TERMINAL EVALUATION OF UNDP PROJECT:

FINANCIAL INCLUSION IN RAJASTHAN, JHARKHAND, ORISSA, UTTAR PRADESH, BIHAR, CHHATTISGARH, MADHYA PRADESH

Report of the Mission

March 2013

Submitted to

United Nations Development Programme

Submitted by

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ABBREVIATIONS AND ACRONYMS

ASSEFA	Association for Sarva Seva Farms
AWP	Annual Work Plan
BC	Business Correspondent
BF	Business Facilitator
CMS	Catalyst Management Services
CPAP	Country Programme Action Plan
FI	Financial Inclusion
FICCI	Federation of Indian Chamber of Commerce and Industries
FL	Financial Literacy
IIM	Indian Institute of Management
IIMPS	Invest India Micro Pension Services
ISMW	Indian School of Microfinance for Women
JSLPS	Jharkhand
MFI	Micro Finance Institution
NABARD	National Bank for Agriculture and Rural Development
NGO	Non-Governmental Organisation
NRLM	National Rural Livelihood Mission
SFMC	SIDBI Foundation for Micro Credit
SIDBI	Small Industries Development Bank of India
TISS	TATA Institute of Social Studies
UNDP	United Nations Development Programme

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PROJECT BRIEF

1	**Project Title**	Financial Inclusion
2	**Project Duration**	Start Date: November 15, 2008 End date: December 31, 2012
3	**National priority as per 11th Plan**	The 11th Plan seeks to provide an opportunity "to restructure policies to achieve a new vision based on faster, more broad-based and inclusive growth." The plan emphasises creation of employment opportunities, access to financial products and services, equality of opportunity, empowerment and skill development, particularly for the deprived groups. It recognises a pro-active role for Governments at different levels to make this possible.
4	**UNDAF Outcome (1)**	By 2012, disparities reduced and opportunities enhanced for disadvantaged groups, especially women and girls, for the achievement of MDG related 11th Plan Goals, through strengthened policy framework and implementation capacity of large scale state and national programmes.
5	**UNDP CPAP Outcome**	Improved effectiveness of poverty reduction and livelihood promotion programmes in disadvantaged regions and for inclusion of poor women and men from SC and ST groups, minorities and the displaced
6	**CPAP Output (=project output)**	Disadvantaged people (poor women and men from SC and ST groups, minorities and the displaced) in at least four UNDAF states benefit from national poverty programmes and livelihood strategies through enhanced public expenditure, private sector engagement and better delivery mechanisms
7	**Specific project outputs**	1. A range of financial products and services piloted to promote livelihoods and reduce vulnerabilities of the poor in at least 4 UN focus states 2. Financial literacy strengthened for the poor on available financial products and services, pricing and terms and conditions in 7 UN focus states 3. Knowledge sharing networks supported/established nationally and across 7 UN focus states between actors of the financial services sector for scaling up
8	**Implementing Partners**	National Bank for Agriculture & Rural Development (NABARD), Civil Society and Training Institutions
9	**Budget**	US$ 4.5 million

10	**Mission's Assessment of Project Performance**	**Overall**	**Satisfactory (4/5)**
		Relevance	Highly Satisfactory (5/5)
		Effectiveness	Satisfactory (4/5)
		Efficiency	Satisfactory (4/5)
		Results/ Impact	Satisfactory (4/5)
		Sustainability	Moderately Satisfactory (3/5)

SUMMARY

Inclusive economic growth has been a priority agenda of the Government of India (GoI) over the past decade. It is widely acknowledged that inclusive economic growth cannot be accomplished without achieving financial inclusion for the nearly two-thirds of India's population who are unbanked. Despite many positive steps since 2005, two main challenges stand out – achieving *depth and breadth of financial services*, i.e. reaching poorer and more remote people through financial services, and expanding the access to variety of financial services that are integrated with livelihood promotion and income. In this context, the "UNDP Financial Inclusion Project " was designed within its Country Programme Action Plan (CPAP), contributing to the over-arching objective of the India-United Nations Development Assistance Framework (UNDAF) 2008-2012, which is "promoting social, economic and political inclusion for the most disadvantaged, especially women and girls."

The project sought "to improve access to financial products and services to reduce risks and enhance livelihoods for the poor, especially women and men from SC and ST groups, minorities and the displaced." The Project focused on **five key outputs**: (a) design and pilot innovative financial products and services that suit livelihoods of the poor; (b) support district-level demonstration of new products and channels; (c) strengthen financial literacy initiatives; (d) support knowledge sharing at state and national levels; (e) engage with policy makers and sector experts to strengthen financial inclusion agenda. It was a **four-year initiative**, ending in December 2012, with an outlay of **$ 4.5 million**.

The project was implemented in partnership with National Bank for Agriculture and Rural Development (NABARD) and in few cases with NGOs directly. The knowledge and policy components were handled by UNDP, the other two components of product delivery and innovations and financial literacy at scale were handled by both NABARD and UNDP. Various initiatives that were tried out on the ground:

Components	Expected Outputs	Initiatives on the Ground
Product and Delivery Innovations	Design and pilot financial products and services for the poor, esp. disadvantaged groups; and District level demonstration pilots to test out new products, delivery channels and models designed	• UNDP-Emmanuel Hospital-RSBY • NABARD Pratoma Bank - Mobile Van • UNDP-JSLPS-District Scale Up • UNDP-Bandhan-Livelihood Financing • NABARD-Fin Literacy Resource Centre
Financial Literacy	Strengthening financial literacy through information provision and protection of the poor	• NABARD-ISMW Collaboration • UNDP-ISMW Collaboration • NABARD-FINO Collaboration
Knowledge Sharing	Supporting knowledge sharing at state/ national levels to help exchange new ideas, good practices, share experiences for scale up	• UNDP supported Microfinance Community of Practice, Solution Exchange
Policy Advocacy	Strengthening policy environment for financial inclusion in the country	• India Microfinance Conference, with state of Sector Report • IIMPS-Micro Pension • UNDP-Sa-dhan Round Table • UNDP-Chamber of Commerce, • UNDP-IIM-Technology • UNDP-CAB-Status of FI • NABARD-Exposure visits to Bankers • NABARD-State Level Meetings

The Project has completed its **four-year** duration by December 2012. UNDP commissioned a Mission to undertake the terminal evaluation of the Project, with Catalyst Management Services Pvt. Ltd. The objectives of the Mission were to: (a) evaluate results and impact, and sustainability; (b) provide basis for decision making on post-project actions; (c) assess effectiveness and efficiency of resource use; (d) document lessons. This is the report of the Mission.

Overall Assessment of Project Performance:

The Mission assesses the **overall performance of the project as 'satisfactory'** (4 points out of possible 5), against the expected outcome of "formulating and testing a number of innovative strategies of financial inclusion linking people's livelihoods and customised financial literacy to both formal and informal financial system for disadvantaged groups and regions in the country". A variety of innovations and ideas have been tested as per the plan. However, the short duration of the project, short periods of associations, and an unexpected reduction in the resources have brought down the overall assessment score from a potential 'highly satisfactory' to the current level of 'satisfactory'.

Against the stated objectives, the achievements have been in the areas of building awareness on financial products and services for the marginalised groups at a scale; forging new partnerships to take the agenda forward at different levels; designing new ways of addressing the challenge in hand; developing effective methods and tools to improve the quality of the interventions and reach out to the unreached; testing new delivery models with their costs and feasibility; helping develop perspectives and build capacities; sharing solutions within the practice community; and highlighting issues appropriately at national levels. Key achievements are:

- **Significant numbers of communities have been reached through direct financial literacy** initiatives by NABARD directly, and in collaboration with FINO and ISMW. FINO reached out to 35,724 households who were financially excluded of which 14,898 opened savings accounts and 1,167 purchased insurance policies. In Uttar Pradesh, NABARD implemented about 2,000 programmes across the state though 46 DDM districts, and reached out to about 30,000 households. An increase of about 32% in SHG membership, 25% in savings bank accounts, 48% in Kisan Credit Cards, 74% increase in accessing micro insurance is achieved here. The conversion rate from literacy to accessing the service has been impressive. Similar work has been done across other states.
- **Partnerships have been developed by NABARD with other institutions beyond conventional constituency of banks, helping in innovations to address the agenda**. These partnerships have helped NABARD in different ways: (a) Shift in thinking – realization that financial inclusion without financial literacy will not enable poor and marginalised households to utilise the benefits and move out of poverty; and post literacy, it is important to ensure adoption through appropriate products and ways to include the poor; (b) Understanding the key needs and constraints from the point of view of excluded and find ways and means to include them; (c) Leveraging each-others' strengths to address the agenda; (d) Developing new ways, methods and tools to reach out excluded and enable them to be included, such as camps, peer pressure methods, outreach strategies such as puppet shows, media campaigns, village meets etc.; (e) How to feedback field learning to strategies and plans; (f) Getting opportunities to be creative. NABARD officials suggested, "UNDP money gave good flexibility and freedom. So our ROs could do many innovative things."
- The **product and delivery model innovations on the field have helped to understand what works and what does not** in reaching out to the most marginalised groups:

- The Emanuel Hospital model has provided useful learning and mechanisms of **working at a scale through Hospital and Local Stakeholders** to reach out to the intended group of marginalised communities, convince them and enable them to adopt a health insurance product (RSBY). The insurance accessed by the communities have had significant benefits, with numerous case studies of people who could afford health care only because of the RSBY insurance scheme.
- The **model of partnering with grassroots organisations** has mutual benefits for the organisations and for NABARD. It increased outreach for financial inclusion activities to large numbers, led to financial literacy of large numbers of marginalised groups, including women, led to networking of NGOs for financial inclusion. The beneficiaries have gained by getting credit, insurance and other products and services, giving them confidence and helping them grow their livelihoods. Canara Bank-ASSEFA, NABARD-ISMW-Mahila Prabodini are good examples.
- The initiative with Jharkhand State Livelihood Promotion Society (JSLPS) in Pakur District demonstrated **leveraging multiple partnerships to reach scale at district level** (State Govt. Project, NABARD, nine CSOs, ISMW), and use of locally appropriate methodologies to reach out to the ultra-poor, the intended target group. The learning from this has potential to incorporate in National Rural Livelihood Mission initiatives.
- The engagement with the **micro-finance institution to address the financial requirement for livelihoods** for the marginalised group has provided some useful experience to reach out the target group addressing financial inclusion for livelihood needs. Bandhan, one of the largest MFIs in the country, helped clients on business counseling and developing their plans, facilitating access to credit, opening their bank account and ensure appropriate insurance to the needs of their livelihoods. In seven months the model reached 2,000 clients, with preparation of 1,600 business plans, sanctioning of 80 new loans, opening of 143 new bank accounts and insurance for all. Trainees have increased confidence to deal with banks, demand for appropriate loans and also understand the needs for insurance.
- The **Business Facilitator model** has been fairly successful in increasing client base for banks, ensuring financial inclusion and also a business for its facilitators who are from community. Prathama Bank hires business facilitators from communities, canvass the villages for potential clients for Prathama. The facilitators themselves do not carry out *any transactions*. They promote products and services such as SHGs and JLGs (Joint Liability Groups), Home Solar Lighting Financing Schemes, Account openings. The Business facilitators are paid on an incentive basis as per the amount of business they bring to Prathama.
- The **mobile banking project** was specifically commissioned to reach out and provide services to the unreached through physically reaching them through vans, met with limited success. The practicality and the financial viability of this model is limited.

- Building on these experiences, there have been **some ideas on the costs and efforts** that are required to reach out to the excluded and move them to adopt these services. If we consider opening of the account with a bank as the immediate outcome of FI programme then following interesting data emerges from these experiments – for each strategy (very approximate). These are not for comparison, but to highlight the level of efforts and resources required to reach out to people with different methods. These can be used for future programmes to allocate resources.

  a. The ISMW programme has helped to open 5,488 accounts with a budget of ₹1,000,000, the average cost of opening an account works out to ₹ 182.

b. FINO Foundation spent ₹8,600,000 and brought 14,898 clients into bank and 1,167 people into insurance coverage, at a cost of ₹ 512 per client.

c. The programme handled by NABARD through camps targets opening of 50 accounts with a budget of ₹ 10,000, the average cost of opening an account works out to ₹ 200.

