

MAKING THE POOR BANKABLE:

THE JEEViKA EXPERIENCE OF FINANCIAL INCLUSION

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“In a highly constrained environment for financial services, the JEEViKA program has delivered transformational outcomes, bringing millions of poor rural women into mainstream banking system. By building on the platform of community institutions, JEEViKA has facilitated easier access to credit, insurance and a range of financial services for nearly 7 million households in Bihar. While doing so, the project has been able to affect systemic changes in the state’s banking ecosystem and has established the identity of rural women as responsible and trusted clients of financial institutions. Vital lessons on last mile financial inclusion have emerged from the JEEViKA experience.”

Financial Inclusion in Bihar: A Constrained Beginning

Access to basic financial services is a vital ingredient to reducing poverty and boosting prosperity. However, in states like Bihar in India, this is an extremely challenging proposition.

With 104 million people, Bihar accounts for 8.6 percent of India’s population. However, only 4.8% of the nation’s commercial bank branches are operating in the state.⁴ The state’s credit-deposit ratio of 32.8 is the second lowest among all major states and is way less than the national average of 79.⁵ In 2015, the number of bank branches per 100,000 people stood at 6.20 as compared to the national average of 13.5.⁶

Number of Bank Branches per 100,000 People

Ghana	7.2
Botswana	7.9
Bangladesh	8.4
Angola	11.7
India	13.5
Bihar	6.2

A weak banking architecture was just one of the many challenges faced by JEEViKA at the time of its inception in 2006. The effects of the constrained banking

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⁴ Economic Survey of Bihar 2016–17.

⁵ Reserve Bank of India, Branch Banking Statistics 2014–15.

⁶ Figure for Bihar calculated from above mentioned data sources, Data for India and Rest of the countries—The World Bank.



'A Familiar Sight'—A local bank branch manager attending a JEEViKA Self-Help Group Meeting. Since 2007, JEEViKA has undertaken training and exposure programs for more than a thousand bank branch officials.

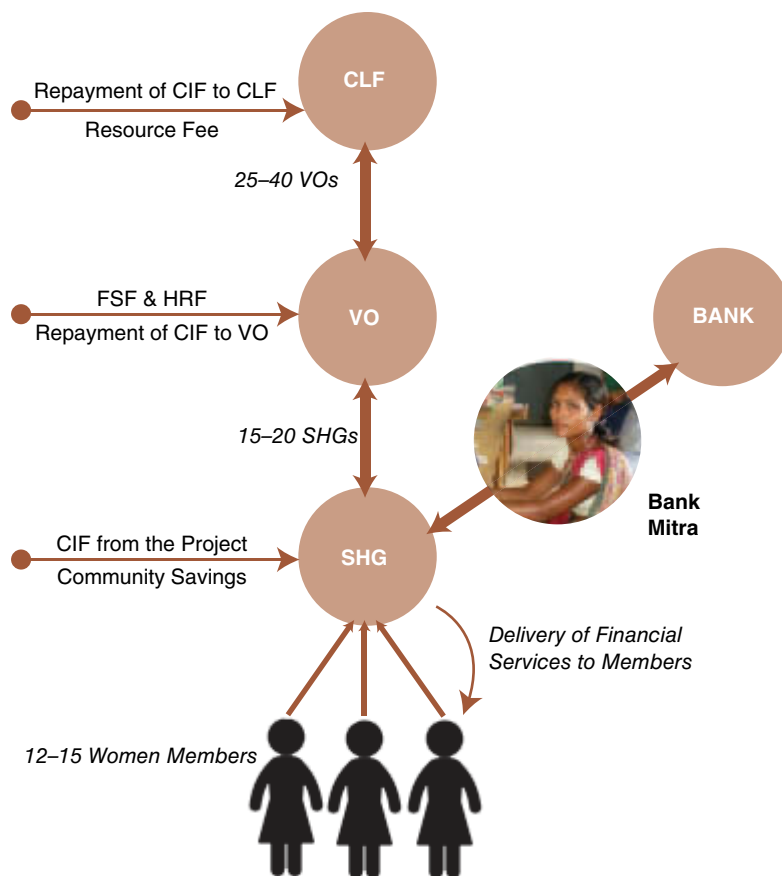
sector were the most telling on the poorest sections of the rural areas. The unbanked poor households had no formal credit history or collaterals to access loans from banks. In absence of formal avenues for credit, the poorest sections were forced into debts taken from informal sources like local moneylenders charging exorbitantly high interest rates. Health shocks and low levels of food security were critical situations where poorest households were at their most vulnerable toward falling into debt traps. Low levels of credit access also limited the ability of poor households to make productive investments towards income generating activities, thus resigning them into low income–low productivity cycles.

