SJSRY	230	25	33	31	89	38.70
SRMS	36	9	11	5	25	69.44
Sub-Total	1,939	158	233	167	558	28.78
Total	95,171	6,303	2,163	511	8,977	9.43

Status of District-wise SHG-Bank Linkage Targets (set by NABARD)

Sl. #	District	SHGs Linked to Savings	SHGs Linked to Credit
1	Alirajpur	2,000	340
2	Anuppur	250	500
3	Ashoknagar	500	350
4	Balaghat	2,000	700
5	Barwani	4,000	970
6	Betul	3,000	3,520
7	Bhind	2,000	340
8	Bhopal	250	500
9	Burhanpur	500	260
10	Chhatarpur	2,000	440
11	Chhindwara	3,500	1,125
12	Damoh	4,500	790
13	Datia	1,500	340
14	Dewas	500	1,070
15	Dhar	4,500	1,230
16	Dindori	350	530
17	Guna	4,500	790
18	Gwalior	1,000	1,230
19	Harda	1,000	350
20	Hoshangabad	2,500	880
21	Indore	500	1,060
22	Jabalpur	300	970
23	Jhabua	6,000	1,050
24	Katni	1,500	530
25	Khandwa	650	800
26	Khargone	3,000	970
27	Mandla	500	790
28	Mandsaur	50	1,230
29	Morena	5,000	700
30	Narsingpur	3,000	1,140
31	Neemuch	400	350
32	Panna	250	530
33	Raisen	650	500
34	Rajgarh	2,500	440
35	Ratlam	1,000	1,300
36	Rewa	5,000	700
37	Sagar	5,000	1,050
38	Satna	3,000	1,120
39	Seoni	1,000	780
40	Sehore	250	500
41	Shahdol	5,000	1,230
42	Shajapur	3,500	980
43	Sheopurkalan	1,000	350
44	Shivpuri	100	880
45	Sidhi	6,000	350
46	Singrauli	3,000	260
47	Tikamgarh	2,500	970
48	Ujjain	850	900
49	Umaria	1,500	440
50	Vidisha	1,500	880
Total		104,850	40,005

Source: 150th SLBC Agenda Notes Pages 27 & 28

Cumulative Comparative Bank-wise (Agency-wise) Share in SHG Savings & Credit Linkage

Banks (Agency)	MP			All India			Status of MP
	Savings	Credit	Credit / Savings %	Savings	Credit	Credit / Savings %	
CBs	1,23,730	55,777	45.1	46,18,086	26,17,199	56.7	(-) 11.6
RRBs	72,985	25,335	34.7	21,27,368	12,93,809	60.8	(-) 26.1
Coop. Banks	17,406	7,918	45.5	12,14,895	4,43,434	36.5	(+) 9.0
Total	2,14,121	89,030	41.6	79,60,349	43,54,442	54.7	(-) 13.6

Skewed Growth vis a vis regions

Sl. #	Particulars	Andhra Pradesh	Tamil Nadu	Karna-taka	Madhya Pradesh	All India
1	Total No of SHGs with Savings Bank A/C (Lakh)	14.95	9.25	6.28	2.14	79.60
2	Total No of SHGs credit linked (Lakh)	14.00	5.14	2.66	0.89	43.54
3	Per SHG Bank Loan (Rs. Lakh)	1.69	1.34	1.52	1.06	1.22
4	Per member Bank loan (Rs. Lakh)	0.13	0.10	0.11	0.08	0.09

Promotional efforts of Banks during 2012-13

Sl. #	Particulars	Number of ongoing projects	Grant sanctioned (Rs. Crore)	SHGs /JLGs to be formed / linked
1	NGOs as SHPIs	76	9.38	21,410
2	RRBs as SHPI	2	1.08	3,850
3	DCCBs as SHPI	1	0.07	1,000
5	NGOs as JLG PI (JLG)	7	0.47	2,350
6	Activity Based Groups	1	0.03	100
Total		87	11.03	24,885

