

# Banker – MFI Exposure Visit Report

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**MFI – Samhita Community Development Services, Bhopal**

Under

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



## **Background:**

### **Programme Context: Poorest States Inclusive Growth (PSIG) Programme**

Supported by DFID, PSIG is being implemented by SIDBI to enhance the income and employment opportunities of poor households in underserved states in India including Bihar, Madhya Pradesh, Odisha, and Uttar 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 it is envisaged to benefit the poor and vulnerable people, especially women, in the above low-income states, providing access to financial services by capacity building of MFIs, facilitating technology led models, product development and roll-out, setting up risk funds etc. ACCESS-ASSIST, a specialised affiliate of ACCESS Development Services for Financial Inclusion has been assigned the task of implementing the critical Policy and Enabling Environment component under the programme.

One of the lead themes under policy advocacy for PSIG is MFIs Funding and Regulation. Recent developments in the sector indicate resumption of lending to MFIs from banks as well as through equity. The loan portfolio climbed to Rs. 27.93 billion in March 2014. The sector now has a framework that focuses on responsible finance and establishes norms of behaviour for MFIs. The RBI also has laid out mandatory requirements for client redressal mechanisms for MFI operations. Although the microfinance sector on the whole seems to be bouncing back and expanding, the potential in Madhya Pradesh for expansion of MFI services still need to be explored, and therefore the role of funding from banks is significant for growth plans of MFIs. The loan outstanding portfolio of the state is 15.20 billion with 1.73 million clients.

Given the existing scenario of microfinance growth in the State, an engaging exposure visit to an MFI Samhita for the bank officials at the state and regional levels was organized on 24th July, 2014 in Bhopal. The main objective behind organizing this event was to provide senior bankers first-hand information on MFI operations, MIS, internal audit process, code of conduct compliance, etc. through interface with MFI senior management (CEO & HoDs), field staff, and clients.

### **Participants**

The exposure visit was organized at Samhita's office and a few sessions in Hotel Marriot in Bhopal. The participants included senior bank officials from nine Public Sector Banks and local level Regional Rural Banks; officials from SIDBI New Delhi office and Bhopal office; staff of Samhita, and officials from ACCESS-ASSIST Bhopal and New Delhi office. A list of participants is provided as Annexure 1.

The exposure visit was divided into three stages combining both in-class presentations and branch and field visits to make it a learning experience for the bankers.

Detailed programme schedule was as follows:

Time	Activity
09:30 AM – 10:30	Introduction & Overview of Samhita Community Development Services
10:30 AM – 01:00 PM	<p>Interaction with clients at center and branch visit</p> <p><b><u>Team 1 – Baghmughalia</u></b></p> <ol style="list-style-type: none"> <li>1. Center No. 84, Meeting Time : 10:45 AM</li> <li>2. Center No. 202, Meeting Time : 11:45 AM</li> </ol> <p>Canara Bank Narmada Jhabua Gramin Bank</p> <p><b><u>Team 2 – Meera Nagar</u></b></p> <ol style="list-style-type: none"> <li>1. Center No. 41, Meeting Time : 10:45 AM</li> <li>2. Center No. 121, Meeting Time : 11:15 AM</li> </ol> <p>Indian Overseas Bank Central Madhya Pradesh Gramin Bank Punjab National Bank</p> <p><b><u>Team 3 – Rahul Nagar</u></b></p> <ol style="list-style-type: none"> <li>1. Center No. 42, Meeting Time : 11:00 AM</li> <li>2. Center No. 94, Meeting Time : 11:45 AM</li> </ol> <p>Syndicate Bank UCO Bank Madhyanchal Gramin Bank</p>
01:30 PM – 02:15	--Lunch--
02:30 PM – 04:30 PM	<p>Presentation on function and role of following different departments in Samhita</p> <ul style="list-style-type: none"> <li>• Operations</li> <li>• MIS</li> <li>• Audit</li> <li>• HR &amp; Training</li> <li>• Other Initiatives</li> </ul>
04:30 PM – 05:00	Open Discussion and valedictory