JEEViKA—Community Institutions for Financial Inclusion

JEEViKA, a World Bank supported program of the Government of Bihar is aimed at socioeconomic empowerment of rural households. The program was initiated in 2006 under the Bihar Rural Livelihoods Project (BRLP)

in 6 districts and 42 blocks of Bihar. Since then, the program has been scaled up to all 38 districts of Bihar, replicating the lessons of BRLP in the entire state. JEEViKA has thus far mobilised nearly 8.2 million rural women into more than 689,000 Self-Help Groups and their federations. These community institutions have emerged as the most effective platforms for linking the poorest to the formal banking system.

The program adopted the innovative approach of group-based financial access where local bank branches could reach a large client base by servicing a much smaller set of community institutions. At the village level, 12–15 rural women come together to form a Self-Help Group (SHG). These groups are oriented to meet regularly and undertake financial savings and lend internally from the group's common fund or corpus. The program provides small catalytic funding in form of a Community Investment Fund (CIF), initially to stimulate financial intermediation and build credit history of members. Locally identified resource persons called Community



Mobilizers (CMs) facilitate the SHG meetings and maintain books of records. With a proven credit history and a small corpus generated by way of savings and interest, the SHGs are able to leverage larger credit amounts from banks.

Within the village, 10–15 SHGs are federated into Village Organizations (VOs). The VOs act as an important interface between the local bank branch and the member groups and facilitate ongoing credit linkage through a Bank-Linkage Committee. The committee undertakes due monitoring of loans accessed by group members and follows up on timely repayments. The majority of the project funds like CIF get consolidated from SHGs at the VO level, which the federation revolves and redistributes based on demand raised from community members. This fuels a virtuous cycle of ongoing reinvestment into income generating activities thereby enhancing incomes at the household level. Specialized financial products are also introduced at the VO level for members to access funds at differential interest rates for costly activities like purchase of food grains in a lean season or emergency health related expenses. 25–40

VOs are further federated into larger Cluster Level Federations (CLFs). These federations act as large-scale financial intermediation platforms addressing a wide variety of financial needs of the community. CLFs monitor the overall financial health of member institutions and acts as vital touchpoints for banks to reach out to the community.

The community institutions also serve as enabling platforms for rural households to access a range of financial services including insurance and financing for producer organizations. Community Mobilisers undertake regular financial literacy and credit counselling with SHG members, orienting them on sound financial practices as well as new modes of financial transactions like digital and mobile banking.

Interventions and Innovations

Over a decade, JEEViKA has been able to achieve a series of firsts in the area of Financial Inclusion in Bihar. The programme has worked on addressing key constraints on both the supply- and demand-side of financial

service delivery. Some of the key programmatic interventions and innovations that have been instrumental in JEEViKA's success are outlined ahead:

- **Building collective capacities:** The program focused on developing a strong community led facilitation architecture on ground with locally identified resource persons working as Community Mobilisers and Bookkeepers. Also, the federations were made responsible for monitoring the health of their constituent groups and interacting with formal financial institutions.
- **Bank Mitra—A familiar helping hand:** JEEViKA introduced SHG members as *Bank Mitras*—Community members placed within bank branches to facilitate transactions and act as interfaces between the bank and institutions. It was a major milestone for the programme where informal, non-bank employees were allowed to support community institutions while being stationed within the branch offices. For hitherto unbanked community members, many of whom steps into a bank branch

for the first time ever, the *Bank Mitras* serve as vital confidence boosters. More than 2,000 Bank Mitras are currently working with local bank branches in Bihar supporting thousands of groups to effectively engage with their lending partners while ensuring a healthy loan portfolio for the banks.

- **Specialized financial products at VO level:** The programme proactively analysed credit consumption patterns of SHG members and responded by introducing specialized financial products at the VO level. Food Security Fund (FSF) was introduced at the VO level to finance collective procurement of food grains for rural households facing food shortages in lean seasons. Similarly, Health Risk Fund (HRF) was introduced for members to borrow at lower interest rates for health-related emergencies. Both these funds enabled the project in reducing vulnerability of the poorest sections while ensuring availability of funds for productive investments.
- **Strong financial management systems:** For strong financial management at the community level, uniform Books of Records were introduced at all levels. This enabled the project in standardizing performance measurement systems while ensuring desired rigour in financial management. The concept of micro-planning—an asset and credit assessment tool for groups was introduced. Micro plans were accepted as standard documents as part of credit applications submitted by community institutions. Also, the project instituted large-scale annual audits of the federations, i.e., VOs and CLFs to further strengthen financial management.
- **Formal partnerships with banks:** JEEViKA became the first state programme to enter into formal partnerships with most of the commercial banks in the state by way of Memorandums of Understanding (MoUs). These MoUs helped the program in gaining desired buy-in from the banking sector and strengthened the SHG-bank linkage.
- **Consistent engagement with the supply side:** The programme continuously engaged with the banking system at all levels. JEEViKA became the formal member of the State Level Banker's Committee (SLBC) in Bihar, the apex decision making body for banking within the state. The programme also facilitated capacity building of local bank branch