Branches of Banks earmarked to serve unbanked villages in MP

Sl.#	Bank	Branches Allocated to Villages with Population of		
		below 2,000	Above 2,000	Total
Public Sector (Commercial) Banks				
1	Allahabad Bank	1517	110	1627
2	Andhra Bank	9	0	9
3	Bank of Baroda	728	32	760
4	Bank of India	3430	206	3636
5	Bank of Maharashtra	1249	75	1324
6	Canara Bank	214	4	218
7	Central Bank of India	5904	299	6203
8	Corporation Bank	87	5	92
9	Dena Bank	124	9	133
10	IDBI Bank	42	6	48
11	Indian Bank	51	6	57
12	Indian Overseas Bank	41	1	42
13	Oriental Bank of commerce	122	20	142
14	Punjab & Sindh Bank	68	8	76
15	Punjab National Bank	2085	86	2171
16	State Bank of Bikaner & Jaipur	15	2	17
17	State Bank of India	9863	616	10479
18	Syndicate Bank	296	11	307
19	UCO Bank	910	61	971
20	Union Bank of India	2183	131	2314
21	Vijaya Bank	100	1	101
Sub Total		29,038	1,689	30,727
Private Banks				
1	Axis Bank	148	6	154
2	HDFC Bank	165	5	170
3	ICICI Bank	1470	14	1484
4	IndusInd Bank	27	0	27
5	Kotak Mahindra Bank	3	0	3
Sub Total		1,813	25	1,838
Central Cooperative Banks (CCBs) and Regional Rural Banks (RRBs)				
1	Apex Bank	0	15	15
2	Central Madhya Pradesh Gramin Bank	5737	301	6038
3	Madhyanchal Gramin Bank	7113	484	7597
4	Narmada Jhabua Gramin Bank	3951	222	4173
Sub Total		16,801	1,022	17,823
34	Total	47,652	2,736	50,388

* http://www.slbcmadhyapradesh.com/pdf/Minutes_of_151_SLBC.pdf-Accessed on 23rd July, 2013

Annexure -3

Financial Inclusion and Financial Literacy

Management of Household Budgeting [after attending Financial Literacy Programme (FLP) on Budgeting]

(Except Total Respondents, rest of the figures in %)

Type Of Programme Attended	BIHAR		CHATTIS-GARH		JHAR-KHAND		MADHYA PRADESH		ODISHA		RAJA-STHAN		UTTAR PRADESH		ALL INDIA	
	IF	F	IF	F	IF	F	IF	F	IF	F	IF	F	IF	F	IF	F
After FLP, better expense Mgmt.	81	63	49	-	58	-	71	74	51	47	67	50	55	82	64	66
Total Respondents	699	138	270	0	671	0	341	517	216	491	460	310	416	624	3073	2080

Usage Enhancement [after attending Financial Literacy Programme]²⁵

(Except Total Respondents rest of the figures in percentage)

INSTI-TUTION	BIHAR		CHHAT-TIS-GARH		JHAR-KHAND		MADHYA PRADESH		ODISHA		RAJA-STHAN		UTTAR PRADESH		ALL INDIA	
	IF	F	IF	F	IF	F	IF	F	IF	F	IF	F	IF	F	IF	F
Bank	31	50	61		39		27	34	19	15	18	15	35	40	33	30
SHG	72	41	56		60		68	51	26	24	44	23	32	35	55	35
Post Office	2	0	14		10		2	7	3	8	13	6	5	6	7	6
Company	5	1	8		9		1	5	6	5	15	5	6	7	7	5
PACS	6	1	8		8		4	3	4	10	15	5	2	2	7	5
Chit Fund	2	0	1		3		6	8	9	15	10	2	1	1	4	6
Total Participants	699	138	270		671		341	517	216	491	460	310	416	624	3073	2080

