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GIZ-NABARD **RURAL FINANCIAL** **INSTITUTIONS** **PROGRAMME** **ANNUAL REPORT 2013/2014**

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Rural Financial Institutions Programme

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GIZ-NABARD
RURAL FINANCIAL
INSTITUTIONS PROGRAMME
ANNUAL REPORT 2013/2014

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INTERVIEW

NABARD CHAIRMAN

DR. HARSH KUMAR BHANWALA

Q.1 How do you foresee the Short-Term Cooperative Credit Structure developing in the near future in India?

The Short-Term Co-operative Credit Structure (STCCS) is more than a century old. Its outreach is phenomenal with the Primary Agricultural Credit Societies covering one out of every 6 villages in the country. Further, one of every two districts in the country has a Central Cooperative Bank. This structure primarily supports small & marginal farmers. However, the sector needs to modernise. The staff need to upgrade their capacities by enhancing capabilities. It has to adopt technology and follow the principles of corporate governance. NABARD has been supporting the capacity development of the sector up to the level of the Central Cooperative

Banks. NABARD also supports in a small way the capacity development of PACS. Our recent efforts in modernising the technological platform for the CCS in the form of Core Banking Solution for 205 Cooperative banks have been very successful. Further, the PACS need to be computerised.

The STCCS network through the PACS at the grass root also provides non-financial services such as leasing of agri-equipment, aggregation of farm produce, supply of inputs to the small and marginal farmers, and storage space through food grains in its godowns, etc. The Short Term Cooperative Credit Structure in order to regain its pre-eminent position in supporting the agricultural growth has to not only increase its lending but also has to adopt technology and improve governance and enhance human resource capacities. This can happen if members take an active interest in the affairs of the cooperative. Therefore, member's education/awareness is important for the democratic functioning of the cooperatives.

Q.2 How do you see PACS evolving in the coming years, and what is NABARD's strategy for their development and growth?

PACS need to follow a 'Credit Plus' approach. PACS

must computerise. PACS have to focus on acquiring, retaining and regularly upgrading the skills of its pool of human resources. If productivity of credit has to improve, PACS should simultaneously take up services for aggregation of farm produce, storage for farm produce, leasing of agri-inputs, providing extension services in agriculture and for off-farm activities. For this they need to improve their human resource, mobilise capital, improve quality of accounting practises and be profitable. Some of the PACS in Kerala and Gujarat are worthy of emulation in these respects. With their phenomenal presence, NABARD sees PACS as the most promising vehicles for Financial Inclusion, giving all financial and non-financial services to their farmer members. PACS have to reinvent their internal strengths. They should evaluate their existing business models and experiment with new ideas. To help PACS identify new business activities and for extending necessary support, we are supporting establishment of PACS Development Cells (PDC) in CCBs.

Q.3 What are the key challenges in the area of Microfinance in India and how do you think they can be addressed by NABARD effectively?

In the Microfinance space, the largest programme in the country is SHG Bank Linkage Programme which is anchored by NABARD through other banks. There are NBFCs and non-NBFC type MFIs as well providing micro-credit and other micro-financial services. In fact, PACS are the early examples of MFIs which are more than a century old. However, in spite of all the efforts, 40-50% of the population is still excluded from formal institutional credit. FI creates a base which can be further leveraged for providing micro financial services. Potential for micro finance is bright as it extends 24x7 services at the doorstep.

FI will complement microfinance activities & will provide the base for a second wave of micro finance growth in our country. Diversification of products / services is the need of the hour. Further growth of microfinance has to come from the resource poor areas. Expanding the outreach of the SHG Bank linkage programme in resource poor states like Jharkhand, Chhattisgarh, Bihar, Madhya

Pradesh, Rajasthan and Uttar Pradesh (witnessing low incomes coupled with low literacy rates) is our major concern and challenge. We intend to cover these excluded poor with SHG Bank Linkage programme within next 2-3 years.

In order to overcome the above problems, we have discussed these issues with public sector banks, RRBs, Cooperative banks and a few private commercial banks. These discussions have highlighted the need for enhanced banker interface and monitoring initiatives in serving the rural poor through SHG-BLP and also have substantially scaled up our training and capacity building interventions, exposure visits, awareness and sensitization meets for them as well as for SHG members.

There is a significant difference in the number of SHGs which are saving linked and those which are credit linked. This gap needs narrowing. Further, the SHGs need to adopt services other than merely deposits & credits.

Q4. What role do you foresee for SHGs in convergence with other national livelihood and Financial Inclusion programmes in the future?

Livelihood mission and SHG bank linkage are complementary to each other. The next logical step for microfinance is livelihood creation and development. NABARD actively collaborates with such programmes.

Q. 5. How do you see NABARD's evolving role in furthering the mission of universal Financial Inclusion?

Universal Financial Inclusion is the ultimate objective – not just of NABARD but of all the stakeholders. This is what the Committee on Financial Inclusion (Dr C Rangarajan Committee) had also suggested. NABARD welcomes the efforts of all the commercial banks who bring in their own financial and technical strengths to the cause of FI in India. The five planks of Financial Inclusion are savings, credit, technology driven money transfers, micro insurance and financial literacy. NABARD would continue to work on all these areas. The major focus would be on financial literacy, capacity building, and technology roll-out to further Financial Inclusion.

INTERVIEW

**CGM - CORPORATE
PLANNING DEPARTMENT,
NABARD**

MR. H.R. DAVE



Q.1 What are your views on the development of professional competencies among the workforce in the CCS? How can CPEC contribute to this further?

A: Since the start of the liberalisation process in the Indian economy and the consequent entry of new players in the Indian banking space, armed with technology supported delivery processes, innovative products and younger and more talented staff, competition can no more be ignored. In order to withstand competition from the new private banks and the renewed efforts of the public sector banks, the Cooperative Credit Structure (CCS) has to work on improving the professional competencies of its staff. The efforts of C-PEC are a step in this direction. Thus, C-PEC acts as a nodal center for the training needs of Credit Cooperatives addressing the issue of manpower development in a comprehensive manner.

The scope of C-PEC can be further extended to the areas of cooperative research and training-coordination. It can also act as an advocacy forum for cooperative manpower development and training. C-PEC envisions to become a national-level resource center of cooperative training and development by extending its outreach among all the three tiers of Credit Cooperatives throughout the country and demonstrate the impact of manpower development on their business viability, profitability and long-term sustainability.

Q2. How do you see the role of the PACS Development Cells in the business growth and diversification of the PACS?

A: The main role of PDCs is to undertake capacity building and strengthening of PACS and support them in business diversification. To derive the desired impact, it is expected that the PACS should be proactive in availing the services of PDCs. As a first step, PACS would prepare their Business Development Plan for a period of three years with the support of PDCs. For smooth functioning of Business Development Plan, MoU would be signed between CCB and identified PACS. One of the important roles of PDCs is to provide

business orientation to the societies so that they transform into a one-stop shop for all financial and non-financial services to their members in a profitable manner. NABARD would be meeting most of the costs of the PDC for initial years, besides training the PDC staff.

Q.3. How can existing grass-root institutions like PACS, SHGs and MFIs play an enabling role for enhancing financial inclusion through BC services on behalf of banks?

A: All these institutions you are talking about have been playing an enabling role in financial inclusion. PACS, being part of the Cooperative Credit Structure, are the first ever attempt at financial inclusion in India more than a century ago. The SHG movement is itself a first step towards financial inclusion by bringing rural poor into the fold of formal financial institutions and also financial literacy by developing a thrift and repayment habit among its members. MFIs actually came into being to fill the void left by formal financial institutions in their own little way.

Now coming to the second part of your question, PACS have already been allowed to work as BCs of Commercial Banks and RRBs. For PACS to become BCs of DCCBs, it's already inherent in the three tier structure itself. But in order to adopt ICT solutions like issuing smart cards and RuPay KCC cards, which will be interoperable, some readjustments within the overall regulatory mechanism need to be made. Else, the farmer members of the Cooperative Credit Structure will miss out on the advantages of banking technology.

We have successfully implemented RuPay KCC in Raigad, Maharashtra; Dakshin Kannada, Karnataka; and Rampur, UP DCCBs apart from a few more DCCBs which have also shown interest. SHGs and their members are already eligible entities to be appointed as BCs. I am aware that both GIZ and NABARD are collaborating on a pilot for SHG members as BCs under RFIP with promising initial results and I keenly look forward to the report.

Q.4. How can the uptake of financial services by rural Indians be increased? What role does

Financial Literacy/Education/Capability play and what is NABARD's role in implementing it?

A: In simple words, uptake of financial services by rural Indians can only be increased through affordable doorstep delivery of financial services and customization of financial products suiting the needs and requirements of the target population. The banks are yet to offer products – let alone customized products – simple banking products customised to the needs of the low income clientele like micro-deposits, OD facility, remittance, micro-pension and micro-insurance to the people. Perhaps, the need of the hour is to focus on both the demand and supply side. NABARD is trying to boost the demand side by way of supporting financial literacy programmes including FLCs by RRBs and Cooperative Banks, financial literacy through CSC, e-Governance, Farmers Clubs etc.

Q5. How do you see NABARD's future role in the SHG-BLP? What role do the primary federations play?

A: NABARD is now focused on covering all the eligible rural poor households under SHG-BLP by the end of 12th Five Year Plan period. 127 districts from resource poor states of UP, Bihar, Chhattisgarh, Jharkhand, Madhya Pradesh, Odisha, Rajasthan, Maharashtra, Assam and West Bengal shall be our focus of intervention. Our emphasis will shift from providing access to banking services, to providing sustainable livelihood opportunities to the poor in rural areas. The scope for using SHGs to serve as an appropriate platform for converging and delivering financial services is being explored. The primary federations of SHGs could play an extremely important role in lending the voice of poor at different levels in providing its members a host of benefits like facilitating capacity, skill building requirements, marketing access and as a delivery channel for other services like health, sanitation, education, etc. from Government / Non-Government sources. Federations, in course of time, will help in mobilizing the community in remaining / neighbouring areas and will extend continuous handholding support for sustainability of the SHG-BLP.

01 PROGRAMME OVERVIEW



Programme Background

The financial inclusion of low-income households is an important element of successful poverty reduction. According to the Planning Commission, Government of India, 30% of the population lived under the absolute poverty line in 2010. But, the majority of the population still belongs to the economically poor and near poor. Three quarters of them live in rural areas. The outreach of banking services to rural areas has been growing and an increasing number of low-income households have access to some kind of financial service. But, the majority of them lack sustainable access to financial services as well as the financial capabilities needed to use these services effectively for growing out of poverty in a sustainable manner.

The National Bank for Agriculture and Rural Development (NABARD) and the Gesellschaft für Internationale Zusammenarbeit (GIZ) have been col-

laborating to support the financial inclusion efforts of the Government of India since the beginnings of the SHG-Bank Linkage Programme. During the last years this collaboration has been expanded to supporting the revival of the Short-Term Cooperative Credit Structure (STCCS) and the expansion of banking services through business correspondents and other innovative approaches.

The **Rural Financial Institutions Programme (RFIP)** is a bi-lateral cooperation programme of NABARD, on behalf of the Government of India, and GIZ, on behalf of the Government of the Federal Republic of Germany. It was inceptioned in 2008/2009 for supporting a) the accounting, auditing and human resource development of the STCCS institutions, and b) the promotion, regulation and supervision of micro finance organisations. In 2010 a new component was added to improve remittances and payment systems for small value money transfers,

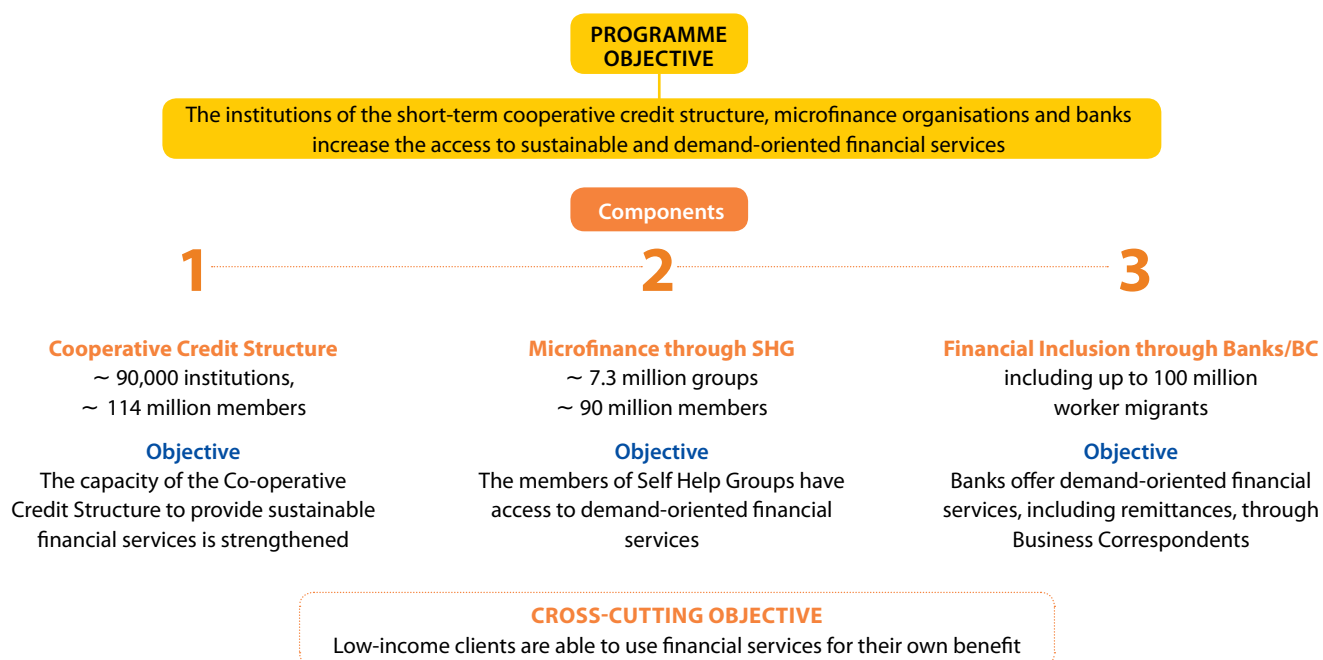
especially for the up to 100 million domestic migrant workers and their families back home. In late 2011 the RFIP was reviewed to adjust to new developments such as a) the completion of the implementation of the STCCS Revival Package and new demand for technical support from STCCS stakeholders, b) the lack of clear legal and regulatory frameworks for micro finance organisations, and the need for improving the quality of the SHG-Bank Linkage Programme, c) the new financial inclusion agenda of the Government of India, and d) the increasing recognition of financial education as a crucial element of sustainable financial inclusion. Since 2012 the RFIP consist of three large components, which provide support for 1) strengthening the STCCS in various fields and by responding to demand from state-level stakeholders, 2) expanding and improving the quality of micro finance and related services delivered through self-help groups, and 3) expanding financial inclusion through the business correspondent model and other innovative approaches. Enhancing the financial literacy and capability of low-income clients is now a cross-cutting objective of the programme.

Programme Objectives and Approach

The overall objective of the RFIP is that *the institutions of the short-term cooperative credit structure, microfinance organisations and banks increase the access to sustainable and demand-oriented financial services*, especially for the poor and near poor, marginal and small farmers, micro entrepreneurs, women in self-help groups, domestic migrant workers, and senders and receivers of micro remittances.

Increasing the access to sustainable and demand-oriented financial services, and expanding financial inclusion sustainably, requires viable financial institutions, which have the financial resources for increasing outreach, maintain their viability by covering costs, increase their operating efficiency to provide affordable services, have the customer orientation and knowledge to offer the range of products needed, and have the human resources that are both technically competent and capable of maintaining trustful relations with the poor and

RURAL FINANCIAL INSTITUTIONS PROGRAMME



near poor. It, however also requires the capability of low-income clients to understand the financial products offered to them, to make informed choices, and to use financial services effectively for the improvement of their livelihoods.

