

# Banker – MFI Exposure Visit Report in Bihar

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**MFI – SAIJA Finance Pvt. Ltd**

Under  
**Poorest States Inclusive Growth (PSIG) Programme**



**Date: 17<sup>th</sup> January'2015**

**Patna, Bihar**



## **1. Introduction:**

The DFID supported Poorest States Inclusive Growth (PSIG) programme is being implemented by SIDBI to enhance income and employment opportunities of poor households in four of the underserved states viz Bihar, Odisha, Uttar Pradesh and Madhya Pradesh. The key purpose of the program is to improve income and reduce vulnerability of poor people and small producers by expanding their access to finance and markets. The PSIG programme is envisaged to benefit the poor and vulnerable, especially women, in the above low-income states, providing financial access to 12 million poor people by way of capacity building of MFIs, facilitating technology led models, product development and roll-out, setting up risk funds etc. ACCESS-ASSIST, a specialized affiliate of ACCESS Development Services for Financial Inclusion, has been assigned the task to coordinate the policy component of the programme in the above four states and at national level. One of the identified priorities within the PSIG policy mandate is to undertake initiatives leading to enhanced flow of funds from banks to microfinance, for both the MFI and SHG channels. In line with the programme mandate, ACCESS-ASSIST has been organizing various thematic workshops, roundtable discussions, consultative meetings etc. at both national and state levels, involving different key stakeholders and facilitating constructive and forward looking discussions specifically between banks and MFIs for increased funds flow to the microfinance sector.

## **2. Need for the Bankers-MFI Exposure:**

Adequate and timely funding support plays a critical role for the growth and sustainability of microfinance program and facilitates greater financial inclusion in the process. The major sources of funding for MFIs in India have traditionally come by way of debt from apex lenders and banks, social and commercial equity financing from donors and investors. As bank lending to MFIs for lending to SHGs, JLGs and individuals were recognized as part of priority sector lending, the banks increasingly provided loans to MFIs for this purpose, which also helped to fulfill their priority sector lending targets. Bulk lending given by Banks to some of the MFIs enabled them to further enhance their outreach and portfolio bringing positive changes in the quality of millions of poor. However, unfortunately, the crisis in the microfinance industry substantially affected the growth of microfinance programme all over the nation. MFIs' governance came under the lens and funds flow to MFIs got affected across the country and States in the aftermath. The banks those were lending earlier to MFIs in the sector, either stopped or reduced that substantially mainly because of the increased NPAs and write-offs in respect of some of the MFIs. Altogether 17 NBFC-MFIs (including three home grown MFI) in the state are serving in 38 districts with gross loan portfolio of Rs. 18.53 billion as on September 2014.

In all consultative meetings organized so far with the Bankers, the need for orientation for state and regional level bank officials on the business model and operations of MFIs was expressed. Thus, looking at the need of it, 1<sup>st</sup> Bankers'-MFI Exposure programme was organized on 17<sup>th</sup> January'2015 under SIDBI-PSIG in Bihar. SAIJA Finance Pvt. Ltd, one of the leading and potential local level NBFC-MFI kindly agreed to host the exposure programme. ACCESS-ASSIST coordinated the exposure programme. Key objectives for organising this visit are given below.

### **3. Objectives of the Bankers-MFI Exposure Visit:**

- To familiarize bankers on with MFI operations, management practices, MIS, risk mitigation mechanisms, client protection measures, and functions of the branch etc. To facilitate direct interaction of the bankers with SHG members/borrowers in order to have better understanding on their group, loan and enterprise management etc
- To solicit feedback from bankers on overall microfinance operation with specific areas on which the MFIs should work more to attract bank lending.

### **4. Methodology Adopted:**

The 1<sup>st</sup> banker's exposure programme in Bihar has been organized collectively by SIDBI-PSIG, ACCESS-ASSIST and SAIJA team through various rounds of preparatory meetings and discussions. ACCESS-ASSIST team also met senior officials (Regional Heads) of different banks and apprised them about the idea of organizing such an exposure programme to a MFI for bankers and solicited their valuable inputs on that. The team also met SLBC Convener, up-dated him and sought his guidance for the event. The team also visited RBI and NABARD, met with the concerned officials, shared the concept and requested them to participate in the one-day exposure programme. Based on their initial consents, SIDBI-PSIG local office was requested to send out the Invites to all the Regional Heads. As per the suggestions of majority of the banks, 17<sup>th</sup> January' 2015 (Saturday) was finalized for the date of exposure and the detailed activity for the day was worked out. (Agenda attached).

### **5. Participants in the Bankers' Exposure Programme.**

It was very encouraging to see that as many as seventeen senior bankers from twelve banks viz., NABARD, IDBI Bank, Vijaya Bank, Indian Overseas Bank, Allahabad Bank, Oriental Bank of Commerce, Madhya Bihar Gramin Bank, HDFC, ICICI Bank, Yes Bank and UCO Bank participated in the event (list attached). A few other banks could not take part in the event mainly due to their involvement in the currently going-on Jan Dhan Yojana.