³¹ "Financial Literacy as a Tool for Financial Inclusion and Client Protection" – 2012 UNDP

Table-28: “RSETI Centres and FLCCs in Madhya Pradesh

District	Institution	Sponsored by	District	Institution	Sponsored by
Alirajpur	FLCCC + RSETI	Bank of Baroda	Khandwa	FLCCC + RSETI	Bank of India
Anuppur	FLCCC + RSETI	Central Bank of India	Khargone	FLCCC + RSETI-2	Bank of India
Ashoknagar	FLCCC	State Bank of India	Mandla	RSETI-1	Punjab National Bank
Balaghat	FLCCC + RSETI	Central Bank of India	Mandsaur	FLCCC + RSETI	Central Bank of India
Barwani	FLCCC + RSETI	Bank of India	Morena	FLCCC + RSETI	Central Bank of India
Betul	FLCCC + RSETI	Central Bank of India	Narsingpur	FLCCC	Central Bank of India
Bhind	FLCCC + RSETI	Central Bank of India	Neemuch	FLCCC + RSETI	State Bank of India
Bhopal	FLCCC + RSETI-2	Bank of India	Panna	FLCCC	Info. Not Available
Bhopal	RSETI-1	SDME Trust, Canara Bank, Syndicate Bank	Raisen	FLCCC + RSETI	Central Bank of India
Burhanpur	FLCCC + RSETI	Bank of India	Rajgarh	FLCCC + RSETI	Bank of India
Chhatarpur	FLCCC	State Bank of India	Ratlam	FLCCC + RSETI	Central Bank of India
Chhindwara	FLCCC + RSETI	Central Bank of India	Rewa	FLCCC + RSETI	Union Bank of India
Damoh	FLCCC	Info. Not Available	Sagar	FLCCC + RSETI	Central Bank of India
Datia	FLCCC	Punjab National Bank	Satna	FLCCC + RSETI	Allahabad Bank
Dewas	FLCCC + RSETI	Bank of India	Seoni	FLCCC	Central Bank of India
Dhar	FLCCC + RSETI	Bank of India	Sehore	FLCCC + RSETI	Bank of India
Dindori	FLCCC + RSETI	Central Bank of India	Shahdol	FLCCC + RSETI	Central Bank of India
Guna	FLCCC	State Bank of India	Shajapur	FLCCC + RSETI	Bank of India
Gwalior	FLCCC + RSETI	Central Bank of India	Sheopurkalan	FLCCC	State Bank of India
Harda	FLCCC	Info. Not Available	Shivpuri	FLCCC	State Bank of India
Hoshangabad	RSETI	State Bank of India	Sidhi	FLCCC + RSETI	Union Bank of India
Indore	FLCCC + RSETI	Central Bank of India	Singrauli	FLCCC + RSETI	Union Bank of India
Jabalpur	FLCCC	Bank of India	Tikamgarh	FLCCC	State Bank of India
Jhabua	RSETI	Vijaya Bank	Ujjain	FLCCC + RSETI	Bank of India
Jhabua	FLCCC + RSETI	Central Bank of India	Umaria	FLCCC	Info. Not Available
Katni	FLCCC + RSETI	Bank of Baroda			
Katni	FLCCC	Info. Not Available	Vidisha	FLCCC	Info. Not Available
				FLCCC + RSETI	State Bank of India

<http://www.aajeevika.gov.in/Best-Practices/RSETI-Progress-and-Issues.pdf> - accessed 9-6-13; <http://www.slbcmadhyapradesh.com/pdf/FLCC.pdf> - accessed 20-4-13