Therefore, the RFIP aims at both enabling financial service providers to offer the entire range of financial services needed by low-income clients **and** enabling low-income clients to use financial services in accordance with their needs and for their own benefit.

These programme objectives can only be achieved through the participation and cooperation of a large number of stakeholders at the national, regional and local level. The RFIP tries to contribute to achieving these objectives by facilitating this participation and cooperation, and by supporting the **capacity development** of key stakeholder organisations and their personnel. Only this capacity development of organisations and people can ensure that 1) financial institutions, the organisations of the poor and near poor such as cooperatives and self-help groups, and bank intermediaries such as business correspondents have sustained access to support services, 2) a variety of financial intermediaries will be able to provide good quality financial services to low-income clients in a sustainable manner, and 3) low-income clients will be able to use these financial services effectively for improving their livelihoods sustainably.

The capacity development approach of the RFIP combines various elements to maximise the outcomes of its contributions. These include:

- 🔄 working through existing institutions with the largest outreach to target groups,
- 🔄 Aiming at improving the governance and management of these institutions as well as the quality of their products and services,
- 🔄 combining national, regional and local support measures to ensure the consistency and increase the effectiveness of interventions,
- 🔄 supporting the development of financial and technical infrastructure, through which financial

intermediaries and the organisations of the poor and near poor can be supported in a sustainable manner,

- 🔄 Producing outputs (e.g. guidelines, manuals, training materials), the dissemination of which promise to have the best impact in terms of outreach and improving quality,
- 🔄 Pilot-testing innovative approaches, and exploring their potential for up-scaling and replication,
- 🔄 Engaging in sector and stakeholder dialogues, and contributing to generating and disseminating knowledge and good practices,
- 🔄 Testing new approaches outside of the current programme concept to support learning processes,
- 🔄 Responding flexibly to demand from stakeholders and to changes in the policy environment.

The RFIP currently consists of three components, which focus their support on the capacity development of 1) the Short-term Cooperative Credit Structure and related support institutions, 2) the banks, self-help groups and self-help promoting institutions involved in the SHG-Bank Linkage Programme, and 3) the banks and business correspondents aiming at the financial inclusion of rural areas and low-income households. They therefore work through networks, organisations and approaches which promise to reach the vast majority of rural low-income households in India. The Short-term Cooperative Credit Structure consists of some 90,000 institutions (rural cooperative banks and primary credit societies) with about 114 million members. The SHG-Bank Linkage Programme currently has an outreach to 7.3 million self-help groups with some 90 million members, of which 81% are women. The number of bank business correspondents and their services points in rural villages is rapidly increasing, and the banking environment for small money transfers has been making significant progress. The latter is important especially for the up to 100 million circular migrants in India.

02 RFIP COMPONENT 1

STRENGTHENING THE SHORT TERM COOPERATIVE CREDIT STRUCTURE

Component Background and Approach

Background

The Short Term Cooperative Credit Structure (STCCS) is an apex system, consisting of State Cooperative Banks (SCB), District Central Cooperative Banks (DCCB) and Primary Agricultural Credit Societies (PACS). With its more than 90,000 institutions it is India's largest network for delivering financial and non-financial services to farmers and rural households in 94% of the Indian villages. Its grassroots organisations, the PACS, have been created primarily for meeting the crop loan requirements of farmers, but many of them provide a wider range of financial and non-financial services.

The performance of the STCCS institutions deteriorated significantly. This was due to reasons such as poor governance (political interference, supersession of boards with government officials, dominance of officials in decision making), lack of effective supervision and audit, weak management and accounting systems, inadequate human resource policies and development, and an insufficiently, demand-oriented business diversification. In 2005, about half of the PACS and one third of the DCCB had eroded their net worth. In response to this, in 2006 the Government of India issued a "Revival Package", comprising recapitalisation, legal and institutional reforms, and institutional and human capacity building measures. NABARD was tasked with the implementation of these measures. Since then, 54,712 PACS and 13 DCCB were recapitalised, legal and regulatory frameworks were (partly) reformed, a common accounting system was introduced, and the computerisation of the PACS is being expedited. Nonetheless, additional capacity building measures will be required to transform the STCCS institutions into demand-oriented and member-centric service providers as envisaged by the architects of the revival package.

THE STCCS IN FIGURES (03/2012)

PRIMARY AGRICULTURAL CREDIT SOCIETIES

Number of institutions	92,432
-defunct/dormant	4,141
Number of members	114 million
Number of borrowers	45 million
Number of staff	208,697
-number of trained staff	115,098
Paid-up capital	₹ 159.9 billion
Deposits	₹ 502.5 billion
Borrowings	₹ 888.4 billion
Loan amount outstanding	₹ 912.4 billion
Loan amount overdue	₹ 243.0 billion

DISTRICT CENTRAL COOPERATIVE BANKS

Number of institutions	371
Number of members	3.66 million
Number of staff	85,996
Paid-up capital & Reserves	₹ 311.1 billion
Deposits	₹ 1,768.2 billion
Borrowings	₹ 504.8 billion
Investments	₹ 902.1 billion
Loan amount outstanding	₹ 1,447.6 billion
Loan amount overdue	₹ 272.1 billion

STATE COOPERATIVE BANKS

Number of institutions	31
Number of members	254,358
Number of staff	13,288
Paid-up capital & Reserves	₹ 131.8 billion
Deposits	₹ 866.5 billion
Borrowings	₹ 427.1 billion
Investments	₹ 502.5 billion
Loan amount outstanding	₹ 756.3 billion
Loan amount overdue	₹ 18.5 billion

Source: NAFSCOB - www.nafscob.org

Note: NAFSCOB publishes the only STCCS data available at the national level. But, data collected from the state level are received and published too late, are often incomplete and, to a large extent lack reliability. This has been a major constraint for policy making and design of technical assistance measures. At state level, partly more recent PACS data are available, but face similar problems of completeness and reliability because adequate computerised accounting and data management systems have not yet been fully implemented.

Approach and Support Areas

The STCCS component of the RFIP has been aligned to the objectives of the revival package and responds to the capacity building demand of the STCCS stakeholders. The objective of the component is to **enhance the capacity of the STCCS to provide financial services in a sustainable manner**. For this, the component develops guidelines, tools and materials, which are disseminated throughout the system and are

used by stakeholders to improve their institutional systems and practices; it supports the development of sustainable capacity building infrastructure, which is accessible to the STCCS institutions; and it provides direct advice and support to STCCS institutions on a demand basis. The component cooperates with the German National Apex Federation for Cooperatives (DGRV) and the Academy of German Cooperatives (ADG). Besides contributing to the overall sector dialogue, the component works in three areas:

ROLE OF INSTITUTIONAL DEVELOPMENT DEPARTMENT (IDD), NABARD IN RURAL FINANCE

Rural finance is an important tool for rural development and poverty reduction. Building sustainable financial institutions is the key to uninterrupted and steady supply of financial services to the rural clientele. It is towards this end that the Institutional Development Department (IDD) takes up the following:

- Assisting Government of India (GoI) in policy matters relating to Rural Cooperatives
- Implementation of GoI's Revival Package for STCCS and assisting GoI in taking remedial measures to improve the health of weak banks through recapitalisation / restructuring and other reform measures
- Support cooperative banks in streamlining procedures, upgrading technology and human resource development
- Professionalization of the senior and middle level executives of cooperative banks.
- Provide financial assistance to cooperative banks for building improved management information system (MIS), computerisation of operations, development of human resources etc.
- Management of Cooperative Development Fund to support cooperatives for infrastructure development and other activities including assistance to Cooperative Training Institutes (CTIs) for training of cooperative banks & PACS personnel.
- PACS development by various programmes, formation of PACS Development Cells (PDCs) at CCBs/StCBs and extending financial assistance for HR and management development.
- Establishment of Centre for Professional Excellence in Co-operatives (C-PEC) by NABARD in collaboration with GIZ for supporting the CTIs in STCCS to impart quality training.

🔄 Assurance of training quality and professional competences / support infrastructure

The authors of the STCCS revival package pointed to the "insufficient qualification of the personnel and management including elected members of boards of directors as one of the major weaknesses". In response to this, the RFIP has been focusing on institution building or the building of support structures, which develop the capacity to ensure the quality of training and professional competences required for STCCS staff and board members. The core of this approach has been the establishment and organisational development of the Centre for Professional Excellence in Cooperatives (CPEC), which is a unit of the Bankers Institute for Rural Development (BIRD) of NABARD. CPEC's core functions are to standardise training courses, to accredit trainers and training institutes based on quality criteria, and to examine and certify the competences of CCS staff. The organisational development of CPEC involves building ownership of STCCS stakeholders and decentralising part of its functions to the state level. CPEC services are member-based and require membership fees. An important feature of this focal area is that RFIP measures are as far as possible directly implemented by CPEC and its accredited training institutes to support their own capacity development.

🔄 Improvement of audit, corporate governance and management

The STCCS revival package task force also pointed to the lack of reliable PACS data, the

low competence of PACS auditors and the low quality of audit results, which did not reflect the actual financial position of the PACS. In response to this finding and to enhance the financial transparency of PACS the second focus of the component has been to support the development of a common accounting system as well as the improvement of audit systems and practices. The latter includes broadening the scope of audit through improved guidelines for audit authorities at the state level, improving audit practice through training of auditors and tools such as an audit manual. Additionally, the component provides technical assistance and offers training courses in the areas of corporate governance and risk management as well as in other areas if demanded by stakeholders.

Improvement of business planning and development / local support infrastructure

While the STCCS revival package focused on getting basic things right, the STCCS task force was aware that achieving its objective of a member-centric and demand-oriented business development of the PACS would require capacity building measures going beyond the scope of the revival package. Therefore, the third focal area of the component combines measures to support a member-centric and demand-driven business development of the STCCS institutions. One measure is the implementation of the NABARD devised concept of PACS Development Cells (PDC) as units providing business planning and development services from within the DCCB.

The lack of adequate regional/local infrastructure in support of the STCCS institutions has been a major constraint for their development. An important feature of this focal area is that it works on demand with committed state-level stakeholders to develop a support infrastructure, which is owned and independently operated by state-level and local stakeholders in a sustainable manner. Depending on demand and needs, this may involve a combination of measures as identified in participative needs assessments.

Component Key Activities and Results 2013/14

Assurance of training quality and professional competences / support infrastructure

Key activities:

- C-PEC organisational development:
 - increase of staff to 3 persons
 - assignment and orientation of nodal officers in NABARD Regional Offices, through orientation workshop (Hyderabad, 26-27/11/2013)
 - representation through accredited training institutes in 19 states
 - promotion of CPEC membership
- C-PEC product development:
 - Training Kits for Standardised Training Programmes: 1) NPA and Recovery management, 2) Internal Controls, Checks and Practices, 3) ALM and Risk Management, 4) Credit Appraisal and Credit Management.
- C-PEC operational development:
 - 5 batches of the Certified Trainers for Financial Cooperatives Course
 - Training of trainers for Standardised Programme for Auditors of PACS in Orissa, Gujarat and Tamil Nadu
 - Adoption of a state focussed approach to launch CPEC services
- Annual Conferences of Cooperative Training Institutes (New Delhi) to evaluate their performance and development needs.

Key results:

- C-PEC membership: 4,552 institutional members, as follows:
 - 39 cooperative training institutes (14 ACSTIs, 5 RICMs, 14 ICMs, VAMNICOM, NIRB Bangalore, SAHARDA Bidar, MDMI Shillong, 2 JLTCS)

- 14 StCBs and 94 DCCBs
- 4,174 PACS (2,748/Andhra Pradesh, 930/Orissa, 300/Gujarat, 192/Chhattisgarh, 2/West Bengal, 1/Kerala, 1/Karnataka)
- 231 individuals (employees of institutional members), 3 open memberships
- C-PEC Corpus Fund through membership fees increased to Rs 139.91 lakh.
- 35 accredited Cooperative Training Institutes; 121 accredited trainers, which were certified as Certified Trainers for Financial Cooperatives.
- 10 C-PEC training/certification products:
 - Certified Trainers for Financial Cooperatives
 - Certified PACS Secretary
 - Certified Professional in Cooperative Banking (CPCB I and II)
 - Standardised Banking Programme for Cooperatives
 - Standardised Training Programmes for staff of Cooperative Banks on
 - » Corporate Governance for Cooperatives
 - » NPA and Recovery Management
 - » Internal Controls, Checks and Practices
 - » ALM and Risk Management
 - » Credit Appraisal and Credit Management
 - Standardised Programme for Auditors of PACS
- C-PEC Operational Manual for training by Cooperative Training Institutes.
- The Governments of Orissa and Madhya Pradesh have made the Certified PACS Secretary (CPS) Course mandatory for the PACS Secretaries in the respective states.

Improvement of audit, corporate governance and management

Key activities:

- Dissemination of the PACS audit manual and PACS rating tool through training programmes for PACS auditors (master trainers)

- Dissemination of the audit manual for cooperative banks
- Organised standardised training programmes for PACS auditors in Orissa, Gujarat and Tamil Nadu.
- Designed a common accounting system for cooperative banks in Orissa
- Designed an internal control framework for the cooperative banks in Orissa
- National Seminar on Audit was organised for the cooperative banks

Key results:

- Adoption of PACS audit manual by States
- Audit Directorate in Orissa has adopted modern practices in audit by also mandating accounting standards to the PACS
- Common Accounting Framework for Cooperative Banks in Orissa has supported in the smooth implementation of the Core banking Solutions for Cooperative Banks in Orissa

Improvement of business planning and development / local support infrastructure

Key activities:

- Development of tools for business development of PACS such as Business Planning Tool (BPT) and Product Costing Tool (PCT) for use by resource persons of PACS Development Cells (PDCs)
- Orientation to the use of tools for PACS management
- Wider dissemination of the tools across PDCs

through NABARD and BIRD

- Technical assistance to Orissa State Cooperative Bank (OSCB) for preparing a vision and mission statement
- Workshop modules on bringing about change at PACS through multi stakeholder participation primarily for the business transformation of PACS

Key results:

- Tool box for the use of PACS management and PACS business development
- 9 PDCs in Orissa supported by NABARD, Orissa State Cooperative Bank and the State Government
- NABARD has supported 116 PDCs across the country
- Exemplary Business Development Plans of 30 PACS in Balasore in Orissa
- Over 100 PACS in Andhra Pradesh have transformed into Multi Service Centres

Sector Dialogue and Knowledge Management

- In order to contribute to the sector dialogue and knowledge management the component has supported in the preparation of a State of Sector publication "State of Rural Finance Sector in India - Challenges and Opportunities". This has been done through a multi stakeholder consultative process and some primary research on the field. The results of this are expected to be useful for both policy makers and practitioners.

SUMMARY OF KEY RESULTS AND TASKS AHEAD

Establishment of C-PEC for ensuring training quality and professional competences.

Establishment of PACS Development Cells with support of NABARD and local stakeholders in Orissa.

Tool Box for the use of PACS management and PACS business development

Tools for the use of auditors of PACS and Cooperative Banks.

Professional certification and renewal of accreditation of training institutes.