Key Interventions & Innovations in JEEViKA

COMMUNITY LED FACILITATION ARCHITECTURE



- More than 2000 community Bank Mitra, facilitating transactions, loan disbursements and repayments
- Bank Linkage Committee in every village
- Community Mobilizers to facilitate SHGs
- Resource Persons for Insurance and Financial Literacy

STRONG FINANCIAL MANAGEMENT SYSTEMS



- Standard Books of Records across the project
- Strong emphasis on participatory credit planning
- Large scale audit of Village Organizations

CONSISTENT ENGAGEMENT WITH SUPPLY SIDE



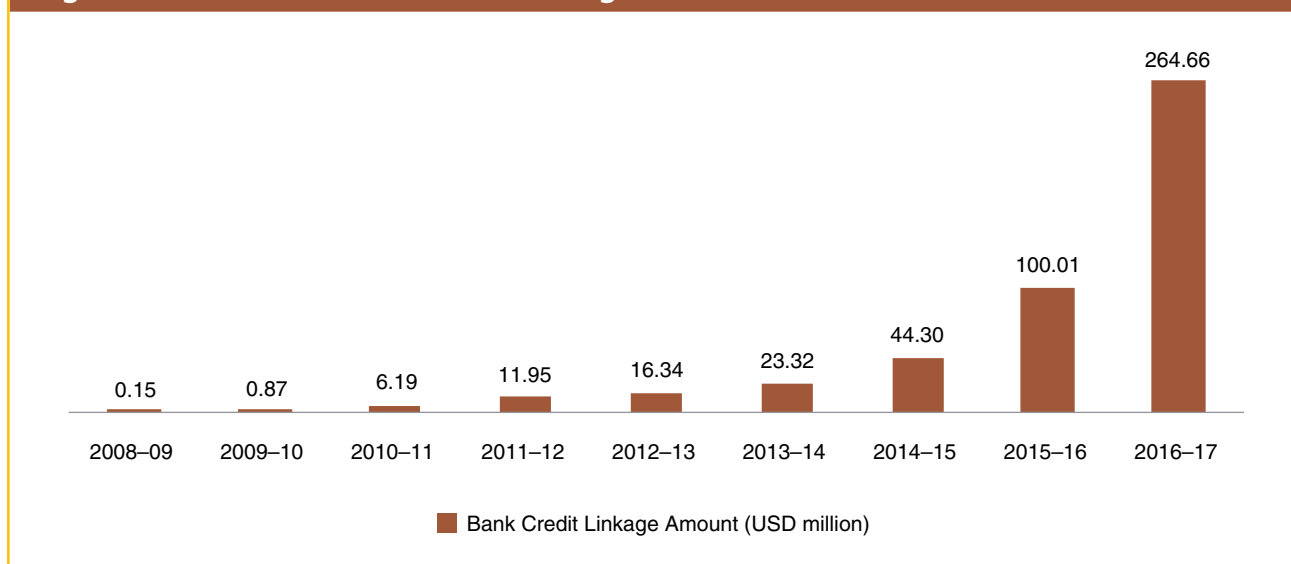
- Training and Orientation of bankers
- Formal MoUs with major banks
- Active participation in SLBC
- First loan limit raised to minimum \$ 1200

GOING BEYOND CREDIT



- 800,000 women enrolled under insurance
- Digital Finance Pilots ongoing
- e-Book Keeping initiated in 300 VOs, to be scaled up

Figure 1: Growth in Bank Credit Linkage



managers and key stakeholders by exposing them to best practising SHGs and federations within the state and outside as well.