Annexure – 4

Products and Prices of some of the MFIs in MP

Sl.#	MFI	Fin. Product	Loan Amt. in Rs.	Tenor	Rate of Interest	Remarks
1	Spandana	General Loan	15,000 to 50,000	< 2years	Within Prescribed	
		Interim Loan	4,000 to 10,000	< 2 years	Limit	During currency of a loan
2	Vikas Samiti	Microfinance Loan	NA	< 2 years	14% flat + 2.5% Proc. Fee	Undertake Bank Linkages too
3	Sakthi Mahila Sabha	Income Generation	NA	< 2 years	10% Flat	SHGS, JLGs and Farmer Groups
4	SRIDA	Watershed Loans	25,000	< 2 years	18% diminishing	SHG & JLG Methodology Watershed Loans (Thrust product)
		Emergency	NA	< 2 years	Interest Free	
		Wedding	NA	NA		
5	Bal Mahila Vikas	Microfinance	NA	< 2 years	24% diminishing + 1% Proc. Fee	Loan covering Risk insurance is taken
6	Sambhav	Housing & toilets	NA	NA	NA	BC for 5 years for ICICI Bank
7	Samhita	Micro / Small Enterprise Loan	5,000 to 25,000	< 2 years	26%	JLG Method
8	Yukthi Samaj	Micro Finance	NA	< 2 years	14% flat + 2.5% Proc. Fee	Bank Linkages & Indigenous
9	Hand in Hand	Education, Milch Animals Toilets & Water connections	10-15,000 30,000 10,000 3-6,000	12 Months 24 Months 18 Months 12 Months	18-23% diminishing + 1 % Proc. Fee	Loans for SHGs Life Insurance for Members compulsory
10	Lok Biradari Trust	General	5,000 to 18,000	12 Months	15% Flat	Loans for SHGs

Annexure – 5

Debt Fund Providers in Madhya Pradesh

Banks (In alphabetical order) which are lending in MP

As most of the NBFC-MFIs in the state are based out of other states and have national presence they source the funds centrally. Banks, apart from linking to SHGs, also lend to MFIs.

Bank of Baroda / Bank of Maharashtra / Canara Bank / Central Bank of India / Dena Bank / ICICI Bank Limited / IDBI Bank Limited / Indian Bank / National Housing Bank / State Bank of India / Union Bank of India / YES Bank Limited also lend to institutions like NGOs and NGO-MFIs in MP.

The average lending rate of these banks is about 15% diminishing per annum to MFIs.

Several of them also do SBLP through NGO-MFIs.

Banks are vying with each other to provide loans at cheaper rates.

Banks are willing to fund for smaller MFIs on securitization.

Regional rural Banks and Cooperative Banks which also play an important role in the funding activities they are into SBLP and not much lending to MFIs, if at all.

Public / Government Institutions (Other than banks)

National Finance for Handicapped Development Corporation / Rashtriya Mahila Kosh

Private Institutions (In alphabetical order)

Ananya Finance / BASIX (IGS) LAMP Fund / FWWBI / Habitat for Humanity / Manaveeya / Rang De. Borrowers mentioned that the rates of interest ranged from 5% to 15% (diminishing / pa).

Annexure – 6

Micro Pensions

Budgetary Provision and Utilisation of Sri Kushabhau Thakre Pension (Rs. In Crore)

Short Name of the Scheme	2009 – 2010		% of Budget Utilization	2010 – 2011		% of Budget Utilization	2011 – 2012		% of Budget Utilization
	Actual Exp	Budget		Actual Exp	Budgeted		Actual Exp	Budgeted	
(1)	(2)	(3)	(4) = (2) as % of (3)	(5)	(6)	(7) = (5) as % of (6)	(8)	(9)	(10) = (8) as % of (7)
Kushabhau Thakre Pension	-	1.0	0%	-	39.55	0%	-	10.00	0%

Info Courtesy: Mr. Kavim V Bhatnagar (Source: Budget - Finance Management Information System)