- **Knowledge sharing through the Solution Exchange** for Micro Finance Community of Practice was very active and dynamic addressing the issues from the field, providing solutions through community interactions, and generating debates to be addressed by policy makers and programme implementers. It has provided an interactive forum to address the many challenges that are faced in financial inclusion and livelihood areas. SE's discussions forums have deliberated on urban micro finance, micro finance for remote areas, religious minorities, disaster affected people, and small and marginal farmers. Its action groups have worked on important themes like strengthening cooperatives, housing micro finance, micro insurance and health mutuals. SE has made significant contribution to policy level thoughts by hosting discussions on Microfinance (Development and Regulation) Act 2010, RBI Guidelines on Mobile Phone Banking, Microfinance through post offices, National Federation of SHGs, National Policy for Older Persons, CBMFIs, MF for People with Disabilities, National Policy on Skills Development, MF issues of Street vendors and Money Lenders Acts. It contributed to the design of the National Rural Livelihood Mission (NRLM) and the 12th five year plan through an approach paper.

- **The policy engagement work** had many initiatives during the project period. Two substantial contributions have been (a) the support provided for the India Microfinance along with developing the Microfinance State of Sector Report; (b) the consultation held with IIMPS to scale up the micro pension initiative.

The Project found to be highly relevant given the extent of poverty in the country and the very low levels of financial inclusion, a critical service required for the poor to engage in their livelihoods. The overall objective of the project is well derived and articulated from the XI five year plan of the government and fits well with it. In terms of the **geography**, the focus was in the seven poorest states in the country, and particularly for the disadvantaged gro ups and those living in remote areas. The **target groups** addressed in this project are socially and economically marginalised (SC, ST, minorities) and displaced, as per the priorities set in the CPAP of UNDP.

The Project has successfully **delivered all the results** as per the agreed Annual Work Plans for the four year period by UNDP and its main partner NABARD, i.e. deliverable targets have been achieved beyond the agreed numbers and typologies of work. It is to be noted that the AWPs have been recast based on the resources limitations that the project encountered during the year 2010. However, NABARD reports that their commitment for 2010-11 was fully done as per original targets by bringing in its own resources. NABARD and most of the direct partners felt that to address intent of financial inclusion effectively the agenda should have been larger, and efforts more intense. This was not possible within the project given the limited time and work plan. Therefore while the AWPs have been delivered, the commitments and expectations of years 2011 and 2012 could not be addressed. If the budgets had not been downwardly revised in 2010, the assessment of this parameter could have been highly satisfactory.

The **project design is found appropriate**, with the initiatives well rounded (moving from the design and pilots at the grassroots, to large scale financial literacy delivery, and to knowledge and policy). However, the integration of these elements at each level and closing the loop (with one feeding into another) has been limited. For example, if one considers a state as the unit, there was limited cross-learning between different initiatives within the state, and between states, and from the national level, to improve scale and efficiency. While some attempts were made to this effect, much more needs to be done to leverage the learning to maximise the impact of this project.

The **design has been ambitious** both in terms of time and financial resources, looking at the challenges and scale that need to be addressed. The project focused on geographies and target groups that are very difficult to reach; and the numbers to be covered were large. Given this context, the time available was limited. This is also compounded by the fact that NABARD was disappointed with the reduced financial resources for the project against the agreed amounts, due to change in UNDP's outlay for this period internationally.

The **Project was successful in building appropriate partnerships** both at the national level, and at the specific initiatives. Unfortunately the unexpected reduction in the quantum of resources originally committed with the partner led to under-utilisation of vast potential of these institutions (particularly NABARD). Some felt that the opportunity to bring in the Ministries related to Banking, Labour[1], and Rural Development was lost, as it would have helped in addressing supply side issues simultaneously, with greater effectiveness, which was required critically to ensure outcomes and sustainability at every initiative.

With respect to achievement of finalised annual work plans, the discussions with stakeholders pointed that the project **has done well to achieve the numbers and targets as per the plan**. As far the **fund flow** of the project, there have been reportedly delays in money transfer to NABARD which happened just before the close of the year-end operations (both in 2010 and 2011) and resulted in activities delivered within a short time.

Key Lessons:

- Reaching out and convincing the most marginalised to be included in financial inclusion initiative requires **special efforts, partnerships, methods, tools and approaches, going beyond conventional information and training**. The project has developed and tested these models, tools and approaches, along with the resource brackets and these can be used in replications elsewhere.
- Not all the skill sets and methods can be brought or developed by single institution. To address the agenda of financial inclusion for the marginalised, **multiple skills and bases are required and these can come only from partnerships**. The partnerships and roles divisions at various levels have been one of the key demonstrations of the project on how to synergise to address a key challenge. This is something useful to document for use in scale up and in other developmental contexts.
- **Moving beyond standard product and processes** needed to address specific needs and priorities for the excluded. There is a need to develop and leverage appropriate delivery channels that consider the people's convenience rather than delivery efficiency. Many places where the project has succeeded, the factors shared have been – "appropriateness to local situations" and "profile of people", rather than looking at the delivery efficiency of the implementers.
- **Flexible funds** to address critical gaps in large scale programme helps in making the programme more effective and high quality. The contexts and challenges have been varied and therefore the

[1] Insurance and pension

partnerships and the tools need to address this variety. There is a need to be flexible to provide space for these in the project plans.

- The efforts towards changing the behavior at the rural level, **peer pressures and group based approaches** at locally appropriate time and location is effective. This is where the bases of community organisations, NGOs/ civil society, MFIs and the Missionary Hospital experiences have been very useful and demonstrative.
- To make the financial inclusion efforts successful and impactful, there is a need to **first build financial literacy and then follow it with actual targets** of opening accounts.
- To reach out to the last mile clients, there needs to be methods that are locally appropriate; there is a need to go beyond just training and giving information to people, and counsel them to adopt products; bring in peer pressure to motivate them to adopt; follow up with frequent field level interactions; etc. **MFIs and NGOs bring-in these critical elements** and given the new MFI regulations, exploring options of MFIs as FI institutions need to be looked at.
- There is a **need for a national level effective facilitator** to identify, forge and sustain partnerships periodically to ensure effective delivery of the agenda. The role of UNDP in looking at the need and challenges, finding appropriate partners at various levels and bringing them into workable partnerships is found very effective. This will require neutrality of approaches, strong base, reputation, flexibility in approaches and more importantly complete understanding the issue of poverty and its dimensions in a holistic manner.
- There is a need to involve **nation-wide partners and engage with them** to ensure sustainability and scale, even though there are difficulties and it is time consuming. The partnerships with large organisations of scale are critical, as it is shown with outcomes of engagements with NABARD, JSLPS, Bandhan, etc. However, the experience also shows that given their size and systems, it is important to provide adequate timeframe to forge these partnerships. The experiences of UNDP in building variety of partnerships with different typologies of organisations in this project is one of the highlights, and the lessons from reflecting these experiences will enormously contribute to ensuring future effective engagements.

<u>Recommendations:</u>

Even with many initiatives on the ground along with the strong policy intent, financial inclusion continues to be a challenge in the country and there is a long way to go. Even at the first level of ensuring good understanding among the excluded communities and motivating them to be a part requires enormous effort. A lot more needs to be done to move beyond this to address the long-term intent of FI addressing the life cycle and livelihood needs. The agenda is still vast and the task is quite challenging. Building on the experience so far there are many contributions required from players such as UNDP and NABARD to address the issue in coming years. Two sets of recommendations have emerged, one for the UNDP and the other for NABARD.

Specific Recommendations for UNDP:

1. The project has completed all its activities as per the AWPs agreed on with the partners. As we have seen earlier, the status of achievements have been varied in each of the models, with some possibly requiring more support to ensure sustainability, and some for documenting and learning to capture the experiences and lessons. This would require documentation of models from the view of what work well in which context, with what key factors, etc. to be developed. This will be immensely

useful for both field level partnerships and devising scalable programmes. The costs, coverage, approaches, with clear predictability of results are important.

2. The objective of the project has been to develop and test out models and approaches to effectively address financial inclusion of the marginalised groups. There are areas within current models where more work is required to fine-tune the models and approaches to improve effectiveness and sustainability. For example, the supply-side support at the field level to ensure better delivery of products and services in Emmanuel Hospital, ASSEFA resource centre viability, JSLPS district NGO network strengthening, etc. are some examples that need further support to close the loop of ensuring sustainability of these initiatives.
3. While the models have been tried out and implemented well, there is a need to productise these with clearly laid out protocols so that the 'how to do' for scale up can be addressed well (model documentation). These instruments could be in paper documents such as case studies, technical protocols, training modules or videos. 'Productising' or 'Schematising' of these would be useful for incorporating in different programmes and organisations in future.
4. The training modules and methods developed in the project for improving financial literacy is a great resource for the sector. A repository of these knowledge products could be made available in few key national organisations and in UNDP.
5. Cross learning between states and within the partners on how they approaches financial literacy, what worked and what not, etc. would be an important process. Many felt that they are unsure of the outcomes and methods that have been tried and working in other parts of the project. The experiences of Bandhan, EMH, ASSEFA, Prathama Bank, JSLPS, etc. in addressing financial literacy through their models need to be shared in respective networks or platforms. These could be MFI networks, CSO networks, hospitals and faith based organisations, banking sector, NRLM state missions, etc. Here again, modularising and productising with an analysis of what works where would be very useful to share and enable easy adoption.
6. Engagement with NABARD for further inputs and support required in the next plan period would be a step required. As mentioned in the findings chapter, sharing with other major players in the banking sector to address all type of banks across the country will be useful.
7. There are engagements expected from UNDP that are critical to ensure enabling environment to make the financial inclusion work effective. Some of the work required to be done in this is:

- Advocacy to make the supply side more responsive seems to be an area of future work. Policy level engagement with the respective ministries is an area of support expected.
- Exploring with policy makers on developing a new institutional structure for focused last mile linkages, similar to RRBs, and giving them clear agenda and boundary of operations. These can work only with those who don't have bank accounts and in areas where most are excluded.
- The cost of reaching out to the unreached is currently being borne by Banks and the viability is a question. Banks are not incentivised and are not equipped to handle large number of small accounts. There is a need to explore at policy level what and how this can be incentivised.
- Engaging appropriate human resources at critical levels to help the agenda delivered better – both at Government level and also at partners (such as NABARD).
- Apart from these, the knowledge sharing as done so far in Solution Exchange and through focused studies and dissemination is important to make the work effective.

Specific Recommendations for NABARD:

8. One stream of work is to scale up the initiative building on the experiences, tools and methods that have been developed and tested in the previous phase. NABARD is mandated to do this across the country. It will require adequate human resources at the State Offices under the FI Division which could possibly be supported from UNDP/other institutions to enable high quality delivery of these programmes. While delivering these services, studies, research and new methods could be developed in parallel developed and fed into the programme to make it more effective.
9. There is a long way to go before FI innovations through the delivery models such as BC and BF can sustain their operations. Making BCs viable – to reach scale and sustain – is an agenda that could be further explored.
10. There is lot more that needs to be done to develop products and methods to address the entire life cycle and livelihood needs of the group, once they are reached and a bank account is opened. Currently there are largely standardised or general products available. Pilots to develop and deliver customised products to groups are required in coming years.
11. Models are yet to be developed to reach populations that are migratory. Building on initiative such as AADHAR cards could be one option. More needs to be done to find solutions in this regard.
12. There could be exploration of identifying BCs from marginalised groups catching them young at schools and colleges. If viable options are given to them at the college or school level with a clear model of operations, they are likely to be going back and working effectively among their communities.
13. In district level FLCCs depute a person from local NGOs to bring in the skills and attitudes required to reach out and convince marginalised communities, building on the experiences gained from this project.
14. There needs to be formal engagement methodologies and metrics between civil societies with the banks to leverage each other's strengths to reach out to the targeted communities.
15. Single point service providers at the local level could be developed so that the sustainability of providers is ensured and basket of services can be provided to people effectively.
16. There could be partnerships for financial inclusion with possibly MFIs and other producer organisations, which may be under NABARD's framework or otherwise. Large scale partnerships to leverage these bases could also be explored (for e.g. with Small Industries Development Bank of India under their SIDBI Foundation for Micro Credit, or with Friends of World Women Banking, etc.). Other institutional models, for e.g. Velugu and Andhra Bank setting up operations in unbanked areas, to address the financial inclusion issues through SHG-Federation model, in multiple states.