## State I – Introduction to Samhita and Sector Overview

### Venue: Samhita Head Office, Bhopal

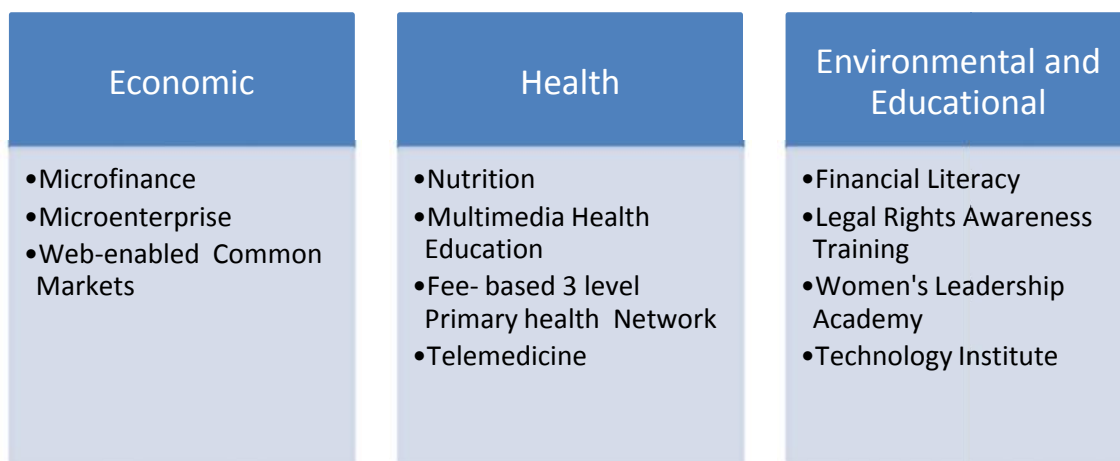
As per the plan, all the participants gathered at Samhita's registered office in Bhopal at 10:00 am. The session started with a welcome address from the CEO of Samhita Ms. Praseeda Kunam a followed by

formal introduction by each participant of the programme. Ms. Kunam later presented a brief PPT on organizational background and financial performance of Samhita over the last few years. Bankers raised various queries related to operations, business planning, and outreach in the state. Samhita is a section-25 not-for-profit company registered at Bhopal, Madhya Pradesh. Started in Jan 2008 in Rewa district, Samhita aims to offer economic and primary health services at scale targeting disadvantaged and dispersed populations and supported by a common appropriate technology platform.

**Vision:** *A life filled with opportunity, quality and dignity for disadvantaged communities.*

**Mission:** *Samhita will apply collective, coordinated action in developing a network of sustainable and scalable community initiatives that deliver positive economic, health, educational and environmental impact on disadvantaged communities.*

### Core Initiatives of Samhita:



### Samhita's Micro Finance Products:



### Operational Area:

Samhita has operations in three states with the highest coverage in MP. It has a vast presence in 16 districts of M.P. covering Rewa, Gwalior, Bhopal, and Jabalpur regions. It has operations in six districts of Uttar Pradesh and recent expanding in one district of Chhatisgarh as well.

### Operational coverage in three states:

States	Districts	Branches	Loan Outstanding
M.P.	16	42	35,38,91,601
U.P.	6	20	6,28,98,883
Chhatisgarh	1	2	64,02,483
<b>Total (3)</b>	<b>23</b>	<b>64</b>	<b>40,31,92,967</b>