Profile of Major States Having More than 100,000 IGNOAPS Beneficiaries

Sl.#	State / UT	Contribution to Pension / beneficiary (In. Rs.)		Total Pension Received / beneficiary	Total no. of IGNOAPS beneficiaries	Projected Monthly expenses by States (In. Rs. Crore)
		Centre	State			
1	Andhra Pradesh	200	0	200	1,011,153	00.00
2	Assam	200	50	250	628,949	03.14
3	Bihar	200	0	200	2,654,193	00.00
4	Chhattisgarh	200	100	300	551,562	05.52
5	Delhi	200	800	1,000	200,778	16.06
6	Gujarat	200	200	400	291,081	05.82
7	Haryana	200	500	700	137,666	06.88
8	Jammu and Kashmir	200	125	325	129,000	01.61
9	Jharkhand	200	200	400	676,003	13.52
10	Karnataka	200	200	400	817,753	16.36
11	Kerala	200	50	250	176,064	00.88
12	Madhya Pradesh	200	75	275	1,062,033	07.96
13	Maharashtra	200	300	500	1,086,027	32.58
14	Odisha	200	0	200	643,400	00.00
15	Punjab	200	250	450	159,792	03.99
16	Rajasthan	200	200	400	550,173	11.00
17	Tamil Nadu	200	200	400	1,014,172	20.28
18	Tripura	200	200	400	136,592	02.73
19	Uttar Pradesh	200	100	300	3,300,260	33.00
20	Uttarakhand	200	200	400	187,147	03.74
21	West Bengal	200	200	400	1,252,795	25.06

Info. Courtesy Mr. Kavim V Bhatnagar (Source: Annual Report, Ministry of Social Justice & Empowerment, GoI)

Annexure – 7

Micro Insurance

JBY Cost and Beneficiaries

Nature of Benefits	2010 -11		2011 -12	
	Claimed Amount	No. of Actual Beneficiaries	Claimed Amount	No. of Actual Beneficiaries
Scholarship	24,375,000	39,975	28,965,000	47,880
Natural Death	78,570,000	2,619	132,540,000	4,419
Accidental Death	12,915,000	176	11,887,000	166
TOTAL	115,860,000	42,770	173,392,000	52,465

Info Courtesy: Mr. Kavim V Bhatnagar (Source: Annual Report - Department of Social Justice)

Annexure – 8

Details of Persons with Disabilities in Madhya Pradesh

Details of the disabled in Madhya Pradesh (2001 Census figures)

Sl. #	Details of the disabled	Statistics (2001) (Persons in Lakh)	Estimated (2011) @ 20.3% decadal growth (Persons in Lakh)
Total disabled Population		14.00	16.90
1	Rural Areas	10.60	12.80
2	Urban Areas	3.40	4.10
3	Male	8.20	9.90
4	Female	5.80	7.00
5	SC	2.40	2.90
6	ST	2.40	2.90

A sample survey undertaken in 5 districts of Chhindwara, Bhopal, Gwalior, Sagar and Sehore threw some interesting facts

About 60% were illiterate.

Almost all the literates were men and while 14% had completed their primary and upper primary education, 4% had completed senior secondary level

About 90% of respondents responded that they were unable to attend / complete due to either poor economic conditions or no suitable schools were available for them in the neighbourhood which particularly affected the girls.

77%-86% said schools did not provide free books, lunch, uniforms, transportation or free education

Only 2 out of 81 respondents admitted that they had easy access to toilets.

Less than one-fourth of respondents were engaged in an income-generating activity.

Less than 6% were registered for employment.

Micro Credit Scheme of NHFDC

Funding of 100% Loans amounting to a maximum of Rs.5.0 Lakh (outstanding) are given to selected NGOs (SCAs) for on-lending with a Rs.2,000 grant component for training.