MAIN REPORT

1 BACKGROUND – SECTORAL CONTEXT AND UNDP PROJECT ON FINANCIAL INCLUSION

Inclusive economic growth has been a priority agenda of the Government of India (GoI) over the past decade. It is widely acknowledged that inclusive economic growth cannot be accomplished without achieving financial inclusion for the nearly two-thirds of India's population who are unbanked. **Financial inclusion** is the process of ensuring access to financial services and timely and adequate credit at affordable costs by weaker sections of society and low income groups.

To promote financial inclusion, many initiatives have been implemented in the country since 2005 such as "no frill accounts", transfer of money without a sender's account, and business correspondent model. Despite such positive steps two main challenges stand out – achieving ***depth and breadth of financial services***, i.e. reaching poorer and more remote people through financial services, and expanding the access to variety of financial services that are integrated with livelihood promotion and income. It is recognised that supply-side interventions need to be accompanied by ***demand-side efforts*** to strengthen the livelihoods of the poor, i.e. promoting financial literacy, so that the poor become aware of products and services, their benefits, how to access and utilise them, and begin demanding the services.

In this context, the "**UNDP Financial Inclusion Project** " was designed within its Country Programme Action Plan (CPAP), contributing to the over-arching objective of the India-United Nations Development Assistance Framework (UNDAF) 2008-2012, which is "promoting social, economic and political inclusion for the most disadvantaged, especially women and girls."

The project sought "to improve access to financial products and services to reduce risks and enhance livelihoods for the poor, especially women and men from SC and ST groups, minorities and the displaced." This would be achieved by engaging with stakeholders on the supply side (financial service providers), demand side (communities) and other enablers (civil society, training institutes, knowledge, sectoral experts and policy makers). The Project focused on **five key outputs**: (a) design and pilot innovative financial products and services that suit livelihoods of the poor; (b) support district-level demonstration of new products and channels; (c) strengthen financial literacy initiatives; (d) support knowledge sharing at state and national levels; (e) engage with policy makers and sector experts to strengthen financial inclusion agenda in the country. The Project was a **four-year initiative**, ending in December 2012, with an outlay of **$ 4.5 million**. Refer to Annex A for the project summary.

To address the key challenges in the sector and building on the objectives, the UNDP Financial Inclusion Project developed variety of models and approaches. These have been in the areas of capacity building, studies, facilitating product adoption, innovative delivery models through field and strategic partnerships, etc. The **project framework and initiatives** undertaken on the ground are captured in Figure 1.

With respect to the **implementation arrangement**, the project was to be anchored fully by the National Bank for Agriculture and Rural Development (NABARD), and implemented by partners in different states. While the partnership with NABARD was formulated during 2009, due to reduction in funding during 2010 some project components had to be implemented directly by UNDP (as reflected in each of their Annual Work Plans from 2009 – 2011). While the knowledge and policy components were completely handled by UNDP, the other two components of product delivery and innovations and financial literacy at scale were handled by both NABARD and UNDP. Given the constraints of funds, the framework finally followed was reflected in the "Annual Work Plans" (AWP) of UNDP from 2009-2011.

Figure 1: UNDP Financial Inclusion Project framework and initiatives

Outcome	Areas	Outputs	Initiatives on the Ground - Type, Nos.	
Improved effectiveness of poverty reduction and livelihood promotion programmes in disadvantaged regions and for the inclusion of poor women and men from SC and ST groups, minorities and the displaced	Product and Delivery Innovations	Supporting design and pilot financial products and services for the poor, particularly disadvantaged groups Supporting district level demonstration pilots to test out new products, delivery channels and models designed	- UNDP-Emmanuel Hospital-RSBY - NABARD Pratoma Bank - Mobile Van - UNDP-JSLPS-District Scale Up - UNDP-Bandhan-Livelihood Financing - NABARD-Fin Literacy Resource Centre	5
	Financial Literacy at a Scale	Strengthening financial literacy through information provision and protection of the poor	- NABARD-ISMW Collaboration - UNDP-ISMW Collaboration - NABARD-FINO Collaboration	3
	Knowledge Sharing	Supporting knowledge sharing at state/national levels to help exchange new ideas, good practices, share experiences for scale up	- UNDP supported Microfinance Community of Practice, Solution Exchange	8
	Policy Advocacy	Strengthening policy environment for financial inclusion in the country	- India Microfinance Conference, with state of Sector Report - IIMPS-Micro Pension - UNDP-Sa-dhan Round Table - UNDP-Chamber of Commerce, - UNDP-IIM-Technology - UNDP-CAB-Status of FI - NABARD-Exposure visits to Bankers - NABARD-State Level Meetings	Many

2 EVALUATION – OBJECTIVES AND METHODS

The Project has completed its **four-year** duration by December 2012. UNDP commissioned a Mission to undertake the terminal evaluation of the Project, with Catalyst Management Services Pvt. Ltd. The objectives of the Mission were to: (a) evaluate results and impact, and sustainability; (b) provide basis for decision making on post-project actions; (c) assess effectiveness and efficiency of resource use; (d) document lessons.

The Mission used desk research and qualitative methods to arrive at the assessment findings. The process included an inception meeting with the UNDP (to decide on overall approach to the Mission, develop checklist of issues and identify samples), extensive desk research of number of documents, followed by interactions with key stakeholders of the project and field level interactions. Field visits were made to Uttar Pradesh, Jharkhand and Bihar. Even with the limited timeframe for the visits[2], the Mission ensured coverage of stakeholders and field models across all the five areas which helped get a good understanding of the entire project. Discussions with officials of the key partner, NABARD, were undertaken both at head and state office levels in the three states visited. The assessment was done during November – December 2012.

The assessment is limited by the number of initiatives and stakeholders covered during the study. The Mission covered three states (out of five) where maximum work has been done (approximately 80% of the outlay in these states). It ensured coverage of all models and district level delivery experiments within these sampled states to get an overview of all the work undertaken within the timeframe.

The study depended largely on qualitative assessment of perceptions and experiences of stakeholders, combining these with the desk study. However, the coverage has provided adequate evidence and insights to address evaluation questions, extract learning and generate ideas for potential contributions in the future.

[2] The timeframe for the field visits were limited for a period of about 15 – 20 days during December

3 Key Findings

3.1 Project Initiatives on the Ground

The project has undertaken the following significant initiatives under each of its focus areas.

Under **product and delivery innovation**, the project engaged in new models to reach out to marginalised communities, such as adding the financial inclusion agenda into regular roles of some organisations; new training methodologies, etc. It forged collaborations with a variety of organisations beyond banking institutions such as non-governmental organisations (NGOs), community based organisations (CBOs), microfinance institutions (MFIs), and faith based organisations (FBOs).

The models tested within the project include:

Promoting health insurance products through Hospitals - The Emanuel Hospital model provided useful learning and mechanisms of **working at a scale through hospital and local stakeholders** to reach out to the intended group of marginalised communities, convince them and enable them to adopt a health insurance product. The insurance accessed by the communities have had significant benefits, with numerous case studies of people who could afford health care only because of the RSBY insurance scheme. In the absence of the insurance beneficiaries would have either foregone treatment, resulting in greater morbidity (and subsequent loss of pay or reduced productivity) or mortality.

Leveraging presence and strengths of grassroots organizations - Bank-CSO partnership through ASSEFFA in Bihar enabled expanded outreach and promoting bank linkages of SHGs and individuals.

Partnership of NABARD with Mahila Prabodhini in UP enable accelerated outreach to excluded communities through large scale, community level activities. It yielded improved financial literacy and is directly leading to women's empowerment.

The initiative with Jharkhand State Livelihood Promotion Society (JSLPS) in Pakur District demonstrated leveraging multiple partnerships to reach scale at district level (State Govt. Project, NABARD, nine CSOs, ISMW), and use of locally appropriate methodologies to reach out to the ultra-poor. The initiative developed a NGO network at the district level called Parivartan and also the establishment of 'Bank Mitra' in every village. Based on the experience and success of this district-wide model at Pakur, the model has been taken for further larger funding and replication under National Rural Livelihood Mission (NRLM).

Going beyond credit for financial inclusion through micro-finance institutions

The engagement with the **micro-finance institution to address the financial requirement for livelihoods** for the marginalised group has provided useful experiences to reach out the target group addressing financial inclusion for livelihood needs.

The project reasonably established the effectiveness of the credit plus inputs and mentoring support (financial and business related). The tangible outputs in terms of business planning, savings linkages, higher flow of capital etc. and the qualitative feedback from the clients about their interest and utility re-affirms it.

The business facilitator and business correspondent model -

The business facilitator and correspondent model **takes the banks to the communities**. Communities have learned how to bank, and the mechanism can be leveraged to deliver many other services.

Mobile banking -

The **mobile banking project** was specifically commissioned to reach out and provide services to the unreached through physically reaching them through vans. However, as a model it faced many challenges and was seen to be unviable for reaching the unreached areas. The vans acquired for the initiative are now being used for awareness generation.

Some of the costs and efforts of selected models include:

d. The ISMW programme has helped to open 5,488 accounts with a budget of ₹1,000,000, the average cost of opening an account works out to ₹ 182.

e. FINO Foundation spent ₹8,600,000 and brought 14,898 clients into bank and 1,167 people into insurance coverage, at a cost of ₹ 512 per client.

f. The programme handled by NABARD through camps targets opening of 50 accounts with a budget of ₹ 10,000, the average cost of opening an account works out to ₹ 200.

As a part of the **financial literacy** component, three major initiatives, two by NABARD and one by UNDP covering large number of people across all project states were implemented. To develop methods appropriate to the needs of the marginalised groups the project engaged with Indian School of Microfinance for Women (ISMW) and Fino Fintech Foundation (FINO) both of which reach out to the target communities through locally relevant training methods, collaterals, training pedagogy, involvement of business correspondents in training, etc. Significant numbers of beneficiaries (over 65,000 households) have been reached through direct financial literacy initiatives by NABARD itself, and in collaboration with FINO, and ISMW.

The work under the **knowledge sharing area** has been largely through UNDP Solution Exchange's Micro Finance Community of Practice, where **eight type of activities/services** were undertaken **- Virtual Knowledge Sharing Services**; **Regular Information Services** (Community Updates (Monthly) / Community Newsletters 'For Info'); **Knowledge to Practice Services** (Action Groups); **Research Based Activities (**Research studies on financial inclusion issues); **Face to Face Discussion Activities** (Annual forum, roundtables, national workshops/consultations); **Publication Services** (Ready reckoners/ Synthesis Documents); **Information/ Resource Services** (Thematic notes for new projects designs) and **Networking Services –** (Outreach Partner/ Knowledge Partner). The platform was very dynamic during the entire period of project, addressing key issues in financial inclusion. It provided the opportunity to share tested tools and methods, resource sharing and seeding new ideas. It made an important contribution by providing a forum for sharing perspectives of policy makers and practitioners on policy level issues related to areas such as the (Microfinance Development and Regulation) Act 2010, RBI Guidelines on mobile phone banking, microfinance through post offices, etc. It also contributed to the design of the National Rural Livelihoods Mission (NRLM) and 12^{th} five year plan approach paper through e-discussions, workshops and round table discussions, technical papers.

Within the **policy advocacy** component, support was provided to the Microfinance India Conference and State of Sector Report, which brought stakeholders involved in financial inclusion initiatives face to face. Apart from this, the project also undertook studies with reputed organisations and published papers that provide an understanding about the issues that affect the inclusion of the poorest and marginalised, enabling the project identify areas for consultations.

The details of all these initiatives are presented in the following sections.