State focussed/centric approach for C-PEC development

Handholding support to the PACS support structures such as PACS Development Cells

Advisory services for business development of PACS in Orissa

Evaluation of initiatives on CPEC, audit systems and PACS Development Cells

Landscape study of Cooperatives in India post Reforms and Revival

03 RFIP COMPONENT 2

IMPROVING MICROFINANCE SERVICES THROUGH SELF HELP GROUPS

Component Background and Approach

Background

The NABARD - led Self Help Group - Bank Linkage Programme is the largest micro-finance programme worldwide. It now reaches some 100 million SHG members and their families. About 80% of the SHG members are women. As shown in impact studies, financial services and capacity building measures of the SHG-Bank Linkage Programme have significantly contributed to increasing incomes and expenditures of low-income households as well as to empowering women through awareness building and financial self-determination.

However, the 20-years old programme has also been facing challenges such as a limited outreach to backward areas in the country, the lacking business interests of many banks in the programme, the changing needs and demand of SHG members for a variety of financial services, the lack of loan products supporting income-generating activities and livelihood development of SHG members, the declining quality of group building processes, and the inadequate maintenance of group accounts and records. In response to this situation, in 2012 NABARD launched new concepts (SHG2: Revisiting the SHG Bank Linkage Programme and Promotion and Support of Women Self Help Groups in Backward Districts of India), which reflect these challenges and the changing needs of SHG members. Related to these new concepts the following needs have been emerging:

Moving forward the frontier of microfinance to backward areas by a) identifying these areas as well as the livelihood op-

portunities and financial services needs of the SHG members, and b) increasing the financial awareness of existing and potential SHG members through established support structures (e.g. nodal NGOs, Self-Help Promoting Institutions (SHPis), SHG federations, banks and others).

Expanding the access to financial services for SHG members beyond the legacy focus on mandatory savings as partial loan collateral and term loans, which supported the smoothening of household cash-flows rather than the financing of income-generating activities. This may include new products such as voluntary savings products, risk mitigation products (insurances), and loan products that are better tailored to the changing demand and needs of the SHG members (e.g. cash credit and overdraft credit facilities) and provided through Joint Liability Groups for income-generating purposes.

Focusing on the livelihood opportunities and development of SHG members and their households, which depend on diverse income sources and activities to manage their daily lives. This includes giving more attention to financial services that enable the scaling-up of livelihood sources or starting-up of new income-generating activities as well as to non-financial services required for the development of technical skills and market linkages within in the value chain.

Bringing SHGs into the financial inclusion perspective and supporting banks to include SHG banking into their corporate business models and plans. This includes

THE SBLP IN FIGURES

(03/2013)

NUMBER OF REPORTING BANKS

400

NUMBER OF SHGS WITH SAVINGS ACCOUNT

7.32 million

OF WHICH WOMEN GROUPS

5.94 million

TOTAL AMOUNT OF SAVINGS IN BANK ACCOUNTS

₹ 82.2 billion

NUMBER OF SHGS WITH LOANS OUTSTANDING

4.45 million

OF WHICH WOMEN GROUPS

3.76 million

TOTAL LOAN AMOUNT OUTSTANDING TO BANKS

₹ 393.7 billion

% OF NON-PERFORMING LOANS

7.08

AVERAGE LOAN AMOUNT OUTSTANDING / SHG

₹ 88,455

Source: NABARD, Status of Microfinance in India, 2012-13

PRIORITIES OF THE MICRO CREDIT INNOVATIONS DEPARTMENT (MCID), NABARD

The SHG-Bank Linkage Programme (SHG-BLP) was designed with the primary objective of enabling the poor to come out of the vicious cycle of poverty and empowering women. In order to complete the process in a time-bound manner, all eligible poor rural households in the country are targeted to be covered by March 2017, which would entail promotion of about 20 lakh new SHGs and credit-linking them with the banks by the end of March 2017. Special focus would be given to resource-poor, backward states like Madhya Pradesh, Uttar Pradesh, Bihar, Jharkhand, Chhattisgarh, Rajasthan, Orissa & West Bengal to ensure that the outreach of the SHG-BLP is total. A multiplicity of approaches would be used to form & nurture groups, with the help of NGOs, CSOs and State Govt. Departments. Formation of new groups will be supplemented with the revival of dormant SHGs through effective capacity building and handholding support. The other key priorities of MCID are as follows:

- Supporting livelihood opportunities for the sustainability of SHGs.
- Supporting better bookkeeping with technology intervention.
- Promotion & linkage of women SHGs in 150 Left Wing Extremism affected and backward districts of the country.
- Support functional convergence between SHG-BLP and Financial Inclusion.

giving more attention to the SHG-Bank Linkage as a business proposition and improving processes for opening SHG bank accounts, issuing loans, updating passbooks, and approving consecutive loan cycles.

Approach and Support Areas

The RFIP component “Microfinance Services through Self-Help Groups” contributes to the implementation of these new concepts. The objective of the component is to **increase the access of SHG members to demand-oriented financial services**. Being aware that the effectiveness of financial services for low-income clients is contingent on the quality of the services offered to them

as well as their capability to use them in accordance with their own needs, the component supports the capacity development of all stakeholders required for improving both the supply-side and demand-side of the SHG-Bank Linkage. The component is implemented in cooperation with NABARD (micro Credit Innovation Department), partner banks and support agencies.

Besides contributing to the overall sector dialogue, the component works in five areas:

Stakeholder capacity development

Successful SHG banking requires that banks have a promising longer-term business proposition, and integrate SHG services into their business models and plans. It requires the competence to offer products that meet the needs of SHG members and services that create trust and informed clients. It also requires competent stakeholders which support the development of SHGs and their members through non-financial services.

Since the new orientation of the SHG-Bank Linkage Programme also needs new competences (knowledge, skills and attitudes), the component supports the design and implementation of a new training strategy based on a training needs assessment for all stakeholders. Furthermore, the component develops tools for banks and service providers, which help to improve financial services to SHG and to develop sustainable relationships based on mutual interests. On demand, the component may also offer technical assistance to selected banks which are committed to contribute to the financial education of SHG members and make SHG banking a sustainable business proposition.

Development of financial products and services

Products and services that meet the diversified needs of low-income clients and their households are a pre-requisite for enabling them to manage their risks and cash flows, plan and improve their livelihoods, and invest in purposes



which generate additional income. The component tries to facilitate the introduction of demand-oriented financial products through needs assessments and customer satisfaction surveys, the review of existing savings, loan, insurance and pension products, and by supporting the design or application of new products and services in cooperation with the stakeholders

Expansion to backward areas - financial awareness and education campaign

Moving the frontier of microfinance forward to backward areas usually also implies more difficult geographical, economic and social conditions for reaching out to low-income clients. One aspect of this is the underdeveloped financial awareness and education in areas where low-income people have not been used to organise themselves in SHGs and the SHG-Bank Linkage

Programme has not been flourishing. In supporting the expansion to backward areas the component specifically focuses on developing a comprehensive strategy and toolkit for increasing the financial awareness and education of potential and existing SHG members. After the successful pilot-testing it is intended to roll out this strategy and toolbox throughout the country. This would be complemented by training of nodal agencies partnering with NABARD in priority districts. Additionally, the development of a Master Trainer Cadre across states is being considered.

Livelihood promotion and capacity development of SHG members

While financial awareness is a basic requirement for the financial inclusion of hitherto excluded population groups with little formal financial sector experience, all SHG members need certain

financial and non-financial capabilities to make informed decisions and use financial services for improving their money management and livelihoods. Therefore, a focal area of the component is the capacity development of SHG members, in general, and the development of livelihood opportunities and financial capabilities, in particular. This is being done through the strengthening of local SHG support institutions (federations, producer companies, NGOs, etc.), building capacities of local NABARD officials, livelihood mapping and research activities as well as the production and dissemination of training materials and practice-oriented tools.

Convergence between SHG and Financial Inclusion: SHG members as BC agents

In cooperation with component 3 (see chapter 4) the component seeks to improve the Business Correspondent (BC) model by empowering SHG members to become mobile and branch-less bank agents. For this purpose, a SHG federation in Indore has identified 6 *Bank Sakhis* among their SHG members to become a bank's community service point. The main objective of this project is to increase the outreach of banking services in the district and to empower the women who are working as *Bank Sakhis*. The RFIP provides management, training and capacity development support.

Component Key Activities and Results 2013/14

Stakeholder capacity development

- The new strategy including training modules on SHG BLP for Bankers, SHPIs and NGOs, government officials and SHG members and their federations has been published in May 2013.

Development of financial products and services

- A survey on the use of pension schemes by rural low-income households has been conducted across customers of existing schemes (*National Pension System (Lite)* by Government of India, *Abhaya Hastam* scheme by Society for Elimination of Rural Poverty (SERP) Govt. of Andhra Pradesh, *Micro Pension Model* by Invest India Micro Pension Services Pvt. Ltd.). The survey provides insights for the creation and promotion of pension and old-age saving schemes. The report will be available in June 2014.

Expansion to backward areas - financial awareness and education campaign

- A comprehensive strategy and toolkit for increasing the financial awareness and education of SHG members is now available in Hindi and English language. The toolkit was launched by Dr HK Bhanwala, Chairman of NABARD, on 13th March in Mumbai and is now being distributed to key partners of NABARD. It contains:
 - Implementation strategy and concept note
 - Awareness tools (for adults: campaigns, role plays, street theatre, and for children: games, activities, songs)
 - Education module, including facilitator guide, participant guide, flip chart
 - A brochure, 13 booklets and 6 posters
 - A games compendium, including financial education games
- Training of Trainers (ToT) for partners of the ENABLE Network has been carried out in November 2013. Further TOTs for partner organizations have been conducted in Jharkhand, Bihar, Chhattisgarh, Karnataka, Madhya Pradesh and Rajasthan.
- The study report on 'Financial Capabilities of Rural Low-Income Households' was launched by Dr HK Bhanwala, Chairman of NABARD, on 13th March 2014, at Mumbai. Based on the study findings, a comprehensive toolbox for stakeholders has been developed to make



financial inclusion strategies more effective for the clients. In May 2014 a national road show will bring this toolbox closer to concerned stakeholders across the country.

See: <http://finance4impact.in/>.

Livelihood promotion and capacity development of SHG members

- Livelihood mapping reports for SHGs in Bastar, Mandla, Shrivastri and Gulbarga District have been finalized for being published in June 2014.
- To integrate livelihood mapping into the annual Potential Linked Credit Plan (PLP) the livelihood mapping methodology and guidelines have been disseminated to the Regional Offices and District Development Managers of NABARD.

Convergence between SHG and Financial Inclu-

sion: SHG members as BC agents

- A pilot project with the Narmada Jhabua Gramin Bank (NJGB), the Network for Information and Computer Technology (NICT), and the SHG federation Priya Sakhi Mahila Sangh (PMS) was launched in March 2014.
- 6 *Bank Sakhis* have been identified and are being trained in computer literacy, personal financial management, financial inclusion, and kiosk operations. From May 2014 onwards, the *Sakhis* will start providing financial services on behalf of the bank.

Sector Dialogue and Knowledge Management

- Together with Access Assist, the RFIP has conducted a study titled "Self Help Group Bank Linkage: Through the Responsible Finance Lens". The behaviour and decision making with-

SUMMARY OF KEY RESULTS AND TASKS AHEAD

New training and capacity development strategy for all stakeholders of the SHG-Bank Linkage Programme.

SHG Financial Awareness and Education Toolkit.

Financial Capability Toolbox

Microfinance and Violence Against Women – Report

Roll out of Financial Awareness and Education Toolkit for SHG members.

Up-scaling and replication of SHG members functioning as BC agents project.

Supporting the outreach of SHGs in backward areas (North East).

Evaluation of effectiveness and impact of RFIP interventions.

in SHGs were studied across 600 SHGs in Madhya Pradesh, Bihar and Karnataka. The study focuses on the quality of groups, transparency within SHGs, financial performance as well as social performance of the SHGs. The report was released during the India Microfinance Summit 2013 and was discussed in a panel discussion of the event.

- The RFIP contributed experiences and lessons learnt at a stakeholder meeting about the SHG Bank Linkage Programme in Jammu and Kashmir organized by the NABARD Regional Office.
- A recent RFIP study on the usage of financial services revealed that domestic violence and abuse influences the impact of financial services negatively. In other words, families who face problems like different forms of violence might not be able to benefit from access to financial services very effectively. To increase knowledge about violence against women in the context of microfinance, the RFIP cooperated with SAMPARK and the UN Solution Exchange for Gender Community to conduct a first survey. Findings were discussed on a stakeholder workshop, including Ms. Rashmi Singh from the National Mission for Empowerment of Women and Ms. Shamina Shafique from the National Commission of Women.

04 RFIP COMPONENT 3

FINANCIAL INCLUSION THROUGH BANKS / BUSINESS CORRESPONDENTS

Component Background and Approach

Background

In 2004 the Reserve Bank of India (RBI) set up the Khan Commission to look into the inclusiveness of the banking services. From the Khan Commission to the Mor Committee on comprehensive financial services for low income households in 2014 the financial inclusion story in India has evolved through multiple stages. It is envisaged that all citizens will have a universal bank account by 2016.

Today, all banks are required to provide their annual board-approved Financial Inclusion Plan to RBI. This ensures their accountability and leverages the ecosystem of a well-established banking network across the country. The RBI has ensured that there is comprehensive basket of demand-driven products: Basic Savings Bank Deposit Account (BSBDA; no-frills account) with overdraft (OD) facility along with Kisan Credit Card (KCC)/ General Credit Card (GCC) to stimulate savings behaviour and meet credit need. Know Your Customer (KYC) norms have been relaxed, opening of branches in rural areas were made compulsory and banks enabled to leverage new technologies such as Unique Identification (UID).

New financial inclusion initiatives have been initiated by RBI's technical committee on m-banking and the Committee on Comprehensive Financial Services for low income households headed by Dr Nachiket Mor, which envisages a universal electronic bank account for all individuals by 2016 as well as universal access to a range of insurance, deposit, payment and risk management products

at reasonable rates. NABARD succeeded to bring the majority of the cooperative banks on the computerised Core Banking System. Government-to-person (G2P) payment is now being made available on the Aadhaar-based platform for ensuring authentic and safe transaction. The RuPay-based Kisan Credit Card is being increasingly seen as the way forward for a cashless economy in rural areas with enabling support from NABARD.

Component 3 of RFIP has been working with NABARD (Financial Inclusion Department and Special Projects Unit -KCC) to build capacities of the RRBs/DCCBs to seamlessly adopt the technology-based payment platforms through sensitization workshops, trainings, awareness materials and exposure visits. GIZ has been working with NABARD to test, replicate and build sustainable community-driven innovative BC models, with the twin objective of creating an ecosystem for providing demand driven financial services and increasing client awareness.

229 million BSBDA accounts have been opened by banks, with a network of 268,000 village based banking outlets (source: RBI, as on Dec'13). In 2006, RBI allowed banks to appoint Business Correspondents (BCs) and Business Facilitators (BFs) to provide doorstep banking services. This paved the way for the banks to leverage existing local resources for offering a range of banking services. Now, there exists a network of over 221,000 BC outlets in the country as on 31st Mar 2013 (source: RBI).

THE BC MODEL FIGURES

(03/2013)

NUMBER OF
BANKING OUTLETS
IN VILLAGES
THROUGH BC MODE

221,341

BASIC SAVINGS
BANK DEPOSIT
ACCOUNTS

**229
million**
(DEC 2013)

TOTAL AMOUNT
IN BASIC SAVINGS
BANK DEPOSIT
ACCOUNTS

**₹ 182
BILLION**

NUMBER OF
TRANSACTIONS IN
ICT-BC ACCOUNTS

**250
MILLION**
(FY 2012/13)

Source: Reserve
Bank of India

Nonetheless, key challenges remain with respect to the quality of financial inclusion, the viability of services offered, and the financial capability of the users of banking services. Policy makers and stakeholders are increasingly aware of the relevance of financial awareness and education for a sustainable financial inclusion of the poor. The poor's need for capacity development and the need for bringing ground level networks into financial inclusion initiatives have been increasingly acknowledged.