### **6. Proceedings of the Day:**

#### **6.1. Sharing of an Overview of SAIJA:**

At the outset, Ms. Aparna Shukla, Manager, ACCESS ASSIST welcomed the bankers and other dignitaries for the event and thanked the bankers for their kind participation and also explained the objectives of the exposure programme. Ms. Sonmani Choudhary, State Director, PSIG-SIDBI shared about PSIG Programme and its objective with the bankers. Mr. S R Sinha, CMD, SAIJA Finance Pvt. Ltd also welcomed the bankers and shared the overview and historical background of SAIJA Finance Pvt. Ltd. According to him, SAIJA Finance Pvt. Ltd has been one of the leading and fastest growing NBFC-MFI among the home grown MFIs of Bihar. The prime thrust of the organization is to create significant social impact through making available high quality microfinance and allied services to socio-economically excluded strata of the society in urban and rural India. SAIJA believes that microfinance is an effective strategy for poverty alleviation and has the potential for far reaching impact in transforming the lives of millions of underprivileged people. SAIJA has been serving the

needs of the poor since 2007, and plans to reach 3.75 lakh clients within the next five years to provide them with a range of financial and non-financial products and services.

SAIJA's Business Snapshot (December'2014)	
Clients	88,697
Portfolio	98.6 Crore
Branches	25
Districts	9 (Patna, Bhojpur, Saran, Muzaffarpur, Darbhanga, Samastipur, Vaishali districts of Bihar and Ranchi and Hazaribag Districts of Jharkhand)
States	2 (Bihar and Jharkhand)

## **6.2. Visit to SHGs & Interactions with the Members:**

Following the presentation at the HO, the whole team of bankers, got divided in two groups and were taken to two different areas Kankarbag and Danapur, where bankers visited 1-2 SHGs. They interacted with the group members and tried to elicit responses from them regarding the very purpose of group formation, age and number of members, savings and credit status, need and purpose for loans that they take from SAIJA, how they utilize and repay the loan on time. The SHG members undertake various household economic activities with the credit received from SAIJA. Some members are assisting their husbands in income generation activities (like buying auto etc.) while some are improving their household business (Kirana shop). The members explained how the association with and support from SAIJA has changed their economic status in the last 2-3 years.



**Group Visit in Kankarbag Area**



**Group Visit in Danapur Area**

Questions asked by bankers to SHG members –

1. How and who started forming the group?
2. Why have you formed a group?
3. What activities are you doing in the group?
4. What is the frequency and purpose of group meeting?
5. How much loan have you got from SAIJA and what is the interest rate?
6. Can you tell the lending rate of banks?
7. Have you taken any loans other than banks/MF from?
8. What is the process of getting loan from SAIJA and repayment?
9. What is the monitoring procedure of SAIJA (to field staff)?
10. Where is the branch office? Have any one of you ever visited the branch office? How often?
11. Has the SAIJA helped in opening your Jan Dhan Account?
12. What are the other services you are availing with the MFI?
13. What will you do if the members are not repaying the loan?

### **6.3. Branch Visit-Kankarbag & Danapur:**

Following the group visit bankers were taken to two different branches of SAIJA based out of Kankarbag and Danapur under Patna District. Bankers were introduced to the staff handling different roles at the branch. Responding to a query on how they select a branch office, the staff explained about the initial survey of the areas along with identification of a suitable place for setting up the branch office.

In the process the bankers were familiarised with all the nitty-gritty details of branch operations which included, overview on operational areas under the branch, identification/formation of SHGs, purpose of SHG loan, loan processing, collection of repayment from borrowers, MIS/data entry, and software based application for real-time data entry, coverage of credit-life insurance etc.



**Branch Visit at Kankarbag**



**Branch Visit at Danapur**



A variety of interesting queries were raised by the delegates at the branch level, some of them are given in the box below;

1. How much do you comply with RBI guidelines in terms of lending to clients, interest rates etc?
2. How frequently loan records are being sent to HIGHMark? And what is the procedure?
3. What are the role and responsibilities of the branch manager?
4. Is there any life insurance or social security for the staff?
5. Why there is no display board to show branch's portfolio etc in office?
6. What is the average ticket size of lending?
7. How the branch monitor whether the members are taking the loan for income generating activities or not?
8. What is the purpose of maintaining the income and expenditure of the household?
9. What are the criteria of selection of household for MFI lending?

The Branch Manager and other staff of SAIJA responded well to each of the query from the bankers. The bankers were very pleased to see that the repayment rate of SHGs to SAIJA was greater than 99%. Close rapport building with the members, easy loan processing, simple documentation, availability of door-step delivery of services, collection of repayments from the group locations, regular loan monitoring and guidance to SHGs etc. have been the facilitating factors for the success.