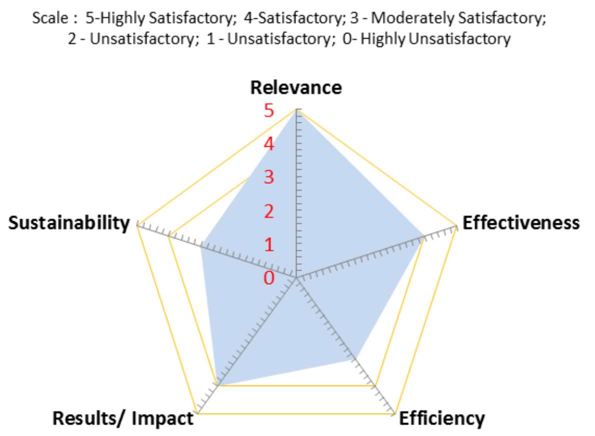
3.2 Project Performance – Overall Assessment

The Mission assesses the UNDP's Financial Inclusion Project **"Satisfactory"** (4 out of 5) at the **overall project level.**

This ranking is against the expected outcome of "formulating and testing a number of innovative strategies of financial inclusion linking people's livelihoods and customised financial literacy to both formal and informal financial system for disadvantaged groups and regions in the country". A variety of innovations and ideas have been tested as per the plan. However, the short duration of the project, shorter periods of associations with partners at various levels, and an unexpected change in the resources during the second year have brought down the overall assessment from a potential 'highly satisfactory' to the current level of 'satisfactory'.

In terms of the assessment on specific parameters, the Mission considered the following: relevance, effectiveness, efficiency, results/impact, and sustainability. The rating against each of these is given in Figure 2. There were two clear tracks of work – one through NABARD and the other directly by UNDP, with each one having separate AWPs for the project period.

Figure 2: UNDP Financial Inclusion Project – Performance Assessment



The levels of achievements and sustainability have been slightly different for each of these tracks; but the assessment given here is for the project as a whole, combining both the tracks. The analysis of the performance in each of these areas is unpacked through the subsequent sections of this report.

While the report sections are organised based on these evaluation parameters (relevance, efficiency, effectiveness, results and sustainability), to avoid repetitions of examples and references, the details of interventions are mainly explained under the section 3.6 – "Key Results and Impact".

3.3 Project Relevance

The Mission assesses the **relevance**[3] of the UNDP's Financial Inclusion Project **"Highly Satisfactory"** (5 out of 5)

The Project is a **highly relevant initiative** given the extent of poverty in the country and the very low levels of financial inclusion, which is a critical service required for the poor to engage in their livelihoods.

At the country level, financial inclusion is one of **policy priorities** as reflected in the 11th Plan. The Plan seeks to provide an opportunity "to restructure policies to achieve a new vision based on faster, more broad-based and inclusive growth." The plan emphasises creation of employment opportunities, access to financial products and services, equality of opportunity, empowerment and skill development, particularly for the deprived groups. It recognises a pro-active role for Government at different levels to make this possible. The UNDP Financial Inclusion project fits in well with this strategic intent of the Plan.

In terms of the **geography**, the focus was in the seven poorest states in the country, and particularly for the disadvantaged groups and those living in remote areas.

The **target groups** addressed in this project are socially and economically marginalised (SC, ST, minorities) and displaced, as per the priorities set in the CPAP of UNDP.

For these target groups the **level of financial inclusion**[4] is the lowest in the country. At the ground level, the gap between policy intent and the field implementation is huge which is reflected in the study done by ISMW (in 2010) which summarises – "… we are confronted by two dominant but disturbing mindsets – one is that of fear of the women towards the banks and the other is that of the bankers that 'bigger is better' mainly to avoid risks".

Livelihood improvement **has strong link to accessing financial products**. Currently there is a large gap linking financial products to livelihood enhancement. The products available to poor are inappropriate to their livelihood requirements, in terms of adequacy, repayment terms and timeliness. In this context, this project becomes **highly relevant**. The project worked with partnerships and strategies to test and demonstrate models that address livelihood improvement through financial inclusion.

At the country level, there are **no proven and scalable intervention models**, methods and partnerships that addressed the policy intent related to financial inclusion. Given these, the Mission assesses the **relevance** of the Project as "**Highly Satisfactory**".

[3] The extent to which the activity is suited to local and national development priorities and organisational policies, including changes over time

[4] In India, only 22% of all poor households currently receive microfinance services. Broken down by social groups, 49% of farmer households belonging to SCs and OBCs do not have access to credit; the STs are worse off at 64%. In terms of geographic coverage, while the UN focus states are home to 57.3% of India's poor, they account for only 34.3% of commercial bank branches and 20.8% of MFI clients

3.4 Project Effectiveness

The Mission assesses the **effectiveness**[5] of the UNDP Financial Inclusion Project as **"Satisfactory"** (4 out of 5)

The Project has **successfully delivered all the objectives** as per the agreed Annual Work Plans for the four year period by UNDP and its main partner NABARD, i.e. deliverable targets have been achieved beyond the agreed numbers and typologies of work.

Initiatives planned, as against those completed are:

- Five initiatives of product/delivery innovation against four planned;
- Three in financial literacy against three planned;
- Multiple initiatives under knowledge management through the planned platform
- Two major initiatives under policy advocacy as planned.

It is to be noted that the AWPs have been recast based on the resources limitations that the project encountered during the year 2010. However, NABARD reports that their commitment for 2010-11 was fully done as per original targets by bringing in its own resources.

Overall, the objectives as stated in the plans have been delivered well within the project period. NABARD and most of the direct partners felt that to address intent of financial inclusion effectively the agenda should have been larger, and efforts more intense. This was not possible within the project given the limited time and work plan. Therefore while the AWPs have been delivered, the commitments and expectations of years 2011 and 2012 could not be addressed.

If the budgets had not been downwardly revised in 2010, the assessment of this parameter could have been highly satisfactory.

[5] The extent to which an objective has been achieved or how likely it is to be achieved

3.5 Project Efficiency

The Mission assesses the efficiency[6] of the Financial Inclusion Project as "Moderately Satisfactory" (3 out of 5)

The **project design is found appropriate**, with the initiatives well rounded (moving from the design and pilots at the grassroots, to large scale financial literacy delivery, and to knowledge and policy). However, the integration of these elements at each level and closing the loop (with one feeding into another) has been limited. For example, if one considers a state as the unit, there was limited cross-learning between different initiatives within the state, and between states, and from the national level, to improve scale and efficiency. While some attempts were made to this effect, much more needs to be done to leverage the learning to maximise the impact of this project.

The **design has been ambitious** both in terms of time and financial resources, looking at the challenges and scale that need to be addressed. The project focused on geographies and target groups that are very difficult to reach; and the numbers to be covered were large. Given this context, the time available was limited. This is also compounded by the fact that NABARD was disappointed with the reduced financial resources for the project against the agreed amounts, due to change in UNDP's outlay for this period internationally.

[6] The extent to which results have been delivered with the least costly resources possible

The Project was **successful in building appropriate partnerships** both at the national level, and at the specific initiatives. Unfortunately the unexpected reduction in the quantum of resources originally committed with the partner led to under-utilisation of vast potential of these institutions (particularly NABARD). Some felt that the opportunity to bring in the Ministries related to Banking, Labour[7], and Rural Development was lost, as it would have helped in addressing supply side issues simultaneously, with greater effectiveness, which was required critically to ensure outcomes and sustainability at every initiative.

With respect to achievement of finalised annual work plans, the discussions with stakeholders pointed that the project **has done well to achieve the numbers and targets as per the plan**.

As far the **fund flow** of the project, there have been reportedly delays in money transfer to NABARD which happened just before the close of the year-end operations (both in 2010 and 2011) and resulted in activities delivered within a short time.

[7] Insurance and pension

3.6 Key Results and Project Impact

The Mission assesses the **results/impact**[8] of the UNDP Financial Inclusion Project as **"Satisfactory"** (4 out of 5)

The project has made contributions which have been experienced and recognised by the stakeholders. The achievements have been in the areas of building awareness on financial products and services for the marginalised groups at a scale; forging new partnerships to take the agenda forward at different levels; designing new ways of addressing the challenge in hand; developing effective methods and tools to improve the quality of the interventions and reach out to the unreached; testing new delivery models with their costs and feasibility; helping develop perspectives and build capacities; sharing solutions within the practice community; and highlighting issues appropriately at national levels.

Some **contributions** by the Project as experienced and shared by the key stakeholders with respect to (A) outreach, (B) development of partnerships, (C) testing of delivery models, (D) knowledge sharing, and (E) policy engagement are detailed in this section.

[8] The positive and negative, and foreseen and unforeseen, changes to and effects produced by a development intervention

A. Significant numbers of beneficiaries reached through direct financial literacy initiatives by NABARD itself, and in collaboration with FINO and ISMW.

FINO reached out to 35,724 households who were financially excluded of which 14,898 opened savings accounts and 1,167 purchased insurance policies. NABARD UP implemented more than 2,000 programmes across the state though 46 DDM districts, and reached out to about 30,000 households. According to the data presented by NABARD, there were increases of about 32% in SHG membership, 25% in savings bank accounts, 48% in Kisan Credit Cards, 74% increase in accessing micro insurance, etc. Similar work has been undertaken across other states by NABARD and ISMW. The conversion rate from literacy to accessing the service (by opening accounts) has also been impressive.

B. Partnerships have been developed by NABARD with institutions beyond conventional ones such as banks.

Given its mandate and operations, NABARD implemented financial literacy programmes only through its designated banks. But through the financial inclusion project NABARD was able to reach out and partner with institutions beyond their regular constituency, to organisations such as FINO, ISMW, NGOs, etc. which they found very useful and effective. As per Mr. R. K. Garg, the DGM, Financial Inclusion Department, NABARD, Mumbai, "This collaboration helped to get acquainted with new institutions like FINO and ISMW. People talk a lot about good training provided by

ISMW. FINO says their experiment also has been good." He further suggested, "UNDP money gave good flexibility and freedom. So our ROs could do many innovative things."

Partnerships have given NABARD a better understanding how to improve outreach to target groups, helped improve the quality of the training through effective methodologies and training materials and taught them how to take learning from field and use it in training.

Some of the **contributions from partnerships that NABARD team felt were significant** included:

- **Leveraging partner strengths to deliver product and services.** Bank officials involved in these programmes have realised that if people were just given bank accounts without the critical elements of awareness and training then banks will achieve their targets of opening accounts, but not the objective of financial inclusion for the poorest. **Financial inclusion without financial literacy will not enable poor and marginalised households to utilise the benefits and move out of poverty.** It is also not possible for banks to undertake financial literacy on their own and in this context the partnerships within financial inclusion initiative assumes great importance. Even after the literacy, it is important to ensure adoption through appropriate products and ways to include the poor.

- **Understanding and addressing key needs of target groups.** At the ground level, the partnership with civil society by the bank was well appreciated. One of the bank managers, Mr. Mishra of Canara Bank in Khaira Branch, Jamui District, Bihar strongly feels that an intermediary organization like ASSEEFA is must a must, given their reach, methods and the dedication to the cause. These virtues of civil society bring clients to the bank, and also help the civil society addre**ss the key needs of the target** group. He says "an NGO can help in bringing clients to Bank. On their own, banks have lots of work to do and staff cannot move out of the Bank during banking hours. They have neither the time and skills, nor methods to reach out to this segment.

- **Using efficient strategies such as camps** to reach out and convince people for financial inclusion since camps bring people together, generate peer pressure, build confidence as people see others adopt a product, etc. **Learning new methodologies to communicat**e to

Contributions from partnerships that NABARD team felt were significant

- Leveraging partner strengths to deliver product and services.
- Understanding and addressing key needs of target groups.
- Using efficient methods such as camps for effective outreach
- Learning new outreach methodologies to communicate messages
- Using field learning for effective messaging
- Getting effective training modules and pedagogy
- Getting opportunities to be creative in addressing the challenge

excluded groups[9] and provide information through effective channels, e.g. use of puppet shows, '*nukkad nataks*', magic shows, village meets, media campaigns, quiz programmes **in schools, wall paintings**, etc. They learned to contextualise the media and the message to the location (during *village haat, dushera melas, kisan melas)* and situation to enable outreach to the right communities with right message.

- **Using field learning for effective messaging** which helped in identifying and prioritising messages *for the teams facilitating financial lit*eracy. For instance, communities felt that the rate charged by Mahajans, at 10%, was lesser than bank which charged 12%. They didn't understand that the Mahajan charged 10% per month, but bank charged 12% per annum. In another case it emerged that communities fear that if they open an account in the bank somebody else might take a loan in their names. These field insights helped NABARD design training content.
- **Getting effective training modules and pedagogy.** The training that was used by ISMW has been very useful and effective. NABARD is adopting these in their large scale financial literacy programme across different states.
- Getting **opportunities to be creative** in addressing the challenge. State teams felt that the training and further field engagement using these methodologies were very refreshing for the teams and provided creative opportunities. One of them remarked – "many of our DDMs wrote poems!"
- Given a very **limited staff in the financial inclusion division** of NABARD regional offices, this support has been of great value for NABARD.