Approach and Support Areas

The RFIP component 'Financial Inclusion through Banks and their Business Correspondents' has been aligned to the financial inclusion policies of the Government of India and contributes to reducing constraints of the existing BC models. The objective of the component is that **banks offer demand-oriented financial services through Business Correspondents**. The component is implemented in consultation with NABARD (Financial Inclusion Department and the Special Projects Unit - KCC), partner banks and support agencies.

Besides contributing to the overall sector dialogue, the component works in four areas:

Leveraging SHG networks to improve the BC model

Existing ground-level networks such as self-help groups have not been mainstreamed as part of the financial inclusion drive. The component, therefore, focuses on initiating and pilot-testing new or improved approaches that leverage on existing ground-level networks through conducting studies, designing, implementing and monitoring pilot projects, especially Regional Rural Banks (RRB) and Cooperative Banks (CB). A SHG-BC pilot project in Uttar Pradesh, in which a RRB employs SHG members as banking agents, is expected to become a showcase for other banks that want to engage SHG networks by leveraging technology to offer cost-effective doorstep banking services in unbanked rural areas. The

ROLE OF THE FINANCIAL INCLUSION DEPARTMENT (FID), NABARD

FID administers two funds supporting the implementation of financial inclusion initiatives of banks, the Financial Inclusion Fund (FIF) and the Financial Inclusion Technology Fund (FITF). The funds are earmarked for meeting the costs of development as well as promotional and technology costs of banks. They are used for strengthening the demand and the supply side of financial inclusion.

To address the demand side, some of the initiatives eligible for supports are financial literacy programmes, Financial Literacy and Credit Counselling Centres (FLCCs) / Financial Literacy Centres (FLCs) by banks, capacity building of bank staff, BCs and BFs etc.

To address the supply side, NABARD has been supporting Cooperative Banks and RRBs for reaching out to the rural hinterland. NABARD is determined to bring the extent of financial exclusion to zero. For this, FID has already made available grants amounting to about Rs. 317 Crore to various agencies (31st March 2014).

replication of this approach has been promoted in cooperation with the RFIP microfinance component (see chapter 3).

Developing capacity for improved payment services of CBs and RRBs

Today, the cooperative banks are on CBS (Core Banking Solution) and the PACS have been allowed to function as business agents of the CBs. The banks are now able to offer convenient, real time and multiple channel payment services. However, especially the CBs need support starting from the understanding of technologies to on-boarding and subsequent roll-out, and to delivery of demand-oriented quality services. The on-boarding of these institutions on technology-based payment systems creates an ecosystem wherein low income clients are able

to access doorstep banking services at par with other banks offering full services to mainstream customers at an affordable cost.

Supporting financial inclusion and education initiatives of financial institutions

Achieving sustainable financial inclusion requires strengthening the capability of financial institutions to service low-income segments. This requires understanding of customer needs, improving the financial capability of customers and technological innovations. The RFIP supports initiatives of financial institutions in these fields through studies, consultation and pilot-projects.

Supporting institution building for increasing financial awareness, literacy and capabilities

Effective and sustainable financial inclusion requires the development of the financial capabilities of the existing and potential poor clients. The RFIP assists institutions in institutionalising financial education, especially in the form of Financial Literacy Centres, and in developing their capacities through the development of appropriate approaches, toolkits and training materials.

Component Key Activities and Results 2013/14

Leveraging SHG networks to improve the BC model

- A pilot project in Uttar Pradesh in collaboration with GBA (Gramin Bank of Aryavart) and RGMVP (Rajiv Gandhi Mahila Vikas Pariyojana) leverages the existing SHG networks of RGMVP by capacitating SHG members to act as bank agents (*Bank Sakhis*). The initiative has been able to deliver a BSBD account to more than 8000 customers in 50 villages in the Unnao district. 24 SHG members, who have been trained in enrolment, KYC, PoS machine

management, customer service, and financial awareness generation, have now a sustained revenue from their work as *Bank Sakhis*.

The project is unique insofar it is completely owned and managed by the community. The bank has improved its BC approach and its outreach through doorstep banking services. The *Bank Sakhis* now command greater social respect in their village community. The clients now feel free to approach bank agents and have improved their understanding of banking services. The majority of them are women and come from low-income strata.

- Encouraged by the progress of the SHG-BC pilot project in Uttar Pradesh, the Narmada Jhabua Gramin Bank (NJGB), the Network for Information and Computer Technology (NICT), and the SHG federation Priya Sakhi Mahila Sangh (PMS) have started to replicate the approach with RFIP assistance in the Indore district of Madhya Pradesh (see component 2).
- The specific experience of MFIs (not for profit) functioning as a BC may provide valuable lessons. Therefore, a study on MFIs presently working as BCs has been conducted to assess whether there is a case for leveraging the networks and infrastructure of the MFIs for expanding the BC model. An online survey was done by GIZ and MFIN to understand the landscape and past experiences of MFIs as BCs. 70 NBFC-MFIs and NGO-MFIs participated in the online survey. The MFIs cited operational challenges, reputation loss with credit clients, and legal implication due to regulatory perceptions as the top three risks of becoming a BC. Similarly, MFIs asked for capacity building support in the area of financing and technology selection. (Link: <http://mfinindia.org/resource-centre/research-reports-white-papers/>).

Developing capacity for improved payment services of Cooperative Banks

- **On boarding support to SCBs and CCBs for RuPay KCC:** To enable the cooperative banking

sector to become part of the financial inclusion drive and electronic benefit transfers the RFIP has been supporting their on-boarding onto the payment system in the following domains:

- i. **Technical support for bank's on-boarding processes:** Solutions for alternate accounting process flow in CBS with KCC portfolio in the books of PACS. A series of consultative workshops were held between June and November, 2013, in cooperation with NPCI to promote the RuPay KCC solutions and address technical issues.
 - ii. **Building bank capacities through focused trainings:** 6 training programmes were designed and delivered in cooperation with BIRD between July and September, 2013, covering over 180 bank staff across India.
 - iii. **An implementation reference guide** was developed to provide step-by-step guidance for adopting and onboarding RuPay based KCC.
- **M-banking study:** The study was carried out to assess the feasibility of different m-banking models and their suitability for rural financial institutions. The study incorporated a comprehensive analysis of different aspects which an RRB/Cooperative bank needs to know - technology ease, scope of range of services, costing, geographical replicability, vendor selection and process reengineering. Presentations were also made by different m-banking service providers at NABARD HO (Oxygen, Idea, Vodafone).

Supporting financial inclusion and education initiatives of financial institutions

- **IFMR KGFS master trainer programme on financial literacy and awareness generation:** IFMR Rural Channels and Services has partnered with the RFIP to understand how financial literacy can be integrated into the BC model and the business model of the MFI. The approach taken is the creation of a cadre of 'Master Trainers' who are responsible for orienting the community towards the benefits

of formal financial services and to develop their capabilities to make informed decisions to improve their financial well-being. The Master Trainers carry out theme-based community-connect programmes, programmes with schools/college students, and training of community-based resource persons who are early adopters (called as 'wealth masters'). 14 Master trainers have been trained and deployed across all 5 KGFSs (in Tamil Nadu, Orissa and Uttarakhand) who have conducted over 1,570 community connect sessions (in groups of 10-15) with the villagers, over 770 school programmes with children and 4,600 one-to-one interactions with the wealth masters. Evaluation process to assess the efficacy of such sessions in bringing any behavioural change amongst the villagers and impact on the business of KGFS through this initiative, if any, is presently on going.

- **Mann Deshi Foundation study:** The action study on 'Financial diary and cash flow of street vendors participating in weekly markets' adopted the following approach:
 - Devise strategies to widen the financial inclusion net to include the excluded and underserved sections of the population
 - Understand the cash flows of the rural household through the maintenance and the analysis of financial diaries, with a focus on weekly market places.
 - Develop and pilot test products that are adapted to the identified cash flows

Based on the findings of study, the bank has developed credit-based products and is currently piloting the same with over 180 clients. Based on the pilot experience, subsequent FI business strategy of the bank is expected to be developed with support from GIZ.

Supporting institution building for increasing financial awareness, literacy and capabilities

- **FLC FAQ for Banks and FIs:** IIBF was mandated to develop supporting materials for Finan-

SUMMARY OF KEY RESULTS AND TASKS AHEAD

SHG as BC project active in 24 Gram Panchayats in Uttar Pradesh with over 8,000 enrolments

7 DCCBs are now offering RuPay KCC to clients

Approx. 9,000 people received financial awareness training at Swadhaar FILC in slums of Mumbai

About 35,000 villagers across 3 states (Tamil Nadu, Orissa and Uttarakhand) participated in financial awareness programmes conducted by Master Trainers of KGFS

M-Banking Study covering 9 service providers—'Models for RRBs and Cooperative Banks in India', completed

'Bank Hamare Gaon'—A comprehensive video on SHG network as BC, based on the learnings from the pilot in UP has been released

Phase 2 of SHG as BC project in Uttar Pradesh to reach 15,000 clients across 150 villages

Pilot project on M banking with a CCB/RRB

Developing payment system solutions for a cooperative bank in Maharashtra

Financial literacy project in Urban MFI on M-banking

cial Literacy Centre (FLC) managers, starting with FAQs/FOPs. The objective of developing a comprehensive material for FLCs was to help FLC counsellors and clients with a ready reckoner and user friendly compendium of basics of products and services available for the clients and to increase their financial awareness. It is expected that the FAQ booklet will help and guide clients in taking an informed decision to avail banking products and services. The handbook was launched by IBA (Indian Banks Association) CEO Shri M.V. Tanksale in Mumbai on 29th April 2014 at IIBF. GIZ, with IIBF, will now replicate the FAQ into vernacular languages for facilitating access by masses and clients across all geographies. GIZ & IIBF also plan to soon launch web-based interactive modules for resolution of FLC counsellors' queries.

● **Swadhaar urban FLC support:** The Financial Information and Literacy Centre (FILC) pilot project of the Swadhaar in Mumbai with support from GIZ is being documented and is expected to feed into the development of suitable materials that can be used by interested parties to replicate the approach. The FILC has trained over 6,000 women in slum areas in Mumbai on basic financial awareness generation and concepts of day to day household financial management.

- A comprehensive video showcases the approach and has been disseminated. Furthermore, a toolkit for awareness generation on financial literacy is being developed.
- As part of the pilot project Swadhaar carried out financial education sessions for over 9,000 people including sessions conducted at FILCs and in the community, separately for men and women. Similarly, 463 information and counselling interactions were conducted for walk-ins at the FILCs.

Sector Dialogue and Knowledge Management

- GIZ in collaboration with MFIN (Association of Microfinance Institutions) conducted an online survey to understand the challenges of MFI (for-profit and not-for-profit) working as BCs.
- A two day national level workshop was conducted to understand the feasibility of SHPIs (SHG promoting institutions) as BC.
- In collaboration with IIBF (Indian Institute of Banking and Finance) GIZ conducted a day workshop to understand the way forward for FLCs (Financial literacy centres) and how to make them effective and client centric.
- GIZ facilitated a 5 days exposure visit to Philippines for a team from NABARD in Nov '13 to understand the M banking scenario and models in Philippines with potential for replication in India with CCBs and RRBs.

RFIP PRODUCTS, PUBLICATIONS AND EVENTS

PRODUCTS & PUBLICATIONS

Brochure of Centre for Professional Excellence in Cooperatives (C-PEC)

The RFIP has been focusing on the building of support structures which develop the capacity to ensure the quality of training and professional competences required for STCCS staff and board members. The core of this approach has been the establishment and organisational development of the Centre for Professional Excellence in Cooperatives (C-PEC), which is a unit of the Bankers Institute for Rural Development (BIRD) of NABARD. C-PEC's core functions are to standardise training courses, to accredit trainers and training institutes based on quality criteria, and to examine and certify the competences of CCS staff.

C-PEC currently has 10 training/ certification products, has accredited 35 Cooperative Training



Institutes, certified 121 trainers for financial cooperatives, and has over 4,500 institutional (banks and primary cooperatives) and individual members.

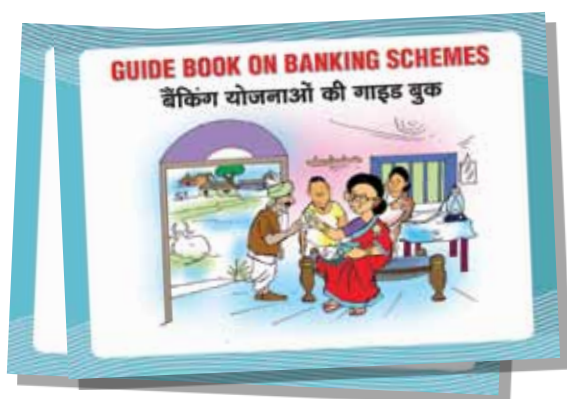
The design and development of this

brochure would help C-PEC to showcase its capabilities at various tiers of the CCS, thereby encouraging more and more individuals and institutions to come forward for membership, certification, accreditation and training. Ultimately, this would lead to improved competences and skills of the CCS workforce.

Guidebook on Banking Schemes

Gramin Bank of Aryavart (GBA) with support from the GIZ-NABARD Rural Financial Institutions Programme has embarked upon a pilot project that intends to capacitate selected SHG members to act as the bank's extended arm. In this project, *Bank Sakhis* of the Self- Help Groups (promoted by Rajiv Gandhi Mahila Vikas Pariyojana) are being trained to take on the role of the Bank's CSPs.

This flipbook is a tool to be used by the *Bank Sakhis* while addressing the people of her village in ex-



plaining the benefits of being financially included. Such an intervention is expected to go a long way in bringing about total financial inclusion as per the guidelines of the Reserve Bank of India.



Reference Guide for Bank Sakhis

Pertaining to the same project described above, The Reference Guide has been prepared so that *Bank Sakhis* can refer to this document regarding the enrolment kit and process, transaction kit and process, roles and responsibilities of *Bank Sakhis*, Dos and Don'ts etc. This reference guide comprises of three modules, namely

- 1) CSP enrolment process,
- 2) Financial transactions, Smart Cards and PoS Machines, and
- 3) Additional financial services as Business Facilitator (BF)

Financial Capability Toolkit – A People-Centred Approach to Rethink Financial Inclusion



Financial Inclusion strategies are broadly based on the assumption that people who are financially included are able to improve their living situation, move out of poverty and with that, contribute to the growth of the economy they live in. The underlying concept of this development implies that once access to financial services and literacy is established, people would automatically use these services to their own benefit. Yet, reality shows that financial decision making is far more complex and that availing financial products per se does not automatically lead to the betterment of a person's living situation.