### Geographical expansion of operations of Samhita:

#### Rewa Region of MP



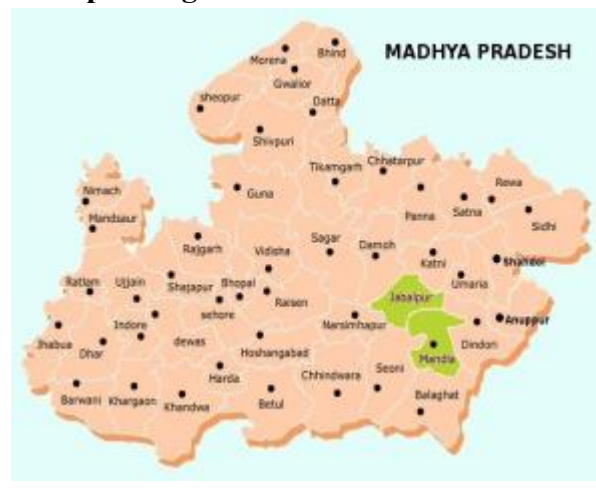
#### Bhopal Region of MP

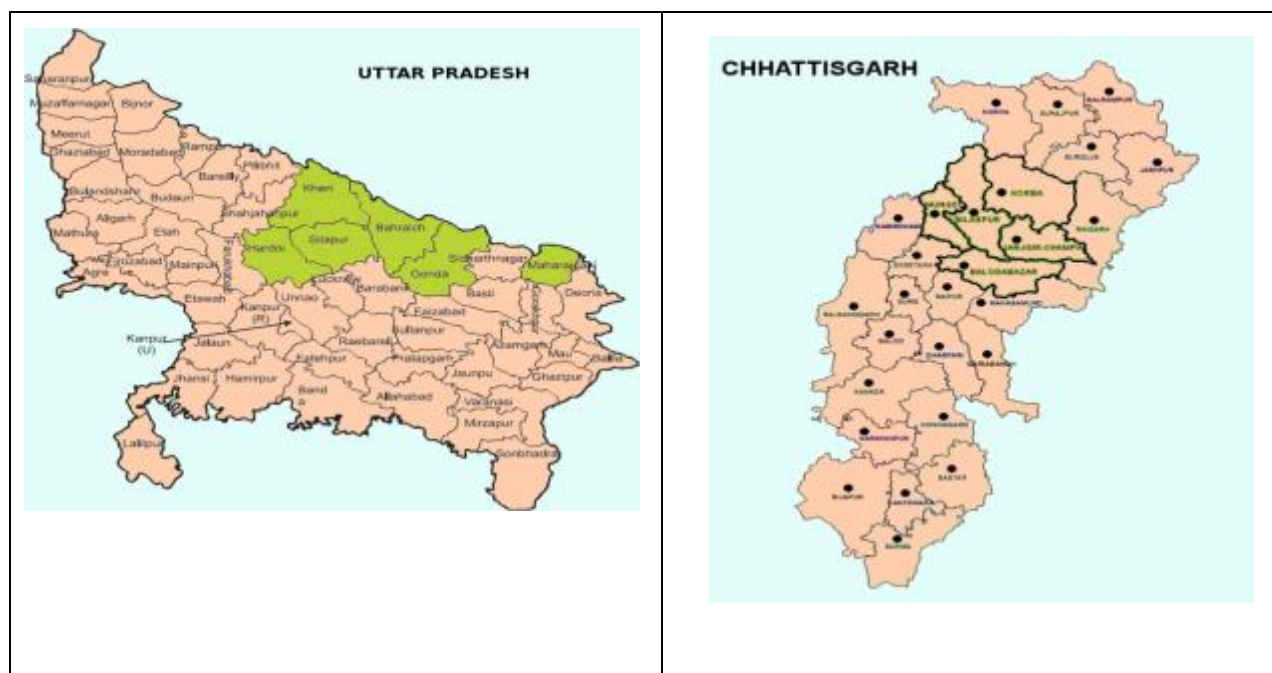


#### Gwalior Region of MP



#### Jabalpur Region of MP





Details regarding operational performance, growth and outreach between 2011-'14 and financial status of Samhita Community Development Services are given in Annexure II.

The overall presentation on Samhita was informative for the bankers to understand an MFI's operations, outreach and business processes etc.

Following issues/questions were raised by bankers for additional information on Samhita's operational processes:

- Cost of borrowing
- Details of process of lending to a client.
- Loan recovery measures of adopted by Samhita
- Cash risk management

**Figure 1: CEO Ms. Kunam presenting and discussing about Samhita at its head office in Bhopal**





After a round of discussions, bankers were divided into three teams consisting of bankers, SIDBI officials, ACCESS-ASSIST staff and Samhita staff in each team and sent to the field areas of Samhita to experience the process of lending, observe client meetings, and interact with clients.

## **Stage II – Field Visits (Client meeting and Branch Visit)**

### **Venue: Baghmughalia, Meera Nagar, and Rahul Nagar**

The three teams of bankers and other officials went to three different field areas of operations in Baghmughalia, Meera Nagar, and Rahul Nagar slums of Bhopal and attended two Joint Liability Groups (JLGs) meetings in each slum area. Bankers were shown how field staffs organize the meeting, update customers of the credit status, demand for a new loan etc and handle android based hand held device for routine activity. Bankers were impressed with the way the trained staff manages the meetings and within 15 minutes. Bankers asked questions such as benefits of dealing with MFI and not going to formal banks for credit purpose; trust over the field staff handing the money; conflicts resolution etc and women clients replied very confidently quoting benefits of dealing with MFI and trust built over the last few years because of smooth functioning and door-step services.