C. The **product and delivery model innovations** have helped to understand what works and what does not in reaching out to the most marginalised groups.

The experiences from models can be utilised for scaling up quality interventions in financial inclusion in future.

Promoting health insurance products through Hospitals

The initiative with Emmanuel Hospital has successfully reached out to poor and marginalised groups and enabled them to adopt RSBY for 29,500 people in Sonebhadra. There are many instances in which the poor, women and marginalised groups have benefited from the project. A total of 3,282 cards have been utilised offering health support to those who would have otherwise had to either borrowed money at very high interest rates for hospital expenses, or would have gone without treatment leading to health complications or even loss of life. Some cases are presented in a separate chapter.

Sonebhadra was selected to be under the RSBY Project by the Government of India as it was identified as socially and economically downtrodden district. About

[9] Socially, economically and geographically excluded – rural population, scheduled caste and scheduled tribal

150 thousand households are registered as BPL and are eligible to gain the facilities under the RSBY scheme. At the start of this initiative the population in all the eight blocks was unaware of the facilities. The **RSBY scale up** was possible through an effective Information-Education-Communication (IEC) campaign, an outreach design that involved a variety of stakeholders and camps to deliver the entitlements.

Nearly 20 volunteers from the hospital covered 520 villages in 5 blocks. They promoted this scheme by distributing pamphlets, displaying short films and active campaigning. They also trained Field Key Officers (FKO's) - ASHA and ANMs to promote the scheme. This resulted in governmental and non-governmental officials also taking part in this scheme.

To build participation and ownership of the community, forty six SHGs, involving more than four hundred women were trained to work under this scheme. Camps were organised where applications were accepted and cards distributed. Many women, along with their families volunteered to help in bringing people and to be present to help out at camps. They gathered those people who did not reach the camps for making their cards. People started taking a keen interest and applied for RSBY cards and many have begun reaping benefits of the scheme. People who were earlier not willing to pay even thirty rupees to get this card because they were unaware of its benefits are now happy to make their applications.

Many *Pradhans* are now working on the promotion of this scheme which is evident as they approach the hospital to request camps in their villages and by their presence at the time of enrollment. Every day the team receives approximately hundred phone calls by people who are willing to be a part of this scheme.

The benefits of the scheme are significant. For instance Munni Devi from Roberstganj, one of the beneficiaries believes she is alive only because the card enabled her to have an operation which her family would have otherwise not been able to afford. Others also share experiences of being able to afford health services because of Emanuel Hospital's support and the RSBY scheme. Clearly, RSBY has saved lives, livelihoods and also improved quality of life.

The hospital, realising the benefits that it can extend to its target group, is continuing this work even after the project. NABARD state officials shared that on learning about this initiative in quarterly reviews, they incorporated the RSBY services in their financial literacy programme. It is expected that the number of people who will apply for RSBY in the current year will be double of that of last year.

The Emanuel Hospital model has provided useful learning and mechanisms of ***working at a scale through Hospital and Local Stakeholders*** *to reach out to the intended group of marginalised communities, convince them and enable them to adopt a health insurance product. The insurance accessed by the communities have had significant benefits, with numerous case studies of people who could afford health care only because of the RSBY insurance scheme.*

Leveraging presence and strengths of grassroots organisations

The model of working with **Bank-CSO partnership through ASSEFA** in Bihar with

Canara Bank and Grameen Bank enabled opening of 1,600 savings accounts and about 150 insurance/pension accounts. The model was built on the leveraging CSO strengths and existing opportunities - ASSEFA's reputation with communities, their strong field teams, NABARD's existing relationship with ASSEFA through their watershed project and ASSEFA's relationship with local banks. Together these enabled promoting literacy and account opening in a very quick time. Resource teams were trained by ASSEFA and camps were organised to open accounts.

The Mission interacted with a group of 16 women who were members of the SHGs promoted by ASSEFA and engaged in the financial inclusion project. The women shared that only few members had bank accounts. They hadn't wanted to open the account for the fear of somebody taking loan in their name. Also, there were complaints about local banks on unethical practices even for opening an account.

Women liked SHG Bank linkage and felt comfortable in availing banking services through SHGs. Further the bank was at a distance of over 8 kilometers and not easily accessible. Women appreciated resource centre of ASSEEFA which had helped many family members of SHG groups to open accounts. People who had migrated had opened account of members of family members.

The area in which ASSEFA works is affected by left-wing extremism and quite interior. ASSEEFA is helping women get additional income through income generating activities. So it is a great achievement that ASSEEFA has taken financial inclusion agenda to such a remote area. The institution was willing to manage an ATM for a bank (whenever there is power). The success of this model has been on account of mobilisation efforts on the ground and transparent and good quality services.

In terms of **partnership of NABARD with NGOs** to reach out to intended target beneficiaries, the engagement with **Mahila Prabodhini** in Uttar Pradesh has been a very good example.

Mahila Prabodhini is a NGO working with the objective of financial inclusion to excluded group in UP. It is covering more than 30 districts of Purvanchal through an SHG model, working with over 13,000 SHGs. Through 2009-10 Mahila Prabodhini was in collaboration with ISMW on financial inclusion as a part of this project. Using its large SHG base and rapport at grass root level Mahila Prabodhini organised awareness programmes through massive village meets, campaigns for financial literacy through songs, poem, stories and *nukkad natak*. It organised *sakhi choupal* at each cluster level where women were trained on how to promote awareness and increase understanding on the importance of financial literacy. The groups were given targets for month to reach each household and ensure their linkages with banks. The founder of the organization, Mr Bibhuti Mishra shared that savings at individual and SHG level, famers loan (KCC & JLG), artisan loan, and insurance were the products and services taken up by most of the household. He shared that in future the NGO will be very happy to engage with NABARD as it helps the organisation and communities move towards their objectives in an accelerated way. He says "the UNDP financial inclusion initiative has improving the financial literacy and is directly leading to empowerment of women to a great extent."

The initiative with Jharkhand State Livelihood Promotion Society (JSLPS) in Pakur District demonstrated **leveraging multiple partnerships to reach scale at district level** (State Govt. Project, NABARD, nine CSOs, ISMW), and use of locally appropriate methodologies to reach out to the ultra-poor, the intended target group. The methodology used by the project included various activities to understand the clients through organising NUKARNATA in local language, going door-to-door, conducting group discussions, etc.; and developing training and motivation methodologies using local dialects and appropriate pedagogy (such as puppet shows, kalajatha, camps, etc). The CSO base was an important leverage to reach out to the intended target group; and similarly the JSLPS programme scale was great leverage point for CSO linkages. While the initiative reached out to many people, it also developed a NGO network at the district level called Parivartan and also the establishment of 'Bank Mitra' in every village. Support in terms of resources and time required to strengthen the NGO network, the Bank Mitras and the resource centres at the block level are required to ensure sustainability in these initiatives. Based on the experience and success of this district-wide model at Pakur, the model has been **taken for further larger funding and replication** under National Rural Livelihood Mission (NRLM).

The Project Mission interacted with the project team and the beneficiaries. The staff shared that under the FI project the thrust was given to a new concept which was to change people's attitudes. They explained, "We used many different methods to address this. We helped SHGs, village organisations (VOs) and individuals to open bank accounts, and also conducted credit assessments. As a result now we see regular meetings happening at the SHG level as well as VO level. More female members are opening bank account in the FI project area".

In this initiative, the project ensured a minimum of two services: to connect people with bank through savings and linking people with credit services. More work needs to be done in the area of insurance and the staff felt that this will require sustained engagement, given the literacy levels of the area. But they are confident that the base of SHG and the methods used to address attitudes can help in achieving this quickly.

Interactions with the communities provided useful insights on how the project went about setting up the services and how it benefitted them. The Muskan Group with members from the minority community shared their story of how they came together, learned how to manage a group and engage in savings and credit, and link with the bank. Details of their story are presented later as a case study.

The benefits at the community levels have been clear and felt. Building SHGs and subsequent financial literacy has given women a sense of group ownership, and the confidence and wherewithal to start and grow enterprises. The process also provides useful insights on how to promote financial inclusion among marginalised groups. Many other SHG groups also shared the process of building and strengthening their groups and benefits that they derived. Given these experiences, this initiative looked very useful for addressing the financial inclusion challenge at a scale.

*The model of partnering with grassroots organisations has mutual benefits for the organisations and for NABARD. It **increased outreach for financial inclusion** activities to large numbers, led to financial literacy of large numbers of marginalised groups, including women, led to networking of NGOs for financial inclusion. The beneficiaries have gained by getting credit, insurance and other products and services, giving them confidence and helping them grow their livelihoods.*

Going beyond credit for financial inclusion through micro-finance institutions

The engagement with the **micro-finance institution to address the financial requirement for livelihoods** for the marginalised group has provided some useful experience to reach out the target group addressing financial inclusion for livelihood needs. **Bandhan**, one of the largest MFIs in the country with a reach of over 4 million clients, operating in the most unreached areas and with the ultra-poor clients, was a partner for this model. Going beyond credit, the Bandhan model helped clients on business counseling and developing their plans, facilitating access to credit, bank account opening and insurance appropriate to the needs of their livelihoods. In seven months the model reached 2,000 clients, with preparation of 1,600 business plans, sanctioning of 80 new loans, opening of 143 new bank accounts and insurance for all. Trainees have increased confidence to deal with banks, demand for appropriate loans and also understand the needs for insurance. The model has proven that adding components of business development services with financial inclusion addresses key intent of financial inclusion, i.e. livelihood focused financial inclusion to ensure poverty reduction. This model has a great potential for adoption into MFI delivery models appropriately across the country.

Bandhan is a microcredit & development organisation working through its NBFC-MFI (Bandhan Financial Services Pvt. Ltd.) and NGO (Bandhan Konnagar). It works across several states in the fields of microcredit and other financial services (like insurance, pension, remittance, education and health loans etc.) for about 4 million clients and direct interventions in livelihood creation (Targeting the Hardcore Poor Program-THP), livelihood promotion and market linkages, skill development and employment generation, non-formal primary and pre-primary education, health awareness, linkages and services, water, sanitation, etc. for over 4 lakhs families. Bandhan's core competency in the areas of financial services to the ultra-poor and technical assistance in their capacity building enabled it to undertake this unique pilot project to offer enterprise and financial literacy inputs to the micro-credit client households, to test and subsequently upscale a sustainable model of Credit Plus. The project was delivered through a team of experienced trainer-facilitators, research persons, led by a senior and qualified development professional (having experience in various multilateral and government projects) and supervised by the CEO of Bandhan Konnagar (having experience in industry, consulting, government and nongovernment sectors)

This initiative covered one of the most backward districts in India, and focused on ultra-poor clients - (a) With at least minimum loan cycle of two; (b) Willing to develop, grow or diversify enterprise; and (c) Willing to learn about business development and financial literacy.

The project has reasonably established the effectiveness of the credit plus inputs and mentoring support (financial and business related). The tangible outputs in terms of business planning, savings linkages, higher flow of capital etc. and the qualitative feedback from the clients about their interest and utility re-affirms it.

Clients expressed satisfaction about the training and hand-holding assistance provided in the project. They also felt that this was a very useful initiative to address their long felt need for capacity development which was never articulated. They said their business related knowledge and vision increased. They began to understand their business better and could identify viable opportunities and alternatives. Income potential increased through planned growth. They began to look at safeguarding their enterprise against risks and shocks. There was improved debt management at household level and better fund flow management at enterprise level.

With respect to women, the groups shared that active participation of the women increased manifold in the household enterprises, which was earlier done by their spouses. Women are having increased access to mainstream finances. They have opened their accounts in banks or post offices, are saving regularly and also accessing insurance products. They are empowered with knowledge and action towards household expenses, financial asset building as also in the enterprise growth and profitability.

Bandan has covered the intended ultra-poor clients and implemented all activities as proposed and agreed upon.

Bandhan also shared that there is an unfinished agenda that loans as per plans to all the 1,600 participants who have developed business plans for their enterprises need to be facilitated. In addition, there were not many actual transactions of long term deposits or investments. From the business plans it is found that on an average loan demand increased by about 25%.