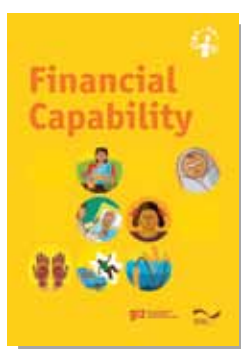
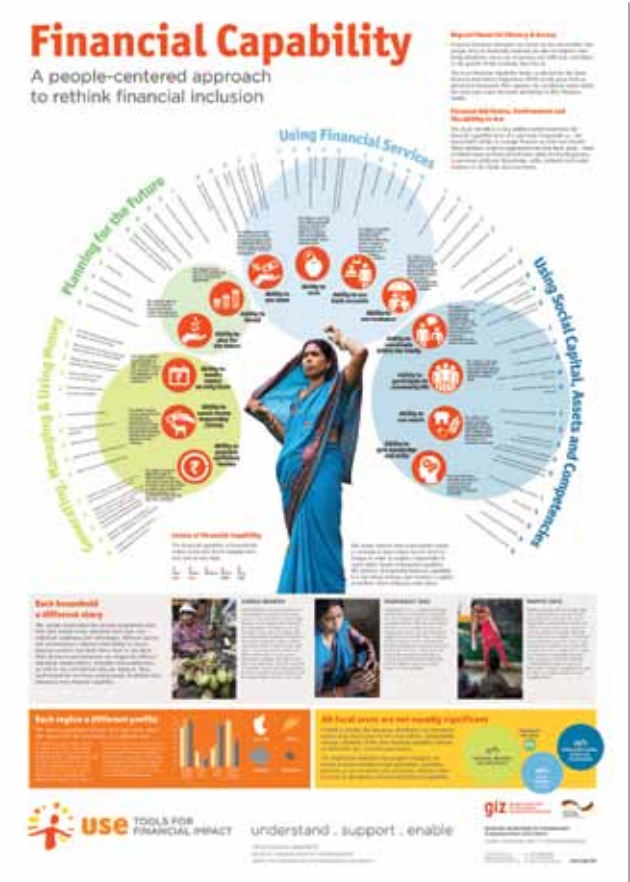
The Local Financial Capability Study, conducted by the GIZ-NABARD Rural Financial Institutions Programme (RFIP), therefore puts forth an alternative framework that captures the conditions under which the rural poor make decisions pertaining to their financial health. As outlined in former newsletter issues, the study probes which knowledge, skills, attitudes and experiences help make informed choices regarding the use and management of money.

In order to make this concept more tangible for stakeholders and guide them in incorporating it within more traditional Financial Inclusion programmes, RFIP has developed a toolkit christened “USE: Tools for Financial Impact”. USE is conceptualized as targeting a variety of financial service providers and intermediaries as well as the actual rural household and attempts to enhance this new understanding of financial capability through the use of the following three sets of component tools:

- Tools to ENABLE institutions to enhance the abilities of the community members (Life Game including Facilitator’s Guidebook, Participants Book, Flipchart, and Community Poster)
- Tools for UNDERSTANDING the concept (movie, poster, brochure, study report, booklet for financial service providers)
- Tools for SUPPORTING the local verification and adoption of the concept to the targeted communities (Research Reckoner)

With the financial sector being aware of the Financial Capability concept, the RFIP is now aiming at a pilot implementation, planning to initiate projects with banks, financial service providers and last mile facilitators such as NGOs and SHG Federations in order to integrate the Financial Capability approach into their business model.

Interested parties are welcome to contact RFIP or visit the Financial Capability website www.finance4impact.in for further information



SHG Financial Education Programme

Hamari Asha



Facilitator Guide



NATIONAL BANK FOR AGRICULTURE
AND RURAL DEVELOPMENT
Building Rural India - >>> Forward



स्वास्थ्य
सहायता समूह
साथ चलें तो बात बने

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‘Hamari Asha’ - Financial Awareness and Educational Toolkit for SHGs

Key findings of the research on Financial Capability (detailed earlier) were incorporated in an awareness and educational toolkit for Self Help Groups that got officially launched along with the study report on Financial Capability on March 13th, 2014 in Mumbai, at the hands of NABARD Chairman Dr. Harsh Kumar Bhanwala and RBI ED Dr. Deepali Pant Joshi. The toolkit titled ‘Hamari Asha’ - a joint effort of the GIZ RFIP team and NABARD’s mCID - combines more traditional topics of Financial Literacy with topics like domestic violence and the importance of girl child education, two points of interest that became prominently visible throughout the Fi-

nancial Capability research. Intended to assist community resource persons in forming and nurturing SHGs, the toolkit contains training materials for both the facilitator and the audience, a wider range of awareness tools such as games, posters, charts and brochures that may be used very flexibly by all stakeholders of the SHG-Bank Linkage Programme according to their respective needs.

Whether government organizations, NGOs, SHPIs, banks, MFIs, SHG Federations or CBOs – the toolkit offers substantial support for training SHG members and office bearers of the groups in understanding and applying the concepts, processes and procedures of Self Help Groups.

Swadhaar's
Financial Inclusion and
Literacy Centre

A project
supported by
giz Deutsche Gesellschaft
für Internationale
Zusammenarbeit (GIZ) GmbH

giz GIZ GmbH
Gesellschaft für Internationale
Zusammenarbeit

Link: <http://www.swadhaar.org/index.html>

IFMR Rural Channels and Services has partnered with the RFIP to understand how financial literacy can be integrated into the BC model and the business model of the MFI. The approach taken is the creation of a cadre of 'Master Trainers' who are responsible for orienting the community towards the benefits of formal financial services and to develop their capabilities to make informed decisions to improve their financial well-being. This toolkit details the project approach and operational processes involved in the use of different modes for creating financial awareness. It is a ready reckoner for any institution willing to replicate the approach. This document is also supplemented by a video which showcases the experiences of the various stakeholders and describes the approach. Link: <http://ruralchannels.ifmr.co.in/knowledge-centre/downloads>





Rural Finance and Financial Systems Development Newsletter

To inform interested public, the RFIP publishes 3-4 newsletters per year providing insights into the programme's activities and some thought-provoking articles.

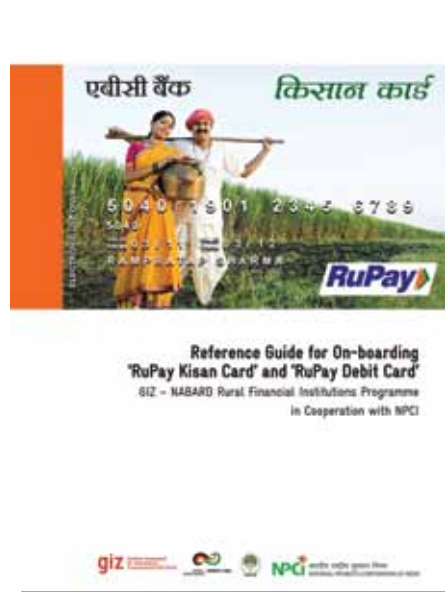
Reference Guide for on-Boarding 'RuPay' Kisan and Debit Cards – English & Hindi

Based on the feedback received from various stakeholders (mainly District Central Cooperative Banks), a need was felt to provide these banks with a more "implementation process-oriented" ready reckoner which could be used as a one point reference guide for preparing an operational roadmap for RuPay on-boarding and taking up further activities in the on-boarding process. Resultantly, this Reference Guide for on-boarding 'RuPay' Kisan and Debit Cards has been jointly prepared and released in Au-

gust 2013 by the RFIP & NPCI as a tool for facilitating banks in their on-Boarding process. This reference guide provides the steps required to be taken by banks before issuance of RuPay cards besides providing options available to the bank in selection of approved vendors, while conforming to the compliance guidelines of NPCI. It is expected that this reference guide will serve as a handy toolkit for these banks in facilitating easier and faster on-boarding process management for issuance of RuPay Cards to the rural population of India.

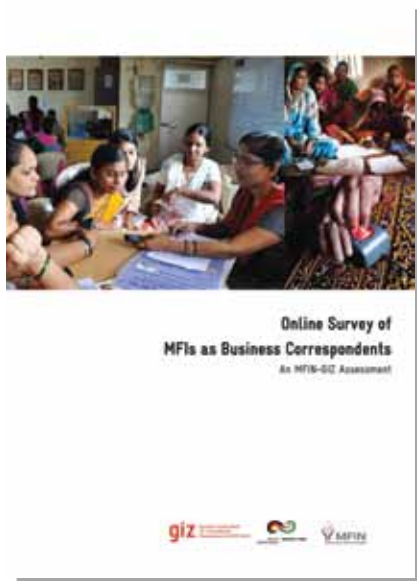
Link: English- <https://www.nabard.org/uploads/english-Reference%20guide.pdf>

Hindi- <https://www.nabard.org/uploads/Hindi-Reference%20guide.pdf>



Online Survey of MFIs as Business Correspondents: An MFIN-GIZ Assessment

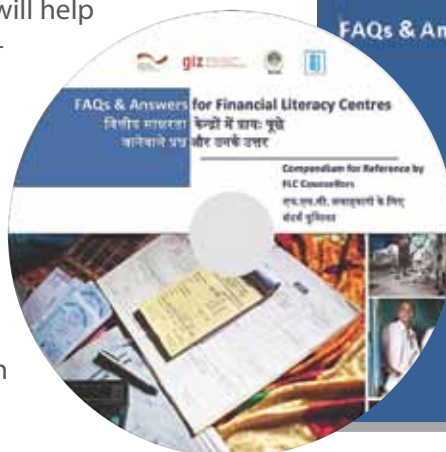
As part of the study on Microfinance Institutions (MFIs) as Business Correspondents (BCs) undertaken jointly by GIZ and Rabobank, RFIP had conducted an online survey of MFIs in collaboration MFIN, to understand the current position and past experience of MFIs as BCs, the sector's future inter-



est in this line of business and the challenges faced by MFIs as BCs. The publication succinctly captures the findings of the survey (<http://mfinindia.org/resource-centre/research-reports-white-papers/>).

FAQs & Answers for Financial Literacy Centres

The Financial Literacy Centre (FLC) FAQ handbook contains 206 basic, relevant and easy to understand FAQs on different themes of financial education - KYC norms, savings, credit options, debt restructuring, bank account opening eligibility, interest rate calculation on savings, so on and so forth. The FAQs have been divided into 4 key sections - deposits, loans, legal issues and remittance. It is expected that the FLC FAQ booklet will help the ecosystem to standardise the understanding and knowledge by bringing uniformity in the counselling approach being done by the FLC counsellors. This handbook (currently in English and Hindi) is also available in CD format and shall be circulated amongst the Banks besides FLC. An online portal through IIBF is also envisaged to give responses to queries raised through FLCs.



Events

Training workshop for the newly elected Board of Directors of Andhra Pradesh Cooperative Banks, Gangtok, Sikkim, 13th - 15th April 2013

The cooperative banks in Andhra Pradesh have recently completed the process of elections and have a newly elected Board of Directors in place. At the instance of the AP State Cooperative Bank and the Apex State Cooperative Training Institute (accredited by CPEC, BIRD), GIZ-NABARD RFIP conducted an orientation programme on 'The Principles of Corporate Governance for Cooperatives' for the directors during 13-15 April 2013, through CPEC and BIRD. During the workshop, good practises on



governance were discussed and the participants in the workshop were oriented towards roles and responsibilities of directors on boards of cooperative banks. The workshop also resulted in an action planning exercise by the participants for implementation of the good practises of corporate governance in their respective banks.

Orientation workshop on good governance for the newly elected Directors of cooperative banks in Kerala, Trivandrum, Kerala, 19th April 2013

The cooperative banks in Kerala have recently completed the process of elections and have newly elected board of directors in place. At the instance of the Regional Office of NABARD, Rural Financial Institutions Programme facilitated an orientation programme on 'The Principles of Corporate Governance for Managing Financial Cooperatives' for the

directors on the 19th April 2013. The programme was interactive and well-appreciated by the RO Kerala, RBI and the stakeholders in the CCS. The workshop was successful in bringing about the importance of responsible governance practises in a cooperative bank and the expectations of the stakeholders including the regulator and supervisor from the directors of the cooperative banks.

Workshop on risk management for Tamil Nadu Cooperative Bank, Chennai, Tamil Nadu, 23rd April 2013

At the request of the Tamil Nadu State Cooperative Bank, a workshop on 'Risk Management' was organised for its senior management. Mr Philipp Heldt Sorgenfrei, GIZ consultant, made a presentation on 'Key Aspects of Risk Management for Cooperative Banks'. Based on the interactions and the further interest evinced by the participants, the tools developed by the RFIP for the use of cooperative banks were also presented and delivered to the Bank. The bank committed to implementing optimum risk management practises by using the tools developed in this regard.

Training workshop for PACS auditors in Gujarat, April-June, 2013

The trainers in National Institute for Cooperative Management (NICM) in Gujarat were trained by GIZ Consultant based on which NICM had organised 7 Training Programmes for PACS Auditors, thereby training about 193 auditors. The auditors were oriented in the use of the PACS Audit Manual and in basic principles of cooperative audit, Roles and Responsibilities of Auditors, Audit Execution and Audit Rating and classification. The training workshops





were useful in orienting and preparing the auditors in the use of the PACS audit manual and in preparing the auditors for implementing better audit practices in the state of Gujarat. This would eventually help in professionalization of the audit function and better transparency of the financials of PACS leading to better management of these institutions. NICM is a BIRD-CPEC accredited institution.

Training of the field staff on financial education and awareness toolkit for SHG members, Bihar and Jharkhand, June-July, 2013

RFIP and NABARD have developed a comprehensive training toolkit to be used during trainings for financial awareness and education of SHG members. With the aim of bringing key messages about household budgeting, savings and financial planning to the field, RFIP has been working in close cooperation with REACH India who is working with a strong network of trainers, facilities and NGOs. After a first round of pilot trainings in October and November 2012, a second round of Training of Trainers (ToTs) for 15 partner organisations from Bihar, Jharkhand and Chhattisgarh was conducted recently in Patna (21st - 24th June) and Ranchi (17th - 19th July). The response from participants

in both locations was positive in light of the highly engaging and participatory approach of the training material. RFIP and Reach India jointly provided handholding support in training of the field staff in the respective organisation and the implementation among SHG members is now on-going. A larger, country-wide rollout of training materials will be coordinated by NABARD and the respective Regional Offices.



NABARD Chairman inaugurates conclave of CEOs of StCBs on leveraging payment systems, IIBF Mumbai, 5th July 2013

A conclave of CEOs/MDs of State Cooperative Banks (StCBs) was organized by RFIP and NABARD with the objective of identifying and addressing the challenges faced by Cooperative Banks in implementation of payment systems and RuPay Kisan Cards and solutions thereof. Dr Detlev Holloh, GIZ Programme Director welcomed the guests and gave a brief outline of the programme during his welcome speech.

Dr Prakash Bakshi, Chairman, NABARD, delivering the keynote address, stressed on the role of DCCBs in issuance of RuPay Kisan Cards by laying emphasis on the need to be technology driven to retain the large number of KCC accounts with them. This was followed by a presentation by NPCI on RuPay cards and GIZ on payment systems.

Raigad DCCB, Maharashtra, the first DCCB to issue RuPay Kisan Cards, also gave a presentation on how they successfully implemented the RuPay KCC module. GIZ gave a presentation on potential options of maintaining alternate accounting system for Cooperative Banks for issuance of RuPay Kisan cards like setting up of shadow accounts between PACS and DCCBs etc. without disturbing the existing STCCS accounting framework.

Conclave of DCCB CEOs on leveraging payment systems for cooperative banks at IIBF, Mumbai on 27th August, 2013

The RFIP, in cooperation with National Payment Corporation of India (NPCI), organized a conclave of DCCB CEOs with the main objective of sensitising them to the various facets of payment system with focus on RuPay Cards. More than 40 participants attended the conclave.



Mr Niraj Gupta, CGM, SPU-KCC, Head Office NABARD and Mr. A P Hota, MD, National Payment Corporation of India (NPCI), delivered the keynote address and inaugural address respectively before releasing the Implementation Reference Guide for On-boarding 'RuPay' Kisan and Debit Cards during the conclave. Various aspects of leveraging the payment systems of cooperative banks, RuPay Kisan and Debit Card issuance were discussed, including the operational and accounting issues, potential models and solutions to the challenges.