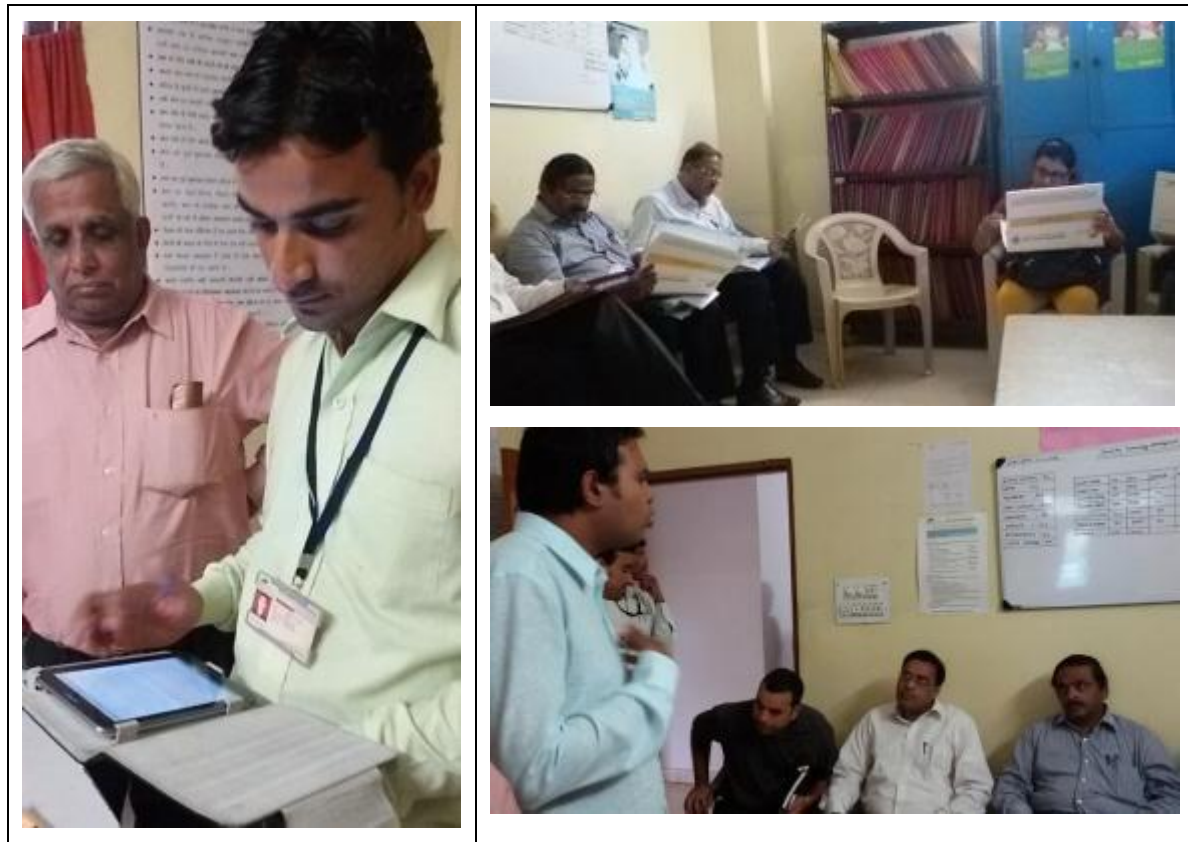
**Figure2: Samhita's field staff conducting meetings and interaction of bankers with clients**



Later bankers were taken to see the branch office level operations and met staff members handling different portfolios. They were also shown books of accounts, demand sheets developed for each JLG, application forms etc. Banker raised queries related to credit data handling at the branch level, functioning of handheld device (tablets) and consolidated reports being generated by the device. While discussing

about operations, bankers also asked about the difficulties/challenges in the field and mechanisms for grievance handling. Staff informed that they did not have any major issue in the field as regular meetings, interaction with clients and staff trainings help a lot in managing operations.

**Figure3: Bankers understanding loan application process in handheld devices and MIS/Training at the branch level**



### **Stage III Department wise Presentations and Discussion**

#### **Venue: Hotel Marriot, Bhopal**

Post lunch Samhita's department wise presentations were provided on Operations, MIS, and Audit, HR, Non Credit Community Services, Social Performance Management, and Responsible Finance practices by the concerned head of the departments. Ms. Kunam also provided her expert comments and experience in between to complement the statements made by the HoDs.

#### **i. Presentation on Operations & MIS**

Samhita team presented their state of the art IT system as a back bone to their operations & MIS. Real time system that runs over android based hand held devices are used for transactions and directly send data to the server within few hours. Use of such devices has brought accuracy in the systems and operations and helps in data mining of various reports effectively. Such innovative ideas and systems were applauded by bankers and agreed on the fact that need for such efficient system is required at all levels.



The figure below shows the interface which details out client on-application form along with PPI tool in-built with it. Various reports that are used on daily consumption for effective monitoring on MF operations were also shown and discussed with bankers.

**pSMobile v1.0: Members**

Member ID:  First Name:  Last Name:  ID Type:  ID Proof:  PHOTO NEEDED!