### **7. Presentation at Hotel Patliputra Ashok & Bankers' Feedback:**

The post-lunch session was held at Hotel Patliputra Ashok. Ms. Rashmi Sinha, Senior Advisor and Mr. S R Sinha, CMD of SAIJA Finance Pvt. Ltd. made an elaborate presentation covering the historical background of SAIJA, its organizational structure and microfinance programme, the current status-outreach, portfolio outstanding, products, services, funding partners, systems & procedures, risk management mechanism, social performance management etc.

SAIJA's efforts towards financial inclusion and financial education were highly appreciated and



applauded. The bankers were quite happy after visiting the branch and groups and finding their tremendous potential and passion about doing something worthwhile to support the poor families. They also expressed their satisfaction on the HR-policies, systems, MIS etc. developed and used by SAIJA in tracking and managing the portfolio. Mention the technology they use, are they mobile or tablet based or just manual entry.

Some of the important points/feedback from the bankers shared during the meeting includes:

- MIS and Internal Audit System of SAIJA are incredible.
- Great to find out the controlled overdue of SAIJA.
- Responsible Finance practices (client protection measures, code of conduct, delivery models etc.) are outstanding.
- Credit and non-credit services of SAIJA are above average.
- Professional team of SAIJA will lead it to a new height of growth.
- It was interesting to observe that despite the higher interest rate than the banks, SHGs do prefer to take loans from SAIJA, mainly because of timely availability of loans at their door steps.
- Utilization of loan for income generation activities by SHG needs to be analyzed.

Responding to the feedback of bankers;SAIJAappreciated it and agreed to work on it to improve further. The exposure programme concluded with a vote of thanks given by Ms. Sonmani Choudhary of SIDBI. It ended with a positive note as few banks advised SAIJA to prepare loan proposals and submit that to them. ACCESS-ASSIST will follow-up with each of these bankers to facilitate increased bank lending to MFIs in Bihar.

**ANNEXURE: Participant List**

Sl No.	Name	Designation	Organization Details
1	Sonmani Choudhary	State Director	SIDBI
2	Saurabh Chatterjee	Asst. Manager	SIDBI
3	Sanjeev Setia	Branch Head	Bhartiya Mahila Bank
4	Bhajan Sadhu	General Manager	Madhya Bihar Gramin Bank
5	Vikas Kumar	Senior Manager	Madhya Bihar Gramin Bank
6	Prabhat Jaipuriar	Manager	Oriental Bank of Commerce, Regional Office, Patna
7	Pragya Sinha	Manager	Oriental Bank of Commerce, Boring Road Branch, Patna
8	Ranjan Kumar Singh	Branch Manager	Oriental Bank of Commerce, Boring Road Branch, Patna
9	M G Gupta	Chief Manager	Indian Overseas Bank, Patna
10	Sukesh Ranjan	Manager	IDBI, Regional Office
11	Abhinay Shrivastava	Sr. Manager	Yes Bank, Patna
12	Birendra Kumar Samanta	Asst. Vice President	Centrum Capital Ltd.
13	Awadhesh Kumar	General Manager	NABARD
14	A Ghoshal	Chief Manager	UCO Bank ZO, Patna
15	A Abhishek	Manager	UCO Bank ZO, Patna
16	Abhijeet Kumar	Dy Manager	HDFC Bank
17	Abhishek Joshi	Cluster Head	HDFC Bank
18	Prabhat Ranjan	Asst. Manager	Vijaya Bank
19	Sashee Bakshi	Branch Manager	ICICI Bank
20	Narendra Kumar	Manager	Allahabad Bank
21	Tushar Krishna	Sr. Project Coordinator	Access- Assist, Patna
22	Aparna Shukla	Manager	Access- Assist, Patna
23	S R Sinha	CMD	Saija Finance
24	Rashmi Sinha	Senior Advisor	Saija Finance
25	Kumar Gaurav	Asst. Manager	Saija Finance
26	Juhi Kumari	Asst. Manager	Saija Finance
27	Saurabh Krishna	Ex. Secretarial & CMD Sect.	Saija Finance
28	Priyadarshi Rai	Asst. Manager, Saija	Saija Finance
29	Pooja Shaw	Manager, Operations	Saija Finance
30	Thakur Manish Singh	Sr. Manager, IT	Saija Finance
31	Ranjeet Kumar	U M	Saija Finance
32	Ankit Kumar Gautam	U M	Saija Finance
33	Dhiraj Gopal	Head of Audit	Saija Finance
34	Ejaru Sagare	Asst. Manager – Finance	Saija Finance
35	Soubhagya Nayak	Asst. Manager-	Saija Finance



		Operations	
36	Zareen	Manager – Training	Saija Finance
37	Randhir Kumar	Unit Manager	Saija Finance
38	Rajnish Kumar	Head of Commercial	Saija Finance
39	Sweta	Asst. Manager- Human Resource	Saija Finance
40	Nishi Sinha	Manager- Human Resource	Saija Finance
41	Amit Kumar	Unit Manager	Saija Finance