Link: English- <https://www.nabard.org/uploads/english-Reference%20guide.pdf>

Hindi- <https://www.nabard.org/uploads/Hindi-Reference%20guide.pdf>

Workshop on Microfinance Institutions (MFIs) as Business Correspondents (BCs), at Gurgaon, 10th September, 2013

RFIP and Grameen Foundation India (GFI), in their efforts to study and promote the BC model, organised a workshop on MFIs as BCs which was attended by over 40 participants from MFIs (both for-profit and not-for-profit), Technology Service Providers (TSPs), and banks to donor agencies. The workshop

was highly interactive with all stakeholders sharing their experiences of the BC model by leveraging the MFIs. GIZ shared the findings of its on-going study on MFIs as BCs from the online survey and the demand side survey, and GFI shared its experience of supporting Cashpor Microfinance for the BC model. The workshop was divided into relevant sessions which discussed the legal and operational structures, building and managing partnerships, financial viability (business case for MFIs), customer (demand side) and MFI preparedness to become a BC. The workshop concluded with a discussion on next steps and suggestions were noted to carry forward the work on the BC model by taking into account the learning from this workshop.

Workshop of PDC resource persons, Bhubaneswar, 6th–8th August, 2013

The RFIP has been working in the state of Orissa on implementing and strengthening the PACS Development Cell (PDC) model of NABARD. Based on the field interactions, a toolkit was developed and field tested with active involvement of resource persons from the PDC at Balasore Bhadrak Central Cooperative Bank (BBCCB) as well as the participation of the 30 PACS attached with BBCCB. The toolkit includes MIS for PACS, Basic Business Planning and Budgeting Tool for PACS, Basic Portfolio Management Tool for PACS, Analysis of Feasibility and Profitability of New Products and Services, Work Plan for PDCs, and Business Opportunity Assessment of PACS. The experiences gained during the field testing and through the active participation of the Resource Persons of PDC BBCCB were shared through the workshop for the PDC Resource Persons of six DC-CBs to orient them to the tools to enable them to use the same for handholding the PACS to develop exemplary business plans. The participants in the workshop were from the PDCs of the six DCCBs, viz. Angul, Balasore, Boudh, Koraput, Mayurbhanj and Sambalpur.

Diagnostic workshop of Orissa State Cooperative Bank (OSCB) for implementing a change process, Bhubaneswar, 13th - 14th August, 2013

At the instance of the OSCB, a diagnostic exercise was undertaken followed by a one day workshop on eliciting the views and opinions of a cross-section of stakeholders on 13th and 14th August 2013. The objective of this exercise was to identify the requirements/processes for implementing a change management initiative at the bank during the next one year. The outcome of this overall process is the defining of the vision and mission of the bank and an implementable business plan for the next five years for the bank.

Exposure visit of NABARD officers to co-op systems in Germany, September 8-14

The RFIP facilitated an exposure study of the NABARD officials, funded by NABARD, to the Cooperative System in Germany. The main aim of the exposure trip was to understand the audit framework of the German cooperatives, role of audit federations, role and importance of systematic HRD in the German Cooperative setup, regulatory and supervisory framework for cooperative banks in Germany, linkages and cooperation system between BAFIN and audit federations and demarcation of powers and functions of the Management and Governance structures for Credit Cooperatives in Germany. The participants were the Project Managers from NABARD (Institutional Development Department (IDD) and Department of Supervision (DoS)) who have completed CBS (Core Banking Solution) of cooperative banks and have experience in supervision and institutional development.

Steering committee meeting of the NABARD-GIZ Rural Financial Institutions Programme, Mumbai; 12th November 2013

Mr V Ramakrishna Rao, Executive Director, NABARD presided over the NABARD-GIZ RFIP Steering Committee meeting held on the 12th November 2013 at NABARD Head Office. The meeting had the participation of the officials of the implementing departments in NABARD, viz. micro Credit Innovations Dept. (mCID), Financial Inclusion Dept. (FID), Institutional Development Dept. (IDD), Dept. of Supervision (DoS), Centre for Professional Excellence in Cooperatives – Banker's Institute of Rural Development (C-PEC-BIRD) and Corporate Planning Department (CPD) along with the RFIP Team. In addition to sharing the progress and the experiences in the implementation of the RFIP, the broad strategy and goals for the next two years in the three components of the RFIP concerned with i. Strengthening CCS, ii. Promotion of Microfinance, and iii. Promotion of Financial Inclusion were discussed. The meeting was followed up with discussions with CPEC- BIRD over the video conferencing platform on the broad strategy for capacity development of C-PEC on a sustainable basis.

NABARD signs the Financing and Special Agreement under the NABARD-GIZ Rural Financial Institutions Programme; 22nd November 2013

Mr V Ramakrishna Rao, Executive Director, NABARD signed the supplementary Financing and Special Agreement under the NABARD-GIZ RFIP. The

financing agreement places an additional 400,000 Euro at the disposal of NABARD for taking up capacity development measures in the implementation of the RFIP.

IDD and C-PEC champions workshop held at Hyderabad; 25th-26th November 2013

The 'C-PEC Champions and IDD Workshop' was held at Hyderabad on the 25th and 26th November, 2013. IDD Nodal officers from 19 ROs participated in the workshop in addition to the CPEC Team from BIRD Lucknow, Bolpur, and Mangalore campuses as well as the RFIP team. Mr M.I. Ganagi, CGM, IDD, HO observed that IDD, HO was committed to the growth and expansion of C-PEC activities and would mobilize necessary resources to strengthen its activities. C-PEC-BIRD and NABARD stressed on the need for taking C-PEC forward in expanding its outreach among cooperatives across all regions of the country. Mr Ganagi also outlined the important role of IDD officers in marketing and anchoring C-PEC's initiatives on the ground in their respective states.



RuPay on-boarding workshop with NPCI, IIBF, Mumbai, 25th November 2013

RFIP and NPCI (National Payment Corporation of India) jointly organized a workshop for Cooperative Banks on 'RuPay Card On-boarding' at IIBF in Mumbai on 25th November 2013. The objective of the workshop was to sensitize the cooperative banks on various issues related to the on-boarding process of RuPay based payment systems and RuPay Kisan Credit Cards (KCC). The event saw participation from more than 20 Cooperative Banks. Shri Niraj Gupta – CGM (FID), NABARD highlighted the need for increased adoption of technology based innovative payment platform by Cooperative Banks. NPCI also made a presentation on the process requirement for adoption of RuPay KCC by the banks and Shri Navtej Singh from NPCI also graced the occasion and shared his insights on the advantages of RuPay KCC.

State-level workshop for stakeholders on SHG-BLP in Jammu & Kashmir, 28th Nov'13

The SHG-BLP programme is in a very nascent stage in J&K state and the growth of SHGs is also skewed, being especially low in Kashmir and Ladakh regions. As per the SLBC data, as on 31 March 2013, a total of 8,632 SHGs have been formed, 7,096 SHGs have been saving-linked and 6,607 SHGs have been credit-linked. Based on the 2011 census, there are approx. 15 lakh rural households in the state (Jammu region-8.02 lakh, Kashmir region – 6.66 lakh and Ladakh region 0.3 lakh) and NABARD has estimated that about 90,000 SHGs can be formed in the state against which about 8,632 SHGs have been formed up to 31st March 2013.



In order to actively support financial and social inclusion through SHGs in the state, NABARD organized a state level stakeholder workshop. The RFIP supported this very important event by sharing expertise and experience from other states to Jammu & Kashmir.

Participants from partner organizations, SHPIs, NABARD District Managers and banks attended the workshop and discussed the way forward for the SHG movement in J&K. In a concrete next step, NABARD will support the mapping of livelihood opportunities for SHG members in selected districts.

Violence against women workshop, New Delhi, 3rd December 2013

A recent research by the RFIP on effective usage of financial services by rural low-income households revealed that domestic violence and abuse influences the impact of financial services negatively. In other words, families who face problems like different forms of violence might not be able to benefit from access to financial services very effectively. The RFIP

was interested in finding out more about the linkages between microfinance and violence against women. Together with SAMPARK, Bangalore, a first survey on existing approaches and initiatives in this area has been conducted with the UN Solution Exchange for Gender Community as a knowledge partner. During a joint workshop with participants from a wide range of NGOs, research and practice organisations, including Ms. Rashmi Singh from the National Mission for Empowerment of Women and Ms. Shamina Shafique from the National Commission of Women, the findings from the survey were discussed. A few suggestions for the way ahead to enable microfinance in becoming a tool for ensuring gender equality and equity were:

- Violence against women needs to be put on the agenda of policy frameworks within the National Rural Livelihood Mission and the Microfinance Regulatory Bill.
- The microfinance movement needs to spearhead Financial Literacy at all levels, including soft skills (negotiation, conflict resolution, and assertiveness), capacity building of community resource persons, and legal rights awareness at SHG meetings.
- People's organizations like Self Help Groups (SHGs) are a critical platform for gender mainstreaming at the grassroots. However, the broader vision of ensuring the welfare of family as a unit is crucial.
- Financial institutions need to introduce and offer financial products for women in old age, single women, and PLHIV (People Living with HIV).
- Grading the SHGs with social indicators should be introduced to enhance women's family status
- More research and piloting of approaches is required.



Microfinance India Summit, Ashoka Hotel, New Delhi, 9th-10th December 2013

The 10th Microfinance India Summit 2013 was held between 9th and 10th December 2013 at the Ashoka Hotel, New Delhi, organized by ACCESS. 600 national and international professionals came together to discuss topics around Microfinance and Financial Inclusion in India at the event. In order to better understand the financial and social behaviour within SHGs as well as the transactions between SHGs and banks, GIZ and ACCESS jointly commissioned a study to the Centre for Microfinance at IFMR. The study was conducted in 3 states (Bihar, Madhya Pradesh and Karnataka). During the summit, the study report was launched in a panel titled 'SHG Schematic: Applying the Responsible Finance Lens'. Ms Jonna Bickel, Advisor, GIZ jointly discussed the findings during this panel with the authors of the report from the IFMR Centre for Microfinance as well as participants from Hand in Hand, BIRD, MAVIM and the Karnataka State Cooperative Apex Bank.



Workshop with Sa-Dhan on 'MFIs as BCs - Paradigms for the Future' at New Delhi, 16th January 2014

RFIP and Sa-Dhan organized a national workshop on 'MFIs as BCs - Paradigms for the Future' to facilitate peer learning and experiences of MFIs as BCs so as to make the BC operations more relevant, effective and sustainable. Since the introduction of this model, considerable experience has been gained. This workshop was organized by Sa-Dhan with support from GIZ and was attended by 30 participants from across the country. There were deliberations on the lessons learned, challenges faced and solutions thereof. The specific objectives of the workshop were to:

1. Understand the preparedness required by MFIs to successfully operate as BCs
2. Understand the nature of negotiations required with banks in rolling out the model
3. Assess the support required by MFIs operating as BCs from Sa-Dhan and GIZ.

Workshop with Sa-Dhan on 'Evolving Role of SHPIs & SHG Federations in Financial Inclusion: The BC Model', New Delhi, 17th January, 2014

GIZ and Sa-Dhan organized a national workshop on 'Evolving Role of SHPIs & SHG Federations in Financial Inclusion: The BC Model' to discuss the way forward for Self Help Promoting Institutions (SHPIs) and SHG federations in the BC model. The BC model provides an opportunity to SHPIs to facilitate the provision of diverse financial services to the members of SHGs promoted by them. This workshop was organized to:

1. Analyze the convergence of the role played by SHPIs and SHG federations in Financial Inclusion and the opportunities provided by the BC model
2. Discuss the challenges faced by SHPIs and SHG federations in implementation of BC model
3. Discuss solutions and the role that can be played by various stakeholders in BC ecosystem
4. Identification of TA (Technical Assistance) areas for SHPIs



Anchor's Training Workshop for PDC resource persons from AP on managing change at PACS at AP COB-CTI, Hyderabad; 20th - 21st January 2014

In the last six months, Business Orientation Workshops have been facilitated by RFIP in about eight districts of Andhra Pradesh (AP). Three people have been identified in each district – usually the PACS Nodal Officer in the DCCB and the PDC-Resource Persons and or PACS CEOs - to play the role of anchors or change agents. The RFIP team is working closely with them for a period of 6 months in thematic workshops (January to June 2014), helping them shape and implement their strategies to transform the PACS. This series will develop a core team in the APCOB/Cooperative Training Institute (CTI)/DCCB system to anchor planned change in the selected PACS in each district. RFIP engaged with the identified 24 anchor persons or change agents in providing them the necessary skills for facilitation process and change management in the Anchor's Training Workshop at APCOB-CTI, Hyderabad on the 20th and 21st January 2014.

NABARD exposure visit to KGFS, Tamil Nadu, 23rd – 24th January 2014

The NABARD-GIZ Rural Financial Institutions Programme (RFIP) organized an exposure visit of NABARD officials to IFMR's Kshetriya Gramin Financial Services (KGFS) operations in Tamil Nadu (Trichy-Thanjavur) on 23rd and 24th January, 2014, to see the Financial Inclusion initiatives of KGFS based on their wealth management approach (of Plan, Grow, Protect, Diversify - PGPD) and the master trainer project of KGFS-GIZ (community level

generic financial awareness approach adopted by the financial service provider).

The exposure visit was attended by a total of 15 members, 6 members from NABARD HO in Mumbai, 7 from various Regional Offices of NABARD and two members from GIZ. CGM-FID NABARD HO, Mr. Niraj Gupta, CGM NABARD Chennai RO, Ms. Lalita Venkatesan also visited the KGFS branches during the exposure visit.



ToT workshop for facilitators on business orientation of PACS in Andhra Pradesh; 23rd - 25th January, 2014

Given the enthusiasm of the stakeholders in the business orientation programmes conducted in the initial eight districts of Andhra Pradesh (AP), and the positive response from AP State Cooperative Bank on the utility of this approach to all the districts in AP, 24 identified facilitators from AP including NABARD District Development Managers (DDMs) were provided inputs in managing facilitation, understanding and using 'Future Search' methodology in initiating change and managing change. These trained facilitators would organize Business Orientation Workshops for the PACS in the rest of the 15 districts of AP. They would be provided need-based guidance by the RFIP team.

Release of 'Online Survey of MFIs as Business Correspondents – An MFIN GIZ Assessment', at CAB, Pune, on 20th February 2014

As part of the study on Microfinance Institutions (MFIs) as Business Correspondents (BCs) undertaken jointly by GIZ and Rabobank, GIZ had conducted an online survey of MFIs in collaboration MFIN, to understand the current position and past experience of MFIs as BCs, the sector's future interest in this line of business and the challenges faced by MFIs as BCs.