Sex:  Age:  Occupation:  Marital:

Spouse / Father Details: Name:  Age:  Occupation:

**PPI Details**

1. परिवार में कितने सदस्य 17 वर्ष या उस से कम उम्र के हैं ?
2. परिवार के पुरुष मुखिया / पति की शिक्षा का स्तर क्या है ?
3. परिवार का मुख्य व्यवसाय क्या है ?
4. खाना बनाने का मुख्य साधन क्या है ?
5. क्या घर में खाना पर्व रखने का कोई साधन है ? जैसे धर्मसा या हाट पाट
6. क्या घर में टेलीविजन और VCR/VCD/DVD प्लेयर है ?
7. क्या घर में मोबाइल फोन और टेलीफोन

**pSMobile v1.0: MFE Voucher**

Rajni Kori (000406) Wed, 2014-02-05 Net Cash: 24935 Cash In: 24935 Cash Out: 0

**MFE TRANSACTION SUMMARY**

Collection:	23435	Expected:	23435	Cash:	0
Disbursed:	0	Cheque:	0		
LPI:	0				
DCI:	0				
Savings:	0	Withdrawn:	0		
Insurance:	0	Pensions:	1500		
Membership:	0				

**LOAN REPAYMENTS**

ID	Center	Due	Recd	Retd	Stat
017	Sai Handr	4250	4250	0	15
107	Indira Bag	4000	4000	0	14
110	Weera Raga	3570	3570	0	15
121	Weera Bag	3670	3670	0	12
134	Sai Baba	2720	2720	0	10
154	Sai Baba H	2050	2050	0	0
163	Weera Raga	2575	2575	0	10

**LOAN DISBURSEMENTS**

ID	Center	Total	LPI	Retd	Stat
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**LOAN COVER (SPOUSE) INSURANCE**

ID	Center	Premium	Stat
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**OFF-CENTER TAX**

ID	Name	DCI	Stat
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**PENSION TAX**

ID	Name	Pension	Stat
017:03:06	Karuna Sonane	1000	1
154:02:04	Sunite Vaghwar	500	1

**MEMBERSHIP TAX**

ID	Name	Amount	Stat
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## ii. Presentation on Audit System

Audit Head of Samhita, Mr. Raghuraman (Ex-banker) explained about the system of internal audit practiced at Samhita. He discussed on audit systems adopted by various microfinance organization on the query of bankers. Once in a quarter branch and field level audits are done. Samhita has adopted a number based grading for audit procedures to avoid any kind manipulation. Areas of audit are: member awareness, centre documentations, conduct of centre meetings, insurance pay-outs, branch physical security and documents and cheques, branch members' documents, and administration. Various audit reports were discussed to show their strong hold on monitoring and compliances. He explained the procedures and analysis of its impact on loan products, insurance and pensions as well.

## iii. Presentation on Human Resource & Training

Training head Mr. Abhishek Patro shared about practice and procedures of recruitment and personnel management at Samhita. HR management in microfinance operation is of more importance due to certain human risks and cash involvement. Regular trainings are organised from induction to different on-job training to make employees acquainted with Samhita systems and procedures.

Other than employees' training, Samhita has an effective model for financial literacy for their clients. It is a four day program conducted through visuals and stories. Centre and branch level training programmes

are conducted regularly. These trainings help organization to directly involve with clients for helping them decide on loan utilization. Pictures given below show the glimpse of Samhita's own literacy material used in local language to cover complete learning on financial products and other rights based issues.



#### **iv. Presentation on Social Performance Management / Non Credit Services**

Ms. Praseeda shared on various activities done by her organization other than credit. Such as financial literacy, legal rights training, insurance service and pension products.

She detailed out various activities as part of social management practices; providing knowledge support to clients on business and enterprise skill, health education, legal awareness for women and environmental concerns.

#### **v. Responsible Finance & Discussion**

Post presentation discussions were made on various measures taken by the sector on responsible finance practices. Bankers were informed by the various assessments such as CPP, Code of conduct assessment. Practice of providing data to credit bureau etc. Bankers had queries related to policy for funding to MFI and Samhita staff shared their own policy for better understanding.

During the question-answer session, the need for funding from public sector banks for MFIs and the difficulties faced were raised from Samhita. A few bankers shared that final decisions on funding to MFIs are made at the corporate office, Mumbai level so they should also be informed about credible MFI operations and such exposure visits can be a very good platform to sensitize them as well.

**Figure4: Presentations by HoDs on various systems and procedures at Samhita**



With vote of thanks from SIDBI and ACCESS-ASSIST, the exposure visit programme concluded around 4:00 pm.