This experiment triggers a thought on whether to and also how to recognise MFIs itself as a financial inclusion institution, as these agencies bring in the required 'attitudes, methods and processes' that are critical to reach the last-mile, but are limited by the perception of 'high-cost' and lack of sufficient funds and resources to reach (which cannot be done by the banks).

From the entire piloting of models, it is clear that to reach out to the last mile clients, there needs to be methods that are locally appropriate; there is a need to go beyond just training and giving information to clients, but counsel them to adopt; bring in peer pressure to motivate and adopt products; follow up with frequent field level interactions, etc.; MFIs and NGOs bring-in these critical elements and given the new MFI regulations, exploring options of MFIs as FI institutions need to be looked at.

The business facilitator and business correspondent model

The **Business Facilitator model** has been fairly successful for Prathama Bank and was started with the objective of generating business for the bank. In this model Prathama Bank hires business facilitators who go into villages within the bank's coverage area and inform households about the various products and services that the bank offers. The facilitators themselves do not carry out *any transactions*. The people who are selected as facilitators are from the community itself and canvass the villages for potential clients for Prathama. They promote products and services such as SHGs and JLGs (Joint Liability Groups), Home Solar Lighting Financing Schemes, Account openings. The Business facilitators are paid on an incentive basis as per the amount of business they bring to Prathama.

According to the General Manager of Prathama Bank this model has been successful in increasing the business of the bank and has brought in clients that the bank would otherwise not have access to. Since it is not possible for bank staff to reach all these villages in rural areas business facilitators perform this role. Since they are from the community themselves the BFs are trusted and have the ability to get new clients for Prathama. They are also able to assist the clients in filling up forms and answering basic banking related queries. Currently 178 out of the total 224 branches of Prathama bank have appointed BFs in their area of operation. They have plans to recruit 30 additional BFs for the remaining branches.

To be able to carry out these services the BFs hired by Prathama Bank have to meet certain minimum qualifications. They should at minimum have passed 10th standard. This is in accordance with NABARD guidelines. The applicant must also be a member of an SHG, JLG, a Farmers' club, or an NGO. Prathama has also hired staff from the NABARD-IRB project. This is done in order to ensure that (a) the BFs have some minimum knowledge of banking services and (b) the BFs have interacted with Prathama in some capacity earlier. Non-members are generally not selected because they tend not to have knowledge of banking and may not be trust worthy. The BFs, after they are assigned, attend a full day training session. Here they are informed about the specific services Prathama bank offers and the services and products they needs to promote in their role.

The model tried out by FINO, i.e. **financial inclusion through business correspondent network** seems very relevant and critical given the country's model of using BC at a large scale. The concept used through them was "spend wisely, save regularly and invest prudently", and taking this message through the BCs were trained and supported by FINO. This initiative developed excellent methodologies and tools to capacitate and motivate BCs to effectively implement the financial inclusion initiative. Extensive guidelines and methods are documented and these can serve as very important resource materials for the entire country. Moving beyond, this model also provides opportunities to look at BCs to provide multiple services, which can be delivered effectively at the local level, and at the same time ensure sustainability of the BC operations (something like a syndicated delivery mechanism). The experience on the field is shared here:

The Business correspondent model is an ICT-based government financial inclusion scheme. It is being implemented right now because opening a branch in every place is not feasible. The objective here is to provide last-mile reach of banking services to areas which have so far not been covered. In the BC model wherever a brick and mortar branch cannot be built, a business correspondent is employed who will carry out transactions. As a model for financial inclusion the BC model has been less expensive for the bank than mobile banking vans. The BC model operates under a tripartite agreement between Prathama Bank, HCL technologies (which provides the technical support) and Next Vision Technologies which is the Corporate partner (and assists in finding people to work as business correspondent agents in each village).

As per the decision taken by the government, in the first phase of this programme all villages with populations more than 2,000 people need to receive banking services, either through brick and mortar branches or through a business correspondent. The villages were selected based on data from Census 2001. These villages were to be covered by 31st March 2012 (as a part of Phase 1). There were 425 such villages that were assigned to Prathama. Out of these business correspondents were assigned to 383 villages and the rest either already did, or now have brick and mortar branches. The business correspondents are provided with enrolment kits, i.e. laptops and finger print scanners for smart cards, (with software and hardware support from HCL) to carry out transactions. The 2nd phase of this programme will be completed in 2013. In this phase all villages with populations of 1,600 and above will be covered by banking services. In the final and third phase of this programme the government plans to reach all villages, regardless of population size, through BCs. In the second phase Prathama has received a list of 212 villages that they need to cover. Of these 20 already have brick and mortar branches.

The BC model has had positive feedback from beneficiaries who have learned how to open and operate bank accounts. Saving habit has been beneficial for households. The BC model has also taken advantage of using the established mechanism to disburse NREGA payments, improving its reach and credibility with the local communities.

According to Mr. Ram Swaroop Srivastava, the representative from HCL at Prathama, “the work being done at this bank was serving the real purpose of financial inclusion.”

According to Mr SK Singh and Mr. Gupta to the Senior Executives of the bank, “if the business correspondent proves successful in getting new business then we would also consider opening brick and mortar branches in these areas. However, we are required to continue this programme regardless of financial viability.”

*The business facilitator and correspondent model **takes the banks to the communities**. Communities have learned how to bank, and the mechanism can be leveraged to deliver many other services.*

Mobile banking

The **mobile banking project** was specifically commissioned to reach out and provide services to the unreached through physically reaching them through vans.

The first van under this project was launched in December 2010. By mid-2011 three vans had been launched, however, due to the introduction of the BC model in August 2011 the mobile banking van project was stopped.

The programme was operated in collaboration with HCL technologies, the technical support partner. A van, equipped with officers, cash, stationary and computer system would go from village to village to carry out transactions and open accounts. The mobile banking van would be stationed at large spaces in villages that are easily approachable by road, such as Panchayat headquarters or schools. The community would have been informed beforehand that the mobile banking van would be in their village, and thus would be able to carry out any transactions required. Transactions were started after the account holders were issued biometric smart cards. HCL Technologies provided support to Prathama Bank in these areas.

The mobile banking van project was in its pilot stage, however, it was clear that financially it wasn't very viable for Prathama bank. Each day the van would visit two villages. The costs of operating the van, the computer system on board, and having an officer present in each van who could authorise transactions was too high compared to the business generated through it. Thus by 2011 when the Government of India placed requirements on all banks to address financial inclusion through the Business Correspondent model, Prathama Bank requested NABARD to close this project. The vans acquired for mobile banking are now being used for the financial literacy programme being run by Prathama bank in Moradabad and surrounding areas.

The experience shows that given the level of service adoption and use mobile banking may not be a viable model for reaching out to the unreached areas.

In both the mobile banking model and in the BC model HCL technologies provides support on a regular basis. After the base version of the software is installed, depending on feedback from the field, patches and corrections are added. Engineers from HCL go to the field to install these patches. One of the problems they face in this regard are the intermittent power cuts. Agents usually come to the base branch to recharge their kits. Sometimes there are day-long power cuts – which slows down the work of the BCs. According to the representative from HCL at Prathama, the work being done at this bank was serving the real purpose of financial inclusion. Among all the products offered by Prathama Bank through the various models the Kisan Credit Card has proven to be very successful. As mentioned earlier the vans acquired for mobile banking are being used to spread information and financial literacy. Artists have been hired to perform street plays about the banking services and products offered by Prathama in their areas of operation.

Financial Inclusion Resource Centre

To sustain the work of financial inclusion at the CSO level, a **Resource Centre** was established with ASSEFA in Bihar, which has all the information about account opening, with application forms from two banks and staff available for providing information to the communities. While the intent has been very good, the level of utilisation of this facility is limited at 4 to 5 people per month. The key learning is that it is important to reach out to the people in their locations, in their settings in groups (through camps) rather than a permanent centre that has limited reach.

Cost and efforts of select models

Building on these experiences, there have been some ideas on the costs and efforts that are required to reach out to the excluded and move them to adopt these services. If we consider opening of the account with a bank as the immediate outcome of FI programme then following interesting data emerges from these experiments – for each strategy (very approximate). These are not for comparison, but to highlight the level of efforts and resources required to reach out to people with different methods. These can be used for future programmes to allocate resources.

g. The ISMW programme has helped to open 5,488 accounts with a budget of ₹1,000,000, the average cost of opening an account works out to ₹ 182.
h. FINO Foundation spent ₹8,600,000 and brought 14,898 clients into bank and 1,167 people into insurance coverage, at a cost of ₹ 512 per client.
i. The programme handled by NABARD through camps targets opening of 50 accounts with a budget of ₹ 10,000, the average cost of opening an account works out to ₹ 200.

D. **Knowledge sharing** through the Solution Exchange for Micro Finance Community of Practice was very active and dynamic addressing the issues from the field, providing solutions through community interactions, and generating debates to be addressed by policy makers and programme implementers.

There have been **many benefits of the solution exchange as shared by its users**. The content analysis of the experiences shared by the members of solution exchange shows that the knowledge and experiences shared in the platform have helped in the areas of informing or influencing policy choices and programme designs, building greater trust among stakeholders and working beyond institutional boundaries, sharing cross domain experiences, enhancing capabilities of the individuals and organisations, providing access to tested tools and methods, resource sharing, and seeding new ideas. From the review of the experiences shared, some of the key programmes where the solution exchange has contributed in design, strategies are – National Rural Livelihood Mission; NGOs and MFIs working with various profiles of target groups and in different geographies, federations and cooperatives addressing the micro finance for its members; large scale projects implemented by agencies such as IFAD, etc. However, the Solution Exchange as a platform could have leveraged its base better to address some of the specific challenges faced in this Project and also in helping get the models built effectively at various levels through sharing suggestions and learning. This link seems to have been limited.

Further details about the usefulness of solution exchange as a platform is discussed here.

Solution Exchange (SE) has been a very important component of UNDP's "Financial Inclusion" project. It has provided an interactive forum to address the many challenges that are faced in financial inclusion and livelihood areas. SE's "Micro Finance Community of Practice" has been a very active forum of micro finance practitioners. SE's work can be broadly classified as follows:

Strengthening Micro Finance Sector: SE has been a knowledge and outreach partner to the State of Micro Finance Sector report for the entire plan period of 2008-12. State of the Sector report is a document that captures the progress of micro finance sector in India and is referred by investors, donors, academicians, practitioners, policy makers and people interested in the sector. SE has carried out e-discussions on the reports, which has enabled scholarly discussions. The annual forum of micro finance brings together leading practitioners of the sector for in-depth discussions and for deliberating the ways ahead.

SE's discussions forums have deliberated on urban micro finance, micro finance for remote areas, religious minorities, disaster affected people, and small and marginal farmers. Its action groups have worked on important themes like strengthening cooperatives, housing micro finance, micro insurance and health mutuals. SE has made significant contribution to policy level thoughts by hosting discussions on Microfinance (Development and Regulation) Act 2010, RBI Guidelines on Mobile Phone Banking, Microfinance through post offices, National Federation of SHGs, National Policy for Older Persons, CBMFIs, MF for People with Disabilities, National Policy on Skills Development, MF issues of Street vendors and Money Lenders Acts.

Contributing to design of National Rural Livelihood Mission (NRLM): NRLM is going to be the major poverty alleviation project of the country in this decade. SE has contributed to its design through

- Two e-discussions on NRLM design and NRLM implementation framework
- Feedback to MoRD through a small group on NRLM Design Doc.
- National Workshop on NRLM in collaboration with SaDhan, Enable and Ford Foundation
- National Level Roundtable on NRLM implementation framework
- Publication of Roundtable report and Strategy Document – "Strategies for implementing NRLM - A synthesis of important discussions on NRLM"

Contribution to 12th five year plan approach paper: UNDP's projects are planned keeping in view the 5 year plans of Govt of India. So SE's involvement and contribution to 12th five year plan document is important. It has shared its expertise in micro finance sector through

- A Brief Note on key approaches and innovations in Micro Finance sector.
- Technical paper on community based micro finance institutions and consolidated reply on the approach paper.