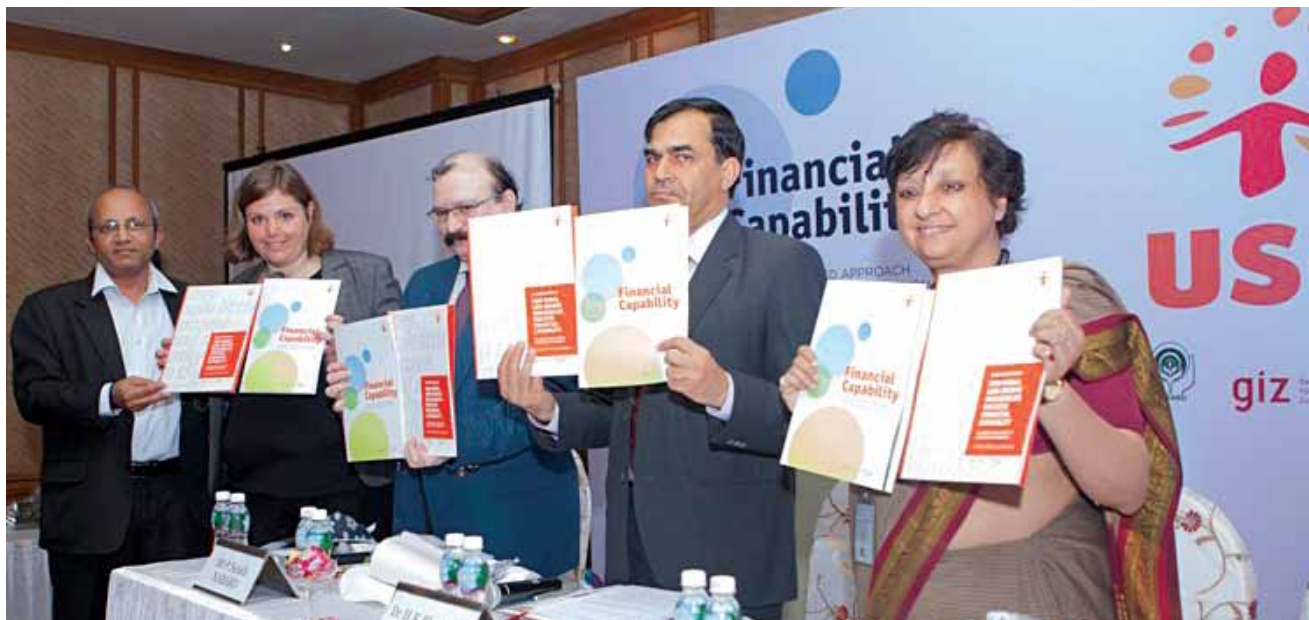
On 20th February, 2014, at a programme on 'Financial Inclusion through Microfinance: Risks and Opportunities' organised jointly by College of Agricultural Banking (CAB) and M-CRIL at Pune, RFIP launched the findings of the online survey titled 'Online Survey of MFIs as Business Correspondents – An MFIN GIZ Assessment'. The launch was made in the presence of a wide cross-section of industry

stakeholders, including those from RBI, NABARD, MFIs, industry associations etc. (<http://mfinindia.org/resource-centre/research-reports-white-papers/>).

Launch of 'Financial Capability Study Report' and 'Financial Awareness & Education Toolkit for SHG Members', Mumbai, 13th March 2014

As rethinking Financial Inclusion strategies constitutes a major effort that cannot be undertaken by one institution alone, RFIP invited key stakeholders from the financial development sector to discuss further implications and options over the launch of the study report on Financial Capability on March 13th, 2014 in Mumbai. Representatives from major institutions such as NABARD Chairman Dr Harsh Kumar Bhanwala and RBI ED Dr Deepali Pant Joshi





shared their thoughts on the importance of gaining a deeper understanding of rural households' financial behaviour. Underlining NABARD's continued commitment, Chairman stated that: "It is a milestone that somebody has been innovative enough to focus on capacity creation in an environment where almost all the attention is around supply side services. [...] It is a very laudable effort and [NABARD] will be partnering it in totality."

As a direct result to the research on Financial Capability, key findings were incorporated in awareness and educational materials for Self Help Groups that got officially launched on the same occasion. The toolkit titled 'Hamari Asha' - a joint effort of the GIZ RFIP team and NABARD's mCID - combines more traditional topics of financial literacy with topics

like domestic violence and the importance of girl child education, two points of interest that became prominently visible throughout the Financial Capability research.

Intended to assist community resource persons in forming and nurturing SHGs, the toolkit contains training materials for both the facilitator and the audience, a wider range of awareness tools such as games, posters, charts and brochures that may be used very flexibly by all stakeholders of the SHG-Bank Linkage Programme according to their respective needs. Whether government organizations, NGOs, SHPIs, banks, MFIs, SHG Federations or CBOs – the toolkit offers substantial support for training SHG members and office bearers of the groups in understanding and applying the concepts, processes and procedures of Self Help Groups.



ANNEX 1

RESULT BASED MONITORING



Development cooperation projects are based on objectives mutually agreed upon between the project partners. The progress of project implementation and the achievement of objectives are monitored through a monitoring system. The RFIP employs a Result-based Monitoring System with a selected number of objectives and indicators agreed upon between the partners at

the beginning of the new programme phase. It does not include previously accomplished results and results of additional activities that reflect the programme's flexible response to emerging needs and demand of stakeholders. Additional programme activities and results are presented in the programme component chapters.

Objectives and Indicators at Programme Level



Programme Objective		
The institutions of the short-term cooperative credit structure, microfinance organisations and banks increase the access to sustainable and demand-oriented financial services.		
Success Indicators	Status	Comments
<p>More than half of the members of Primary Agricultural Credit Societies (PACS) in states implementing the CCS reforms (Andhra Pradesh/Haryana/Orissa) utilise their financial services (loans).</p> <p><i>PS: The indicator is a proxy for the level of member participation and benefit as PACS members benefit in different ways such as through savings services or non-financial services (purchase of seeds and fertilisers, storage facilities, marketing the agricultural produce, etc.). Data available, however, are limited to credit and borrower information.</i></p>	<p>36.6% </p> <p>(03/2012)</p> <p>Percentage of PACS members with loans outstanding</p> <p>Base value: 27.3% (03/2008)</p> <p>Source: National Association of State Cooperative Banks (NAFSCOB). Note: data are incomplete, inconsistent and reported with a 1.5 years delay.</p>	<p>Since the recapitalisation of the rural cooperative credit structure (2008 to 2011), lending to cooperative members has been growing. The proportion of borrowing members in Andhra Pradesh, Haryana and Orissa increased from 27.3% in March 2008 to 36.6 % in March 2012. While the average proportion of borrowing members in Haryana and Orissa is 50.1%, it is very low in Andhra Pradesh (28.4%). For seven states (Andhra Pradesh, Haryana, Orissa, Gujarat, Karnataka, Rajasthan, Tamil Nadu), which report annually updated data to NAFSCOB, the average value of this proportion is 45.2%. Impact studies in 13 states, which were commissioned by NABARD, indicate that the diversification of financial and non-financial PACS services had been a positive effect of the reform and recapitalization programme. The RFIP supports this expansion and diversification of PACS services. Based on a differentiated view the indicator can be achieved by the end of 2015.</p>
<p>At least 80% of the District Central Cooperative Banks (DCCBs) in states implementing the CCS reforms (Andhra Pradesh, Haryana, orissa) are classified in the audit rating classes A or B.</p> <p><i>PS: The audit rating classes A and B indicate a relative soundness of bank operations and management. With the tightening of regulatory norms, e.g. capital adequacy norms, the audit ratings for at least part of the DCCB might deteriorate.</i></p>	<p>96.6% </p> <p>(03/2013)</p> <p>Percentage of 58 DCCBs classified</p> <p>Base value: 65.5% (03/2008)</p> <p>Source: NABARD</p>	<p>The audit of a cooperative bank assesses its performance and classifies this performance based on four performance classes (A/B/C/D). The proportion of the 58 DCCBs in Andhra Pradesh, Haryana and Orissa that has been classified A and B increased from 65.5% in March 2008 to 96.6% by March 2013. With the exception of Bihar and Uttar Pradesh (46% in March 2013) this positive development can be observed across the country. After the recapitalisation and institutional reforms between 2008 and 2011 the cooperative banks were further strengthened through their licensing (now 380 of 403 banks) based on the prudential standards of the Reserve Bank of India (RBI) and the introduction of the Core Banking System (now 380 of 403 banks), which is required for integration into the national payment system. It can be assumed that the indicator will be achieved by the end of 2015.</p>







Programme Objective		
The institutions of the short-term cooperative credit structure, microfinance organisations and banks increase the access to sustainable and demand-oriented financial services.		
Success Indicators	Status	Comments
The number of clients (gender differentiated) who avail microfinance services (loans) from Self-help Groups (SHGs) or reporting Microfinance Organisations (MFOs) increases to at least 80 million.	72.3-76.6  mio (03/2013) 88% women Estimated number of clients / women Base value: 54.2 million – 82% women (03/2008) Source: NABARD, Sa-Dhan	The years 2008 to 2011 were a period of strong quantitative growth both of the SHG-Bank linkage Program as well as the MFI sector. The number of customers/members increased by 90% and the aggregated loan portfolio grew by 140%. This growth was interrupted by the microcredit crisis, which started in Andhra Pradesh, and the termination of a long-standing microcredit subvention programme of the Indian Government. During the fiscal year 2011/2012 the number of microcredit customers fell by 10 million. Since then the microcredit market has been recovering slowly, with the number of microcredit customers increasing again by 2 million in the fiscal year 2012/2013. By March 2013, 54.4 million of the 89.5 million members of 7.3 million reporting SHGs and 27.5 million customers of the 155 reporting MFIs had an outstanding loan. Estimates suggest that 20% to 35% of the MFI customers are borrowers of both an MFI and an SHG. Thus, the number of borrowers increased from 54.2 million in 2008 to 72.3-76.5 million in 2013. 88% of these borrowers are women. Due to the recovery of the microcredit market and the planned expansion of the SHG-Bank linkage Programme it can be assumed that the indicator will be achieved by the end of 2015.
The number of villages covered by customer service points of banks (business correspondent model) increases to at least 100,000.	221,341  (03/2013) Number of villages Base value: 34.158 (03/2010) Source: Reserve Bank of India	To extend banking services to the more than 700,000 villages and to 90% of the households until 2017, the Government of India and the Reserve Bank of India have been requesting banks since 2009 to integrate so-called Financial Inclusion Plans into their business plans. This includes mainly two approaches: the use of agents (Business Correspondents) and the mandatory offer of no-frill accounts, i.e. Basic Savings Banks Deposit Account (BSBDA), with savings and money transfer functions. In the four fiscal years until March 2013 the banking outreach through Business Correspondents increased to 221,341 villages and the number of no-frill accounts increased to 81.3 million. Core problems of this top-down strategy are the prevailing low profitability and usage of the new banking services, the low customer orientation of the Business Correspondents and the low financial education of the rural population. The RFIP supports the development of Business Correspondent models that are (geographically and socially) closer to the rural target group as well as the capacity development of this target.

 90% achieved
  50-90% achieved
  10-49% achieved
  Not yet/only recently started




Objectives and Indicators at Component Level

Component 1: Short-term Cooperative Credit Structure		
Objective: The capacity of the short-term cooperative credit structure (CCS) to provide sustainable financial services is strengthened.		
<i>The component aims at strengthening the rural cooperative credit structure, which currently consists of 403 banks, 92,432 primary credit cooperatives and 113.6 million members. It supports 1) the development of a training and certification system through the Centre for Professional Excellence in Cooperatives (C-PEC), 2) the improvement of audit systems and practices, and (3) the development of local infrastructure to support the business planning and development of the credit cooperatives through the PACS Development Cells (PDCs).</i>		
Success Indicators	Status 03/2013	Comments
The Centre for Professional Excellence in Cooperatives (C-PEC) is established and able to offer its services nationwide (at least 3 national staff, 15 states with CPEC representatives and training institutes accredited by C-PEC, and 3 certification training programmes).	100 %  Estimated percentage of milestones achieved for meeting success indicator Source: RFIP-RBM	C-PEC is integrated into the Bankers Institute for Rural Development, Lucknow. C-PEC now has 3 certification programmes and 3 staff. It is represented by accredited training institutes in 19 states and regional NABARD nodal officers. Ownership and marketing of C-PEC needs to be further strengthened at state level. The C-PEC aims at increasing its institutional membership to approximately 10,000 banks and credit cooperatives by the end of 2015. To ensure its sustainability the institute will review its business model. In particular, the ownership of the sector and the responsibilities at state level must be strengthened. The indicator is achieved. But, the institutional strengthening of the institute must be continued and additional efforts are required to implement the professional certification of the CCS employees.
At least 70% of the participants of certification training programmes have improved their competences.	67 %  Estimated percentage of milestones achieved for meeting success indicator Source: RFIP-RBM	The professional certification shall confirm through examinations that the CCS employees have the competence standards required for exercising their functions. C-PEC has three certification programs for trainers as well as for the more than 300,000 employees of the cooperative banks and PACS. So far, 121 (66.7%) participating trainers have been certified. The certification of the CCS staff has been delayed because of insufficient capacities and initial start-up problems at the state level. It is planned to start later in 2014. However, because of these delays, the project will additionally measure competence improvements through standardised training programme evaluations. It can be assumed that the indicator will be achieved by the end of 2015. However, due to the delays the number of the then certified CCS employees may not meet the initial expectations.




Success Indicators	Status 03/2013	Comments
In at least 20 states audit authorities issue instructions based on NABARD guidelines	100 %  Estimated percentage of milestones achieved for meeting success indicator Source: RFIP-RBM	Cooperative banks are subject to the regulation of the RBI and the supervision of NABARD. The primary cooperatives are subject to the regulation and supervision by state governments, with NABARD playing a consultative role. NABARD has disseminated new audit guidelines, audit handbook and audit manual for the use of bank auditors and PACS auditors, which are being implemented in 25 states. This is supported by a special C-PEC standardized training course for PACS auditors. So far, 280 PACS auditors have been trained and 4,828 PACS have been audited based on the new guidelines. At present, there is no reliable information on the actual application and effectiveness of the new audit guidelines. The project will conduct a representative survey by the end of 2014. The indicator is formally achieved, but the necessary development of audit capacity at state level is not yet completed.
The CEOs of at least 70% of the DCCB and PACS confirm that audits carried out based on NABARD guidelines are useful for improving the management of their institutions.	-  Estimated percentage of milestones achieved for meeting success indicator Source: RFIP-RBM	It is currently unknown to which degree the new audit guidelines are applied. The indicator will be measured as part of an impact study through a representative survey by the end of 2014.
At least three pilot PACS Development Cells (PDCs) are established in one state and work on the basis of an exemplary PACS development plan.	100 %  Estimated percentage of milestones achieved for meeting success indicator Source: RFIP-RBM	NABARD's initiative to promote PACS Development Cells (PDC) aims at improving the business planning and development of PACS. The PDCs are attached to District Central Cooperative Banks and usually staffed with two resource persons. So far, NABARD has supported 116 banks in setting up PDCs. The RFIP directly supports the development of 8 PDCs in orissa. These PDC have two trained employees who advise 20 PACS in improving their business plans with the help of tools developed by the project. The indicator is achieved.
At least 70% of the PACS supported by the pilot PDCs have a market-oriented business development plan.	80%  Estimated percentage of milestones achieved for meeting success indicator Source: RFIP-RBM	Out of the 60 PACS in orissa that have been advised so far, 48 (80%) PACS have an improved business plan. The project will carry out an evaluation of these plans and their effectiveness, in particular with regard to their market orientation, in the second quarter of 2015. It is expected that the indicator will be achieved by the end of 2015.