### Follow-up Actions

- Sharing of appraisal mechanism adopted by SIDBI in lending to MFIs through a training program will be proposed in coming months.
- PSIG state team offered participants on extending help in sharing data and other support required for MFI funding and appraisals.
- One on one follow-on meetings by ASSIST state team with participating banks in the next 2 months

### Bankers' voices at the end of the exposure visit:

*"I have been reading about MFIs operations in newspaper and business articles but for the first time I have witnessed how MFI works in the field and how efficiently they have created robust systems and procedures for better functioning. I have learnt a lot from the exposure."*

*"It was an eye-opener for me as I did not have much knowledge of field operations of MFI and the presentations were quite informative."*

*"It seems MFI certainly does good work for financial inclusion and I am curious how banks can contribute more effectively in this direction."*

### Analysis of Pre – Post Feedback Forms

#### Participant expectations

Pre Test	Post Test
Key expectations: <ul style="list-style-type: none"><li>• Systems and procedures of MFIs</li><li>• Constraints involved in bank funding</li></ul>	Overall feedback <ul style="list-style-type: none"><li>• Good to Excellent rating on visit content, methodology and duration</li></ul>
Level of understanding related to MFI processes ( Operation, MIS, IA, credit and non credit services and responsible finance practices) <ul style="list-style-type: none"><li>• 3.08 on a scale of 5</li></ul>	<ul style="list-style-type: none"><li>• Moved up to 4.1 on a scale of 5</li></ul>
Major issues in banking lending to MFIs <ul style="list-style-type: none"><li>• Unavailability of clear policy on lending to MFI</li></ul>	Comments on key takeaways <ul style="list-style-type: none"><li>• Financial aspects &amp; MFI working</li><li>• Excellent work done by Samhita</li></ul>

<ul style="list-style-type: none"> <li>• Lack of appraisal systems at bank level</li> </ul>	<ul style="list-style-type: none"> <li>• Customer centric approach</li> </ul>
	<p>Key areas for PSIG Support</p> <ul style="list-style-type: none"> <li>○ Training of banks mid level management on MFI appraisal and general training.</li> <li>○ RRB employees training on various issues.</li> </ul> <p>Other Suggestions</p> <ul style="list-style-type: none"> <li>○ Exposure visit was very useful.</li> </ul> <p>Appreciated efforts for conducting such visit.</p>
<ul style="list-style-type: none"> <li>• Participants have reported MFI risk taking capability to be <b>average</b>.</li> </ul>	

**Annexure I****List of Participants**

<b>Sl. No</b>	<b>Name</b>	<b>Designation</b>	<b>Bank</b>
1.	P.B. Walvekar	AGM (RO)	Syndicate Bank
2.	Pramod Lanje	Manager (RO)	Syndicate Bank
3.	G. Bhaskar Rao	Chief Manager	Central Bank of India
4.	B. Pradeep Kumar	Chief Manager	Indian Overseas Bank
5.	S.C. Jain	AGM	UCO Bank
6.	P. Sasitharan	AGM - Advances	Canara Bank
7.	Priya Pamnani	MF – Branch In charge	Canara Bank
8.	D.C. Varma	Chief Manager (HO)	Madhyanchal Gramin Bank
9.	Jyoti Kumar Jain	Senior Manager	NJ Gramin Bank
10	R.K. Shrivastava	Regional Manager - Bhopal	Central Madhya Pradesh Gramin Bank