SE has developed and shared specialized knowledge products focusing on micro finance, and these have been useful documents for building perspectives and sharing ideas. The following are the key knowledge products developed: (a) **Synthesis Document** (Compendium) of Microfinance (5 themes, 13 subthemes); (b) **Ready Reckoner** on Microfinance (312 significant experiences,85 websites, 500 relevant papers, tools and technologies, Educational courses, 350 organizations, around 75 experts; (c) **Synthesis** of Important Discussions on **Micro Finance Regulations**; (d) **Multidimensional Poverty Assessment Tool of IFAD (utilizes and incorporates CR on MPA tool)**; (e) **A book - 'Speeding Financial Inclusion' incorporates CR on Financial Inclusion.**

Apart from the above, SE facilitated action groups and forums to support financial inclusion initiatives through discussions, ideas and actions. This included: (a) **Strengthening Cooperative Acts** in Context of Financial Inclusion and Micro Finance – (e- discussions (2), Action Group Meeting and a National Workshop); (b) **Micro insurance/Health Mutuals** (e-discussion, action group meeting and a base document on community based models); (c) **Housing Microfinance** (e-discussion, Action Group workshop/Report); (d) **Micro Leasing Vulnerable and Small Entrepreneurs** (e-discussion, Action Group workshop/Report); (e) **Empowering CBMFIs for Poverty Alleviation and Women Empowerment** (e-discussion, action group workshop, Technical Paper for 12th Plan-Approach Paper).

Overall, the Solution Exchange was a very important in house component of the "Financial Inclusion" project of UNDP. Although it is very thinly staffed, the passion of people working there has made it a very visible and significant institution for key discussions in the areas of micro finance and livelihood. In fact there is greater opportunity to link the expertise of MF sector with SE, with field level pilots and programs for financial inclusion through MFIs.

E. The **policy engagement** work had many initiatives during the project period. Two substantial contributions have been (a) the support provided for the India Microfinance along with developing the Microfinance State of Sector Report; (b) the consultation held with IIMPS to scale up the micro pension initiative.

The national level conference, which has now become the face of microfinance in the country, brought in a lot of people together from varied background and interests in the sector. It enabled many interactions, debates, sharing of experiences, guidance for investors, networking for stakeholders, etc. It was, in short, a one-stop forum to get information and interact with all key stakeholders. Similarly the State of the Sector Report brings the entire data on MFIs together and is used as reference for various strategies and decisions. While these have been done with great effort and have addressed some key issues, the degree of use of these resources at the state and local levels in the context of financial inclusion project have been limited, understandably.

The consultation facilitated by Invest India Micro Pension Services (IIMPS) to share the experience of Vishwakarma in Rajasthan with government and other players. Vishwakarma was a successful initiative of Government of Rajasthan which covered about 60,000 people in the unorganised sector for micro pension. The rationale for this initiative was that, employees in the organised sector get tax benefits if they contribute to pension schemes (which means government contributes some amount to the pension account of person working in organised sector) then why not extend the same benefit to a person in unorganised sector. Vishwakarma scheme came out of this thought process with Government of Rajasthan agreeing to match a contribution of ₹ 1,000 made by a person under a pension scheme. The UNDP Project invited IIMPS to share this with Government of India and other state governments. The project was instantly liked by the Government of India representative and as a result, GOI notified the national scheme on 28th Feb 2010.

There have been many other policy initiatives by the project through commissioning **studies to share** and build perspectives on various critical issues that have the potential to feed into the programme strategies and polices at various levels. These have been commissioned through reputed institutions and shared with important stakeholders. Some examples are – with Sa-dhan on "Financial Inclusion of Dalits, Tribals and Religious Minorities: Issues, Challenges and Way Forward"; with the Indian Institute of Ahmedabad on "Facilitating IT enabled Financial Inclusion in India; with the Indian School of Microfinance for Women on "Voices from Field – Understanding Financial Inclusion from Women Community Leaders in Micro Finance". Each of these studies has come out with ideas and solutions that could address the challenge of financial inclusion. The findings of the studies have been shared with key people in the government ministries, departments and with practitioners, and some studies have been used in the planning the innovations, such as use of technology, etc. However, more efforts at policy level are required to take each one of these forward.

Given the issues on the supply side, many stakeholders felt that UNDP could have possibly engaged more with the ministries in addressing these. A few shared that UNDP could have played a critical role during the MFI crisis in the country; and few suggested that UNDP could have provided critical human resources within the Ministry to take the agenda forward in an accelerated manner.

3.7 Sustainability

The Mission assesses the **sustainability**[10] of the UNDP Financial Inclusion Project as **"Moderately Satisfactory"** (3 out of 5)

The assessment is done at three levels:

1. The work by NABARD on financial inclusion is continuing and expanding. Given NABARD's commitment on this agenda, this work is largely sustainable. The contributions of the UNDP Project in this are significant, particularly in terms of ensuring high quality of the programme through better methods, tools and partnerships. NABARD has institutionalised the tools and methods in their programmes and the partnerships are likely to be continued. With NABARD's scale and the quality of training that is ensured with the project inputs, the assessment of sustainability in this "Satisfactory". Moving further on to reach more numbers by NABARD, there could be needs for capacitated human resources in their financial inclusion departments. This could possibly be an area that UNDP can think of contributing in future.
2. The models and innovative initiatives taken up by UNDP and NABARD (as detailed earlier) have been largely effective in delivering the objectives and achieving the outcomes in their respective areas. Sustainability of these initiatives to address the challenges on the ground and ensure final intended impact of financial inclusion is limited. Further work and support may be required to strengthen the network of NGOs in Pakur District; viability of the ASSEFA resource centre; addressing supply chain issues in Emmanuel Hospital; etc. The time and resources provided were also limited under the project. However, these experiences can be developed into models which can be schematised/ disseminated for scale up and adoption.
3. From the sectoral point of view, to address the overall intent of financial inclusion, i.e. addressing life cycle needs and livelihoods of the marginalised groups, and at a scale, there needs to be lot more effort through more partnerships.

[10] The likely ability of an intervention to continue to deliver benefits for an extended period of time after completion

3.8 Key Challenges

While there have been many efforts and achievements, these have not been without challenges. These **challenges** and lost opportunities have been in the areas of project implementation, partnerships, models and strategies that have been tried out on the field. The Mission understands and appreciates the constraints with respect to the time and changes in the plans. However these challenges are captured here for learning for future:

- NABARD and partners relish and appreciate the partnerships and the flexibility provided within the project. However, there could have been many more such partnerships and experiments possible, particularly with public sector and private sector banks, but given the brevity of the project period and limited resources this could not be done.
- Emmanuel Hospital has done very good work with the RSBY scheme. It has created demand but supply side issues were not fully addressed. Issues such as delays issue of cards due to change of insurance company, change of hospitals, and also the departments that were managing this project. There are many coordination issues which could not be addressed effectively. A good supply side engagement would have helped to achieve much more.
- The time available for innovating, testing and sustaining a model was very limited as in the case with ASSEFA, Bandhan, etc.
- For a large state such as Uttar Pradesh the programme funds seemed very limited, given the level of challenges to be addressed.
- There could have been more efforts to close the loop between each of the clusters of work, i.e. innovation at grass-root to knowledge to policy within the project.

Critical factors that have contributed to the successful performances are: appropriate partnerships at different levels bringing multi skills; flexibility in the approaches and funding; openness to new ways of addressing the challenges; investment on tools, methods and research-based work, which have helped in getting high quality collaterals and use them across situations and geographies. The main barrier has been the financial resources and the timeframe, given the challenges that the project is trying to address.

Some of the issues that need to be addressed at the sector that could hamper the achievements and acceleration of the financial inclusion agenda are:

- There is a common feeling with the bankers that "why do you need new products when existing products have not reached people". This will require sensitisation at different levels through exposure and training.
- Financial and human resources required to reach out the unreached are enormous, compared to the amounts allocated to this work.

- At the operational level there are issues such as compatibility of financial inclusion servers of different banks and that of CBS servers in the BC initiatives which limits use of smart cards in ATMs or bank branches; cost of point-of-service machines and therefore the affordability by BCs.
- Issues such as BCs running away affecting the reputation of the banks was shared by one of the bankers. If BC model is going to be the future inclusion delivery, then strengthening of the BCs need to be worked on.
- The poverty levels in India, and particularly in these states are high. Very few of these marginalised groups have real surplus money in their hands and therefore active bank accounts may not be expected in near future. There are likely to be many inoperative accounts, and therefore challenges for the supply side viability to manage these accounts continue.

3.9 Ideas for Further Work in Financial Inclusion Modelling

Stakeholders, during interactions and reflection exercises, have shared few new ideas that they would like to be tried out to address this huge challenge of effective financial inclusion in the coming year and in future programmes. These, in the areas of delivery models, linking the products, and approaches are captured below:

- Special product for sugarcane growers; product called "Pre-Paid Sapna" where you pay regularly some amount towards your dream product and once it becomes 30% of product price bank will lend for the remaining 70% as loan.
- Creating counselors in villages, who are retired people and can be trained in Financial Inclusion to guide and motivate the rural people.
- Automatic provision of insurance benefits to savings bank account holders; savings linked loan products motivating people regularly to save in bank account; mobile phone based banking; solar operated ATMs in villages and remote areas; solar powered POS machines.
- Institution like ASSEFA can become BC and can also provide space to set up ATM for a Bank. BC and ATM can run from 9 a.m. to 1 p.m. or whenever there is power in the village.
- To get the family convinced quickly on bank accounts, involving the male member in the sensitisation and training, rather than focusing on women.
- FI customers are given an option to use their bio metric card at ATMs and Branches.
- Exploring FI with cooperatives. Many are at a low performance levels, but banks can do the twin work of revitalising them and then make them work for FI.
- Piloting with SHGs and federations as BCs.
- Engaging with every family and doing complete family survey. One could potentially move towards opening multiple accounts of different family members of the same family, addressing different needs and priorities.

4 LESSONS

4.1 Learning from the Project

The Project has provided some useful learning for its partners, and also the sector as a whole. These need to be shared with variety of institutions and networks to enable adoption and scale up of the initiatives. Examples such as sharing these with bankers training institutes, other banks which are not part of the initiative, staff training colleges for bankers, NRLM, large CSO programmes such as Poorest Areas Civil Society Programme, NGOs and INGO networks, etc. to mainstream this with existing programmes. These are included in the recommendations.

- Reaching out and convincing the most marginalised to be included in financial inclusion initiative requires **special efforts, partnerships, methods, tools and approaches, going beyond conventional information and training**. The project has developed and tested these models, tools and approaches, along with the resource brackets and these can be used for replication elsewhere.
- Not all the skill sets and methods can be brought or developed by single institution. To address the agenda of financial inclusion for the marginalised, **multiple skills and bases are required and these can come only from partnerships**. The partnerships and roles divisions at various levels have been one of the key demonstrations of the project on how to synergise to address a key challenge. This is something useful to document for use in scale up and in other developmental contexts.
- **Moving beyond standard product and processes** needed to address specific needs and priorities for the excluded. There is a need to develop and leverage appropriate delivery channels that consider the people's convenience rather than delivery efficiency. Many places where the project has succeeded, the factors shared have been – "appropriateness to local situations" and "profile of people", rather than looking at the delivery efficiency of the implementers.
- **Flexible funds** to address critical gaps in large scale programme helps in making the programme more effective and high quality. The contexts and challenges have been varied and therefore the partnerships and the tools need to address this variety. There is a need to be flexible to provide space for these in the project plans.
- The efforts towards changing the behavior at the rural level, **peer pressures and group based approaches** at locally appropriate time and location is effective. This is where the bases of community organisations, NGOs/ civil society, MFIs and the Missionary Hospital experiences have been very useful and demonstrative.
- To make the financial inclusion efforts successful and impactful, there is a need to **first build financial literacy and then**

follow it with actual targets of opening accounts.