NHFDC's operations in Madhya Pradesh
[through 16 SCAs (Select NGOs) in 10 districts]

District	Select NGOs operating as the State Channelising Agencies
Balaghat	Samaj Prabhodhan Sanstha
Betul	Satpura Gram Sawraj Vikas Mandal
Bhopal	Bhawani Mahila Jagran & Prakashan
	Saroj Khadi Gramodyog Sansthan
Gwalior	Heavenly Point & Education Society
	Institute of Social Work Training & Shree Sitaram Shiksha Prashar Samiti
	Shri Gautam Budh Shiksha Prasar Samiti
	Society for Social Development
Jabalpur	Akashdeep Kalyan Samiti
	Pt. Jagdamba Prasad Shukla Samiti
Khandwa	Burhaniya Education Society
Morena	Jagrati Samaj Seva Samiti
Sehore	St. Mary Shiksha Samiti
Tikamgarh	Jagat Shiksha Parsar Samiti
	Janseva Kalyan Samiti
Vidisha	Kriyasheel Pragati Parishad

http://nhfdc.nic.in/site/micro_credit_scheme.aspx - Accessed on 15th June, 2013

The lending rate to the SCAs will be 2% and the beneficiaries cannot be charged more than 5% by the SCA. The women beneficiaries are to be charged a rebate of 1% and towards this SCAs are charged only 1% rate of interest. However, only those SCAs who can execute a General Loan Agreement by providing adequate Block Government Guarantee are eligible for operation or taking loans. Loans are normally for 36 months with quarterly payments of Portion of the principal and interest accrued.

Annexure – 9

State Initiatives

Impacts of MPDPIP-1 over the beneficiaries

Impacted Sub-sectors (Activities)	Impacts
Man Days	70% increase in Man Days
Wages	23% increase in Income from wages
Agriculture	46% land converted into double crops
	114% land Converted into triple crops
	149% increase in Agriculture production
	66% increase in income from agriculture
Animal husbandry	158% increase in income
Migration	Decrease in distress migration from 30% to 14%
Savings	44% households realised savings
	183% increase in savings

<http://www.dpipmp.mp.gov.in/english/PatG.htm> accessed on 26th April, 2013

Districts, Blocks, Gram Panchayats & Villages for MPRLP intensive approach

Sl. #	District	Blocks	Gram Panchayats	Villages
1	Alirajpur	6	288	544
2	Anuppur	4	283	582
3	Balaghat	2	98	184
4	Barwani	5	268	532
5	Dhar	5	325	699
6	Dindori	5	207	621
7	Jhabua	6	380	823
8	Mandla	5	311	792
9	Shahdol	5	395	862
10	Sheopur	3	226	568
Total		46	2,781	6,207

Annual Action Plan of MP for Implementing NRLM (Ajeevika). (F.Y. 2012-2013), Panchayat and Rural Development Department, Government of Madhya Pradesh <http://www.aajeevika.gov.in/AAP/AAP-MPRAF-GoMP.pdf> - Accessed on 21st January, 2013

National Outreach Targets for PMEGP for four years

Year	Employment (Numbers)	Margin Money (subsidy) In Rs. Crore
2008-09	6,16,667	740.00
2009-10	7,40,000	888.00
2010-11	9,62,000	1,154.40
2011-12	14,18,833	1,702.60
Total	37,37,500	4,485.00

PMEGP_Perf_12_13.xls accessed from http://www.kvic.org.in/index.php?option=com_content&view=article&id=231

Annexure – 10

Livelihoods & Training (Awareness and Education)

Training Programmes facilitated by NABARD

Sl. #	Programme (for)	Participants
1	Bankers	11,416
2	NGOs	410
3	Government Officials	2,973
4	SHG Leaders / members	20,895
5	BLBC	5,497
6	Exposure Visits	51
7	Training of PRI	314
8	Other Trainings	3,412
9	MEDP	141
10	Bankers Meets	143
11	NGO Meets	152
12	SLCRCCDI	43
13	Other Meets	44
Total		45,491

Proposed Skill Development Centres

Sl. #	Years	No. of Blocks	Proposed SDCs
1	2011-12	113	75
2	2012-13	100	75
3	2013-14	100	43
Total		313	193



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