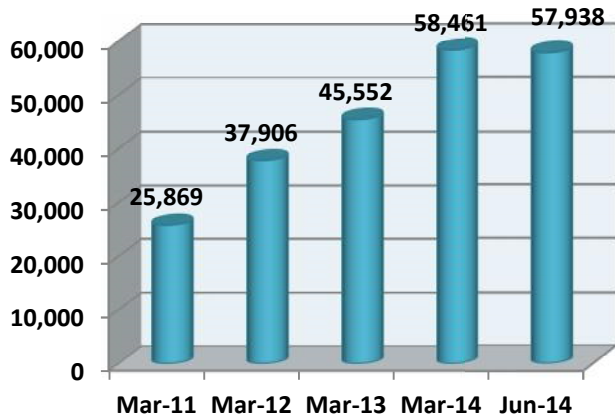


**Operational Performance of Samhita:**

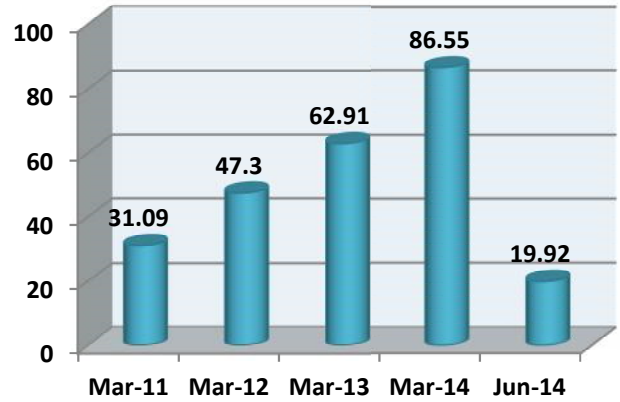
<b>Particulars</b>	<b>June 2014</b>	<b>March 2014</b>	<b>March 2013</b>	<b>March 2012</b>	<b>March 2011</b>
Members	<b>75,264</b>	<b>73,216</b>	<b>53,240</b>	<b>41,644</b>	<b>44,463</b>
Loan Clients	<b>57,938</b>	<b>58,461</b>	<b>45,552</b>	<b>37,906</b>	<b>25,869</b>
Disbursements (Crore)	<b>19.92</b>	<b>86.55</b>	<b>62.91</b>	<b>47.30</b>	<b>31.09</b>
Cumulative Disbursements (Crore)	<b>291.80</b>	<b>271.89</b>	<b>185.33</b>	<b>122.43</b>	<b>75.13</b>
Loan Outstanding (Crore)	<b>38.52</b>	<b>40.32</b>	<b>32.71</b>	<b>24.35</b>	<b>11.07</b>
Loan Centers	<b>6,293</b>	<b>6,113</b>	<b>4,474</b>	<b>3,643</b>	<b>3,275</b>
Branches	<b>64</b>	<b>64</b>	<b>44</b>	<b>41</b>	<b>46</b>
PAR (%)	<b>0.07</b>	<b>0.05</b>	<b>0.04</b>	<b>1.27</b>	<b>1.85</b>

### Growth and Outreach over the last three years (2011-14)

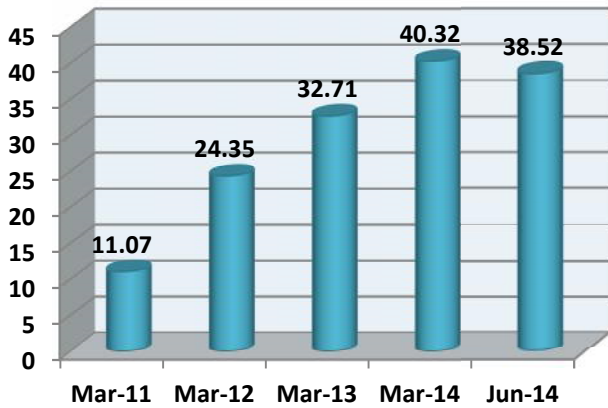
#### Loan Clients



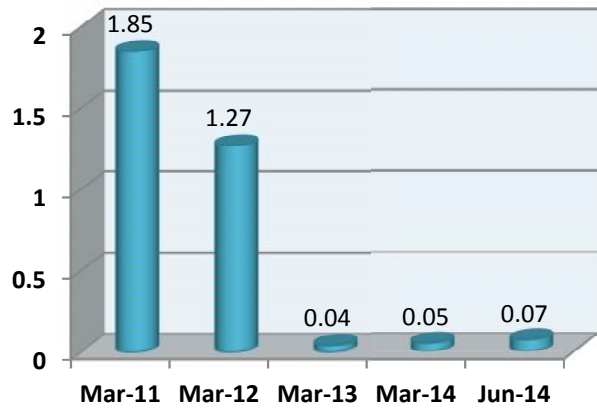
#### Disbursements (Crore)



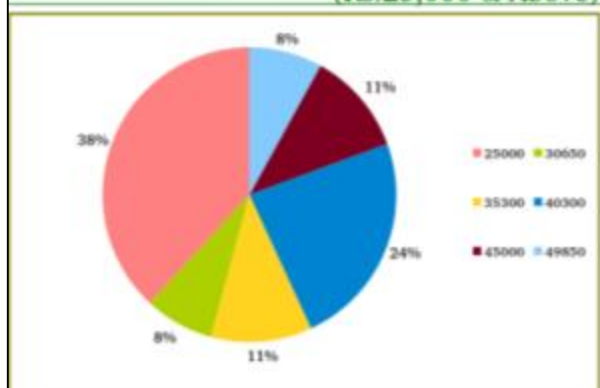
#### Loan Outstanding(Crore)



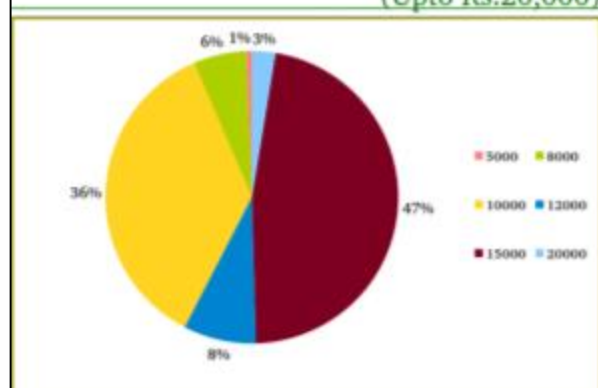
#### PAR (%)