Success Indicators	Status 03/2014	Comments
At least two innovative financial products are offered to SHG members.	80 %  Estimated percentage of milestones achieved for meeting success indicator Source: RFIP-RBM	<p>The RFIP is supporting a pilot project in 2 blocks in rural Bihar where Village organizations (Vos) are offering voluntary savings products to their SHG members. By 12/2013, 33 members opened such an account and 29 have started voluntary savings.</p> <p>A study to compare existing pension products has been conducted and suggestions for the product design and service delivery have been published and discussed with partners</p> <p>Through pilot projects, in which selected SHG members act as bank agents, different financial services are being made available to SHG members and their households. 4,000 accounts have been activated so far in a pilot project in Uttar Pradesh.</p>
A 'value for the customer toolkit' for SHG banking is pilot-tested by at least one rural financial institution.	70 %  Estimated percentage of milestones achieved for meeting success indicator Source: RFIP-RBM	Training modules for bankers, tools for financial awareness and education of SHG members, as well as on financial capability of rural low-income households, have been developed by the RFIP and are being implemented through projects and disseminated by NABARD. In 2014, the RFIP focuses on developing more concrete tools for banks working with SHGs.
At least 70% of the SHG members (gender differentiated) are satisfied with the financial services used by them	70 %  Estimated percentage of milestones achieved for meeting success indicator Source: Surveys	The RFIP conducted a customer satisfaction survey across 1,350 SHG members in four states. The study indicates a relatively high level of satisfaction (on average 65% for credit and 89% for savings products) with the (currently still limited) banking services as well as the limited knowledge of SHG members about alternate financial products. A final evaluation of the indicator, in particular with regard to the satisfaction with new products, will be carried out until the second quarter of 2015



Component 3 Financial Inclusion through Business Correspondents		
Objective Banks offer demand-oriented financial services, including remittances, through business correspondents (BC).		
<p><i>The component aims at the development of customer-oriented BC approaches, through which the target groups access new financial services (including payment services) at village level and develop their abilities for using these financial services effectively. In the BC model banks commission agents to offer a selection of their financial services at village level. These agents are often not familiar with the village environment and the needs of the target group. Therefore, the RFIP focuses on supporting innovative approaches that involve the target groups as intermediaries.</i></p>		
Success Indicators	Status 03/2013	Comments
At least two improved BC approaches are implemented by the supported banks.	100 %  Estimated percentage of milestones achieved for meeting success indicator Source: RFIP-RBM	<p>So far, four different approaches have been developed, which increase the customer-orientation of the BC model and promote the integration of financial education into the model. The first approach aims at the integration of SHG members in the BC model and is being piloted with the Aryavart Gramin Bank, a regional rural bank in Uttar Pradesh. The pilot project aims at reaching 15,000 households in 42 villages and can potentially be extended to approximately 70,000 households. Currently, 23 trained female SHG members offer bank services such as money transfers and the opening of savings accounts (so far 4,000).</p> <p>The second pilot project has been initiated with the Narmada Jhabua Gramin Bank in Madhya Pradesh and differs from the first approach by offering additional services (i.e., insurance, bus and train ticketing, services for the community and the state government) in order to increase the income of the female agents. It aims at reaching 9,000 households in the Indore district directly and may be expanded to the whole district (600,000 households, of whom 170,000 rural) after a 6-month pilot phase.</p> <p>The third approach integrates the financial education of the target groups into the business model of a microfinance institution (IFMR Rural Channels), which acts as a BC of Axis Bank and has currently some 180,000 customers. This approach allowed the MFI to more than double the number of savings accounts in the pilot area.</p> <p>The fourth approach is being implemented with the Mann Deshi Mahila Bank in Maharashtra and aims at offering new financial products to poor traders in local markets. An innovative overdraft credit product is currently being piloted with 180 customers. The indicator is achieved.</p>



Success Indicators	Status 03/2013	Comments
The number of active accounts per customer service point (BC model) of the supported banks increases.	<p>- </p> <p>Estimated percentage of milestones achieved for meeting success indicator</p> <p>Source: Surveys</p>	The number of active accounts has been increasing in the SHG-BC pilot project in Uttar Pradesh. Currently 8,000 accounts have been opened across 24 Gram Panchayats. However, the available data are still not sufficient to assess the indicator. Nonetheless, based on first experiences it is assumed that the indicator can be achieved by the end of 2015.
At least 70% of the BC customers (gender differentiated) of the supported banks are satisfied with the financial services used by them.	<p>- </p> <p>Estimated percentage of milestones achieved for meeting success indicator</p> <p>Source: Surveys</p>	The indicator will be measured as part of an impact study latest by the third quarter of 2015.



ANNEX 2

LIST OF PUBLICATIONS AND REPORTS

Strengthening Cooperative Credit Structure – Training & Certification

1. Technical Study on a Training Certification System for the Cooperative Credit Structure in India – 2007
2. Training Needs Assessment Study for Cooperative Credit Structure in India – 2009
3. Inventorisation of Training Capacities for the Cooperative Credit Structure in India - 2009
4. Good Governance Practices in the Cooperative Credit Structure in India – 2009
5. A Handbook on Corporate Governance for Financial Cooperatives – StCBs and DCCBs – 2010
6. A Handbook on Corporate Governance for Financial Cooperatives – PACS – 2010
7. Study Kit for the Course on 'Certified Trainers for Financial Cooperatives (CTFC)' – 2010
 - a. Module 01 – Training Skills
 - b. Module 02 – Design and Evaluation of Training
 - c. Module 03 – Cooperative Credit and Banking
8. Study Kit for the training programme on 'Standardised Banking Programme for Cooperative (SBPC)' - 2010
9. Study Kit for the training programme on 'Standardised Programme on Governance for Cooperative (SPGC)' - 2012
10. Trainers Guide for the training programme on 'Standardised Programme on Governance for Cooperative (SPGC)' - 2012
11. Study Kit for the Course on 'Certified PACS Secretary' - 2012
 - a. Module 01 – Cooperative Credit System
 - b. Module 02 – Management of PACS
 - c. Module 03 – Business Management for PACS
 - d. Module 04 – Accounting, Housekeeping and Interpretation of Financial Statements
12. Study Kit for the Training on 'Standardised Programme for PACS Auditors' – 2012
 - a. Module 01 - Business understanding of PACS
 - b. Module 02 – Financial reporting Framework
 - c. Module 03- Audit of PACS

13. Study Kits for the Course on Certified Professional Cooperative Banker Level I and Level II – 2013
 - a. Level I - Module 01 – Indian Financial System and Cooperative Credit System
 - b. Level I - Module 02 – Cooperative Bank Management
 - c. Level I - Module 03 – Business Management
 - d. Level I - Module 04 – Accounting and Audit
 - e. Level II - Module 01 – Advanced Bank Management
 - f. Level II - Module 02 – Bank Financial Management
 - g. Level II - Module 03 – Organisational Behaviour and Human Resource Management
 - h. Level II - Module 04 – Banking Technology and Management
14. Training Needs Assessment for officers of the Department of Supervision, NABARD – 2013
15. Study Kit for the training on 'Standardised Programme on Internal Control Systems for Cooperatives (SPICs)' - 2013
16. Study Kit for the training on 'Standardised Programme on Asset Liability Management for Cooperatives (SPALM)' - 2013
17. Study Kit for the training on 'Standardised Programme on Credit Appraisal and Loan Management for Cooperatives (SPCALM)'
18. Brochure for Centre for Professional Excellence in Cooperatives (C-PEC) - 2013
19. CPEC Promotional Film – DVD - 2014

Strengthening Cooperative Credit Structure - Audit Systems

20. Technical Study on Audit Capacities for the Cooperative Credit Structure in India – 2007
21. Enhancement of Audit Capacities for the Cooperative Credit Structure in India – 2009
22. Enhancement of Audit Capacities for the Cooperative Credit Structure in India – Revision of Audit Framework, Model Audit Manual and Audit Rating Tool for PACS - 2010
23. Enhancement of Audit Capacities for the Cooperative Credit Structure in India – Field study on Training Arrangements for Auditors of PACS – 2011
24. Prudent Risk Management in DCCBs and SCBs – Road Map for Implementation – Discussion Paper – 2011
25. Tool Kit on Risk Management for Cooperative Banks – 2011
 - a. ALM Tool for Cooperative Banks
 - b. Trainers Guide for Programme on ALM in Cooperative Banks

26. Study of the Audit Systems of Cooperative Credit Structure in Karnataka – Review and Recommendations - 2012
27. Study of the Audit Systems of Cooperative Credit Structure in Odisha – Review and Recommendations – 2012
28. Audit Manual for PACS - 2012
29. Accounting Manual for Cooperative Banks in Odisha – 2013
30. Manual on Internal Control Systems for Cooperative Banks in Odisha – 2013

Strengthening Cooperative Credit Structure – Business Development Initiatives for PACS

31. Optimising Apex Functions of DCCBs and SCBs – Concept – 2011
32. Study on Stakeholder Needs Assessment in Odisha – 2012
33. Strengthening PACS through Business Development Cells in DCCBs – Feasibility Study - 2012
34. PACS Business Development Model and Apex Support Model for Odisha – 2012
35. Concept on Tool Box for Business Growth and Development of CCS Institutions – 2013
36. Tool Box for Business Growth and Development of PACS – 2013
 - a. Tool for Business Opportunity Assessment for PACS
 - b. Tool for MIS of PACS
 - c. Tool for Business Development Planning
 - d. Tool for Work Planning for Resource Persons of PDCs
37. Strategic Planning for Growth and Development of Balasore Bhadrak District Central Cooperative Bank, Odisha – 2013

Microfinance and Financial Inclusion

38. Good Practices in JLG financing by Banks, 2008
39. Regulation and Supervision of Microfinance Organizations in India -Developing a Framework of Prudential Norms and Parameters, 2009
40. Supervisory Rating System for MFOs and Performance Benchmarks, March 2010
41. Study of SHG Federation Structures in India- Core Elements for Achieving Sustainability, December, 2012

42. Study on 'Scope for PACS to function as Business Correspondent of Banks', 2012
43. Livelihood Activities of Self-Help Group Members in Gaya District, Bihar, December, 2012
44. Livelihood Activities of Self-Help Group Members in Gulbarga District, Karnataka, 2013
45. Livelihood Activities of Self-Help Group Members in Shravasti District, Uttar Pradesh, 2013
46. Livelihood Activities of Self-Help Group Members in Bastar District, Madhya Pradesh, 2013
47. SHGs in a Financial Inclusion Perspective – Discussion Paper, 2013
48. Financial Services to SHGs – Satisfaction and Demand Analysis – Studies in Odisha, Rajasthan, Tamil Nadu and Uttar Pradesh, 2013
49. Financial Awareness Scoping Initiative - Part 2 - Inventory of Financial Education Initiatives Covered, November, 2012
50. Remittance Needs and Opportunities in India (2nd Ed.), December, 2012
51. Handbook on Training Programmes under SHG-Bank Linkage, October, 2013
52. A study on "Micro Finance Institutions(MFIs) as Business Correspondent": 2013
53. Reference Guide for On-Boarding 'RuPay' Kisan and Debit Cards, October 2013
54. Training toolkit under 'SHG as BC Pilot project' at Unnao Dist., U.P., 2013
 - a. Training Video
 - b. Flip Chart
 - c. Guidebook on Banking Schemes
 - d. Reference Guide for Bank sakhis
 - e. Training Facilitator's Guide
55. Toolkit on 'KGFS Master Trainer project' of IFMR Rural Channels with GIZ, 2014
 - a. Approach Note
 - b. Video
56. Hamari Asha - SHG Financial Awareness and Education Toolkit (English & Hindi), 2013
 - a. Strategy Paper
 - b. Guidebook for Mass Awareness Campaigns
 - c. Facilitator's Guide
 - d. Participant's Guide
 - e. Flip Chart
 - f. 6 Posters
 - g. 13 Brochures

57. Financial Capability Toolbox, 2014

a. Tools for UNDERSTANDING

- i. An Exploration in How Rural Low-Income Households perceive Financial Capability (Study Report)
- ii. Financial Capability - A People-centred Approach to Rethink Financial Inclusion - Toolbox Introduction & Overview Brochure
- iii. Financial Capability of Rural Low-Income Households - An Approach for Effective Financial Inclusion - Relevance & Practical Ideas for Financial Service Providers
- iv. Movie
- v. Poster

b. Tools for SUPPORTING

- i. Financial Capability - Adapting the Concept Locally

c. Tools to ENABLE

- i. The Game of Financial Life: Facilitator's Guidebook
- ii. Financial Capability: Participant's Book
- iii. Flipchart
- iv. Community Poster

58. Handbook on training programmes for STCCS to on board RuPay KCC and RuPay Debit Cards, 2014

59. FAQs & Answers for Financial Literacy Centres: Compendium for reference by FLC counsellors, 2014

60. Online survey of MFIs as Business Correspondent - An MFIN-GIZ Assessment, 2014

61. Reference Guide for On-Boarding 'RuPay' Kisan and Debit Cards (Hindi edition), February 2014.


62. Annual report of 'SHG as BC pilot project' in Unnao, 2013-14. (Pilot project undertaken by Gramin Bank of Aryavart and supported by NABARD-GIZ Rural Financial Institutions Programme)

ANNEX 3

LIST OF ABBREVIATIONS

ACSTI	Agricultural Co-operative Staff Training Institute	FLC	Financial Literacy Centre
ALM	Asset Liability Management	FLCC	Financial Literacy and Credit Counselling Centre
APMAS	Andhra Pradesh Mahila Abhivruddhi Society	FLTC	Field Level Training Centres
ATM	Automated Teller Machine	GIZ	Gesellschaft für Internationale Zusammenarbeit
BC	Business Correspondents		
BIRD	Bankers Institute for Rural Development	ICM	Institute of Co-operative Management
CBS	Core Banking Solution	IDD	Institutional Development Department, NABARD
CCS	Cooperative Credit Structure	IFC	International Finance Corporation
CEO	Chief Executive Officer	IFMR	Institute for Financial Management and Research
CmF	Centre for Microfinance		
CPS	Certified PACS Secretary (Course)	IGIDR	Indira Gandhi Institute of Development Research
CPCB	Certified Professional in Cooperative Banking	IIBF	Indian Institute of Banking and Finance
CPEC	Centre for Professional Excellence in Cooperatives	IIMPS	Invest India Micro Pension Services
CSP	Customer Service Points	IL&FS	Infrastructure Leasing & Financial Services Limited
CTFC	Certified Trainers of Financial Cooperatives	ISMW	Indian School of Microfinance for Women
CTI	Cooperative Training Institute	KGFS	Kshetriya Gramin Financial Services
DCCB	District Central Cooperative Banks	MCID	Micro Credit Innovations Department, NABARD
DGRV	German Federation of Cooperative Banks	MCRIL	Micro-Credit Ratings International Limited
ENABLE	National Network Enabling Self Help Movement	MDMI	Manpower Development & Management Institute, Shillong
FID	Financial Inclusion Department, NABARD	MFI	Microfinance Institutions
FILC	Urban Financial Information & Literacy Centre	MFO	Microfinance Organisations

NABARD	National Bank for Agriculture and Rural Development	RFIP-RBM	Rural Financial Institutions Programme – Result Based Monitoring
NABARD-FID	NABARD – Financial Inclusion Department	RGMVP	Rajiv Gandhi Mahila Vikas Pariyojana
NAFSCOB	National Federation of State Cooperative Banks Ltd	RICM	Regional Institute of Co-operative Management
NEFT	National Electronic Fund Transfer	RRB	Regional Rural Banks
NGO	Non-Government Organisation	SAHARDA	Sahakara Rural Development Academy, Bidar
NIRB	National Institute for Rural Banking, Bangalore	SCB	State Cooperative Banks
NPA	Non-Performing Assets	SERP	Society for Elimination of Rural Poverty
NPCI	National Payments Corporation of India	SHG	Self-Help Group
NPS	National Pension Scheme	SHG-BLP	SHG-Bank Linkage Programme
OECD	Organisation for Economic Co-operation and Development	SHPI	Self-Help Promoting Institution
OSCERT	Orissa Society for Cooperative Education, Research and Training	SIDBI	Small Industries Development Bank of India
PACS	Primary Agricultural Credit Societies	SKDRDP	Shri Kshethra Dharmasthala Rural Development Project
PDC	PACS Development Cells	SRI	System of Rice Intensification
PLP	Potential Linked Credit Plan	STCCS	Short-Term Cooperative Credit Structure
RBI	Reserve Bank of India	UID	Unique Identity Number
RFIP	Rural Financial Institutions Programme	VAMNICOM	Vaikunth Mehta National Institute of Co-operative Management

A young boy with a joyful expression is peeking out from behind a structure with a thick, thatched roof. The structure's pillars are painted in vibrant, weathered colors of red, yellow, and green. To the right, a large, bushy green plant sits on a concrete ledge. The background shows a simple, light-colored wall.

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