Key Outcomes

- Massive outreach:** JEEViKA has mobilised more than 8.2 million rural households into more than 689,000 Self-Help Groups further federated into nearly 40,000 VOs and 550 CLFs. This large institutional platform has enabled the poorest sections of rural Bihar to collectively access banking services. Presently, 3,672 rural bank branches are engaged actively in financing SHGs. These bank branches have amplified their reach in terms of households by engaging with communities as a group. Taking into account the prevailing average of 16,100 people per bank branch, the banks have been able to reach 12 percent of their client base by servicing only 1.1 percent of corresponding bank accounts.
- Boosting access to credit:** SHG-bank linkage in the state has undergone an inspiring transformation over the last decade. Under the programme, the community institutions have leveraged credit to the tune of \$511 million from banks while generating another \$64 million in community savings. Starting from an extremely low base of less than \$1 million in 2009, the community institutions have emerged as vital stakeholders for banks, leveraging \$264 million in 2016-17 alone (Figure 1). Significant investments made into building systems and processes under BRLP have enabled the programme to replicate the lessons on a larger scale. In the last 2 years, the programme has shown a 100 percent annual growth in credit linkage.
- Wide coverage under insurance:** JEEViKA has facilitated coverage of more than 860,000 SHG members under the government sponsored Aam Aadmi Bima Yojana, an individual insurance scheme insuring the women members against death and disability. The participation rate under the program has grown significantly and members are also able to avail a complementary scholarship programme for families with children studying in secondary and higher classes. The insurance program clearly highlights the effectiveness of institutional platforms in building convergence with such government programs. JEEViKA SHG members constitute 98 percent of all beneficiaries covered under the scheme in the state.
- The leveraging effect of JEEViKA:** JEEViKA institutions have been successful in going against the trend by leveraging high amounts of credit against lower investments. Against an estimated direct project investment of \$308 million in the form of a CIF, the community institutions have leveraged \$575 million in bank credit and community



savings. This puts the leveraging ratio of the project at 1.87 implying that for every \$1 invested in the project, the community institutions have been able to generate an additional investment of \$1.87. This is a complete reversal from the state's overall credit-deposit ratio where for every \$1 invested by rural communities, only \$0.32 is being leveraged as credit. Furthermore, the project investment along with community savings form a significant corpus fund for community institutions that will allow them to leverage more formal credit on an ongoing basis.

Impacts of JEEViKA Financial Inclusion Initiatives

While the programme is still ongoing across the state of Bihar, evaluations carried out for the completed Bihar Rural Livelihoods Project have shown significant impacts.

- **Reducing high-cost debts:** One of the most significant impacts of the program has been a significant reduction in high-cost debts among member households. A majority of SHG members have

reported reduction in outstanding debts from high-cost sources such as local moneylenders, underlining the importance of linkage with formal finance.

- **Boosting productive investments and household incomes:** Assessments carried out as part of BRLP's Implementation Completion Report (ICR) indicate that more than 60 percent of loans taken by members were for productive investments in varied activities including agriculture, dairy and enterprises. Also, nearly 65 percent of member households reported enhanced incomes by as much as 30 percent.
- **Systemic impacts:** The programme has been able to affect wide reaching systemic impacts. As a key member of the State Level Banking Committee (SLBC), the programme has consistently worked towards changes in policy. Apart from having the *Bank Mitra* policy ratified at the state level, JEEViKA was also able to inspire gradual policy changes that fixed the first dose of credit to SHGs at a minimum of INR 75,000 (Approx. USD 1,200). This was a key departure from the earlier policy of credit amounts based on existing funds with the SHGs and reflected the growing confidence of the banking sector towards community institutions.

Lessons Learnt and Issues for Wider Replicability

The JEEViKA experience of promoting Financial Inclusion with community institutions as enabling

platforms holds valuable lessons for decision makers and practitioners. Firstly, the approach of promoting collective access to finance can help in overcoming challenges like a weak banking infrastructure. In the case of JEEViKA, the programme in initial years and subsequently the community institutions took charge of undertaking necessary due diligence and system strengthening that allowed the banks to provide credit without incurring very high transaction costs. Secondly, initial investments in establishing standardized processes and protocols around financial inclusion is critical for replicating success. JEEViKA adopted a standardized model of building member capacities on key principles of savings, thrift and responsible borrowing. Further, the programme invested in developing a community level facilitation architecture that supported the institutions while interacting with the supply-side stakeholders. This has paid rich dividends in newly entered geographies as the programme could implement the proven template much more efficiently. Thirdly, it is critical to go beyond credit and facilitate provision of an entire bouquet of financial services. Under the JEEViKA program, the community members have been exposed to not only credit but an entire range of services including insurance, remittances and individual banking. An increasing number of SHG members are moving toward direct linkage with the banks, which is ultimately the goal of financial inclusion, i.e., making every community member capable and confident in accessing all the financial services available for access.