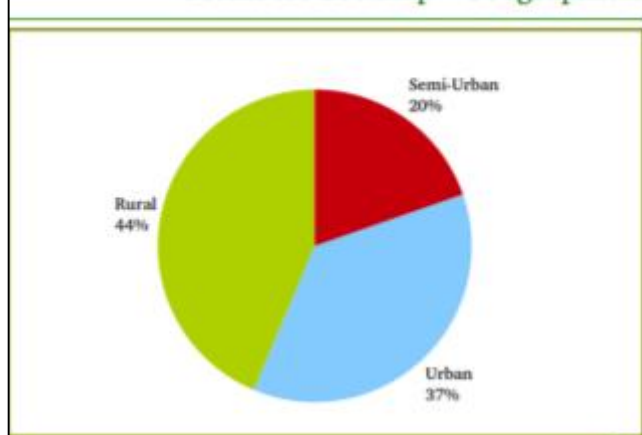
Clients Breakup ±Loan Size  
(Rs.25,000 & Above)



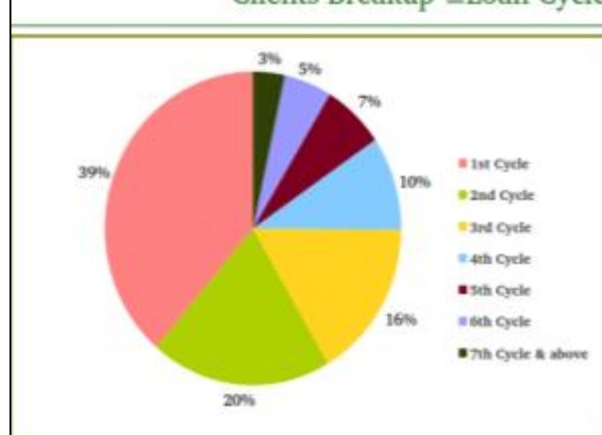
Clients Breakup ±Loan Size  
(Upto Rs.20,000)



Members Breakup - Geographical



Clients Breakup ±Loan Cycle

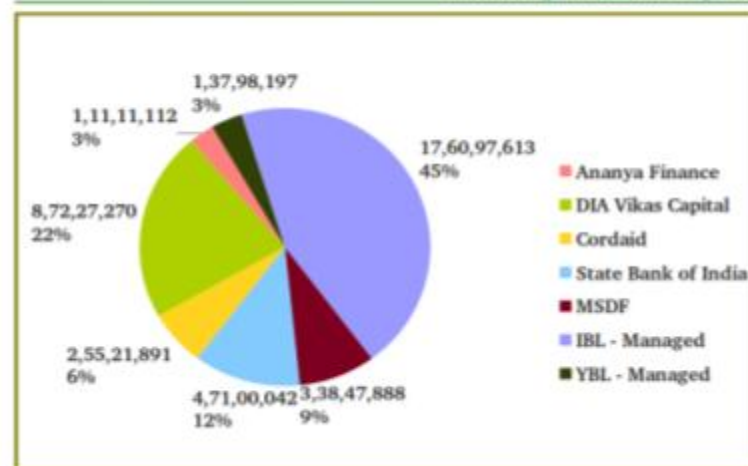


## Financial Status:

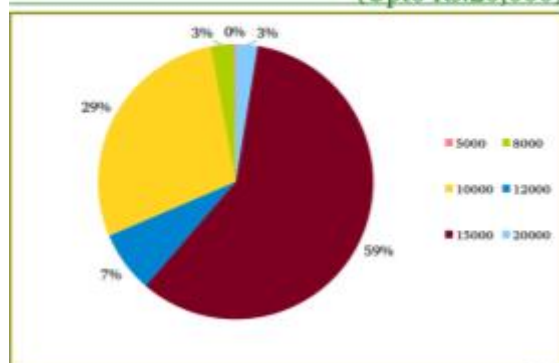
Financial Institution	Sanctioned F.Y. 2014-15 (Rs.)	Disbursed F.Y. 2014-15 (Rs.)	Repaid F.Y. 2014-15 (Rs.)	Outstanding as on Jun 30, 2014 (Rs.)
Ananya Finance	0	0	33,33,333	1,11,11,112
Dia Vikas Capital	0	0	45,45,455	8,72,27,270
Cordaid	0	0	0	2,55,21,891
SBI (CC Limit)	0	0	0	4,71,00,042
MSDF	0	0	0	3,38,47,888
IBL-Managed	85,00,00,00	8,69,14,000	10,51,01,507	17,60,97,613
YBL-Managed	10,00,00,00	1,56,79,000	0	1,37,98,197

## Financing Relationships

Borrowing Status (in Rupees)



## Portfolio Breakup ±Loan Size (Upto Rs.20,000)



## Portfolio Breakup ±Loan Size (Rs.25,000 & Above)