- To reach out to the last mile clients, there needs to be methods that are locally appropriate; there is a need to go beyond just training and giving information to people, and counsel them to adopt products; bring in peer pressure to motivate them to adopt; follow up with frequent field level interactions; etc. **MFIs and NGOs bring-in these critical elements** and given the new MFI regulations, exploring options of MFIs as FI institutions need to be looked at.
- There is a **need for a national level effective facilitator** to identify, forge and sustain partnerships periodically to ensure effective delivery of the agenda. The role of UNDP in looking at the need and challenges, finding appropriate partners at various levels and bringing them into workable partnerships is found very effective. This will require neutrality of approaches, strong base, reputation, flexibility in approaches and more importantly complete understanding the issue of poverty and its dimensions in a holistic manner.
- There is a need to involve **nation-wide partners and engage with them** to ensure sustainability and scale, even though there are difficulties and it is time consuming. The partnerships with large organisations of scale are critical, as it is shown with outcomes of engagements with NABARD, JSLPS, Bandhan, etc. However, the experience also shows that given their size and systems, it is important to provide adequate timeframe to forge these partnerships. The experiences of UNDP in building variety of partnerships with different typologies of organisations in this project is one of the highlights, and the lessons from reflecting these experiences will enormously contribute to ensuring future effective engagements.

4.2 Trends in Financial Inclusion in the Country and Emerging Opportunities

During the project period (2009-12), the policy intent towards financial inclusion was very positive and facilitatory. The 11th Plan sought to provide an opportunity "to restructure policies to achieve a new vision based on faster, more broad-based and inclusive growth." The plan emphasised creation of employment opportunities, access to financial products and services, equality of opportunity, empowerment and skill development, particularly for the deprived groups. It recognised a pro-active role for governments at different levels to make this possible.

To understand the measures undertaken and the future challenges, the analysis of two main banking apex bodies – Reserve Bank of India (RBI) and National Bank for Agriculture and Rural Development (NABARD) – is presented here. These provide useful insights and pointers for developing future strategies in financial inclusion in India.

Reserve Bank of India:

According to RBI, several measures have been taken by both the RBI and the government to bring the financially excluded people to the fold of the formal banking services. The important financial inclusion initiatives taken in India are:

- State Level Bankers' Committee (SLBC): SLBC facilitates effective implementation of development programmes in the areas of poverty alleviation, employment to un-employed, providing banking outlet in un-banked areas, training, financial literacy etc.
- Introduction of 'No-Frills' account: to make available a basic banking 'no-frills' account either with 'nil' or very low minimum balances as well as charges that would make such accounts accessible to vast sections of the population
- General Purpose Credit Card (GCC) Schemes: offered by banks at their rural and semi-urban braches are in the nature of revolving credit, entitling the holder to withdraw up to the limit sanctioned (₹ 25,000). By March 2011, banks had provided credit aggregating ₹1,308 crore in 1.0 million GCC accounts.
- Kisan Credit Cards (KCC): a credit product to allow hassle free revolving credit to farmers by banks in rural and semi-urban areas.
- Financial Inclusion Plans (FIP): All domestic Scheduled Commercial Banks (SCBs) were advised in January 2010 to draw up specific Board-approved Financial Inclusion Plans (FIP) by March 2010 incorporating certain basic minimum qualitative features and quantitative indicators with a view to rolling them out over the next three years. As on 31st March 2011, out of 99,840 villages identified for extension of banking services, 53,397 villages with population over 2,000 have been covered under Financial Inclusion Plans.
- National Rural Financial Inclusion Plan (NRFIP): set up with a target of providing access to comprehensive

financial services to at least 50 per cent (55.77 million) of the excluded rural households by 2012 and the remaining by 2015.

- Relaxing 'Know Your Customer' (KYC) norms: The KYC procedure for opening accounts has been simplified to enable those belonging to low income groups without documents of identity and proof of residence to open banks accounts.
- Financial Literacy and Credit Counselling (FLCC) centers: Centres to be set up with the aim of educating, provide face-to-face financial counselling services, offer debt counselling, formulate debt restructuring plans for borrowers in distress, etc
- Business Facilitator (BF) and Business Correspondent (BC) Models for greater reach and accessibility
- Enhancing Role of NGOs, SHGs and MFIs: NABARD provides training assistance to Self Help Promoting Institutions (SHPIs), Revolving Fund Assistance (RFA) to Micro Finance Institutions (MFIs), equity or Capital Support (CS) to MFI to supplement their financial resources and 100% refinance against bank loans for Micro-Finance activities. These are being done under the names: SHG-Bank Linkage and MFI-Bank Linkage systems.
- Financial Inclusion Fund (FIF) and Financial Inclusion Technology Fund (FITF): to provide better access to financial products and services to reduce risks and enhance livelihoods for the poor in at least two States, especially women and men from SC and ST groups, minorities and the displaced. Under the collaboration, ₹ 173.22 lakh had been utilised during 2010-11 for activities conducted by NABARD in seven focus states.

The Annual Report (2011-12) of the Reserve Bank of India states and summarises the initiatives and the status of financial inclusion.

- To impart a human face to the bank lending policies, the Reserve Bank has supported directed lending route as an integral part of its bank lending policies. As part thereof, banks priority sector lending target for foreign banks with 20 or more branches has been raised from 32 per cent to 40 per cent (para I.66).

- Notwithstanding the efforts, a recent World Bank study has revealed the dismal state of financial inclusion world-wide and even more so in India. India scored poorly on financial inclusion parameters than the global average in respect of percentage of population with formal accounts, credit cards, outstanding mortgages, health insurance, origination of new loans and mobile banking (para I.69).

- The Reserve Bank has adopted ICT-based bank agent model through Business Correspondents (BCs). This model has not been very successful in addressing financial inclusion needs and cannot substitute the services of brick and mortar bank branches. There is need for mainstreaming financial inclusion, while at the same time improving the BC functioning (para I.71).

The Reserve Bank's assessment is that **financial inclusion is a substantially unfinished agenda and the efforts need to be up-scaled**. The change from no-frills account to 'Basic Saving Bank Deposit Account' is an effort to integrate them as part of basic banking services. Financial inclusion may result in short term pressure on banks' profitability, but as size and scope of banking increase, it would add to their revenue stream (para I.72).

National Bank for Agriculture and Rural Development:

NABARD has highlighted the following as key measures and challenges to financial inclusion in the country.

The effectiveness of the regulatory and promotional measures for financial inclusion set out is affected by a wide set of challenges. Some of these have to do specifically with poverty and the small size of transactions required by low income individuals while others are related to the cautious approach taken by policy makers and regulators.

Broad Challenges to Financial Inclusion:

The broad challenges involved in financial access to low income families are set out below.

- **Socio-economic factors:** Financial exclusion is closely related to the social exclusion of low income households, who are not able to access the available financial products and services due to constraints such as illiteracy, low income, low savings, unavailability of identification documents, and generally low levels of awareness.

- **Geographical factors:** A review by the Rangarajan Committee shows that financial exclusion is highest among households in the Eastern, North-Eastern and Central areas of the country partly due to poor infrastructure coupled with remoteness and sparse population in some areas resulting in problems with access.

- **High operational costs:** Most financial service providers are vary of providing products and services appropriate to low income families on account of the high transaction costs intrinsic to small value accounts with limited numbers of transactions. In the perception of bank managements this reduces financially inclusive services to corporate social responsibility rather than real business.

- **Limited availability of appropriate technology:** The key driver of widespread financial inclusion is the proliferation of e-financial inclusion or the application of innovative, stable and reliable Information and Communication Technology (ICT). The challenge is to integrate the daily transactions done through hand held devices with the bank's main server. Furthermore, the devices should be capable of handling transactions related to at least four main types of banking products: savings cum overdraft accounts, pure savings products, remittance products and entrepreneurial credit such as KCC and GCC.

- **Inadequate banking products:** Studies of no frills accounts show that poor people prefer to transact with banks only if the latter provide overdraft facilities to meet emergency needs.

Their needs are more often met by remittances and entrepreneurial credit such as KCC, GCC.

- **Financial inclusion and banks' business plans:** Since banks have a tendency to view financial inclusion as a part of corporate social responsibility rather than serious business, financial inclusion is rarely core to the bank's business strategy. The lack of infrastructure and cost effective technology for facilitating small volume transactions at the doorstep of the account holder compounds the perception of high costs and thus discourages banks from providing financial services to low income individuals.

- **Greater emphasis is required on financial inclusion for the aged:** The need for financially inclusive services has actually increased in recent years as the cost of social commitments such as health, safety and security has risen along with improved life expectancy. While people retire relatively young they need adequate funds to maintain their standards of living. The need for financial services such as insurance, remittances, reverse mortgage loans, facilities for pensioners and deposit schemes for the older population has grown over time.

- **Product Specific Challenges:**
    - No-Frills Accounts – Distance from banks, lack of information, irregular flow of income, reluctance on the part of banks
    - BC/BF Model –
        - Challenges by Banks: Limited use by banks of the entities and individuals eligible for BCs, operational risks, cash settlement, distance criteria, reputational risks, high costs of IT enable financial inclusion,
        - Challenges by BCs: Lack of adequate training, insufficient commission, high costs
        - Viability: offering a mix of product rather than simple opening of accounts
        - Restrictions on NBFC (despite their reach) to act as BCs
        - Inappropriate targeting of clients (BCs established in places where banks are already present)
    - Kisan Credit Cards – MIS related, operational inflexibilities, inadequate credit limit
    - Mobile Banking - Difficulties in establishing partnerships with mobile service providers, security issues, lack of support for all handsets

- **Challenges in offering Micro-insurance:** Lack of suitable products, distribution channel and efficiency restrictions and ineffective marketing.

- **Challenges of Co-operative System:**
    - Suppression of boards due to losses, irregularities and judicial directives
    - PACS – Low mobilisation of savings, high risk portfolio (NPAs and inadequate cash flow), decreasing diversity of members

The introduction of these programmes has been a laudable effort and it has the potential to revolutionise the financial services environment. It is apparent that there is a huge task ahead in overcoming the challenges to financial inclusion. Most efforts are concerned with augmenting the supply side without adequate recognition of the long term potential of demand side measures such as effective financial literacy programmes. Initial pilots have amply demonstrated the significant difference that an aware client can make in the manner in which financial products and services are delivered to and used by her.

The large scale effort of the GoI to provide unique identification number for all citizens (Aadhar) is another major initiative with a potential and intent of providing financial inclusion to the citizens.

5 RECOMMENDATIONS

Even with many initiatives on the ground along with the strong policy intent, financial inclusion continues to be a challenge in the country and there is a long way to go. Even at the first level of ensuring good understanding among the excluded communities and motivating them to be a part requires enormous effort. A lot more needs to be done to move beyond this to address the long-term intent of FI addressing the life cycle and livelihood needs. The agenda is still vast and the task is quite challenging.

Building on the experience so far there are many contributions required from players such as UNDP and NABARD to address the issue in coming years.

This section brings together a set of recommendations. These are at two levels – (a) recommendations for UNDP; and (b) recommendations for NABARD. These recommendations are based on the following:

- pointers from the assessment of the project performance;
- discussions on the field with key stakeholders involved in financial inclusion and their suggestions;
- the lessons emerging from this important initiatives; and
- the current context of financial inclusion

5.1 Recommendations for UNDP

17. The project has completed all its activities as per the AWPs agreed on with the partners. As we have seen earlier, the status of achievements have been varied in each of the models, with some possibly requiring more support to ensure sustainability, and some for documenting and learning to capture the experiences and lessons. This would require documentation of models from the view of what work well in which context, with what key factors, etc. to be developed. This will be immensely useful for both field level partnerships and devising scalable programmes. The costs, coverage, approaches, with clear predictability of results are important.

18. The objective of the project has been to develop and test out models and approaches to effectively address financial inclusion of the marginalised groups. There are areas within current models where more work is required to fine-tune the models and approaches to improve effectiveness and sustainability. For example, the supply-side support at the field level to ensure better delivery of products and services in Emmanuel Hospital, ASSEFA resource centre viability, JSLPS district NGO network strengthening, etc. are some examples that need further support to close the loop of ensuring sustainability of these initiatives.

19. While the models have been tried out and implemented well, there is a need to productise these with clearly laid out protocols so that the 'how to do' for scale up can be addressed well (model documentation). These instruments could be in paper documents such as case studies, technical protocols, training modules or videos. 'Productising' or 'Schematising' of these

would be useful for incorporating in different programmes and organisations in future.

20. The training modules and methods developed in the project for improving financial literacy is a great resource for the sector. A repository of these knowledge products could be made available in few key national organisations and in UNDP.

21. Cross learning between states and within the partners on how they approaches financial literacy, what worked and what not, etc. would be an important process. Many felt that they are unsure of the outcomes and methods that have been tried and working in other parts of the project. The experiences of Bandhan, EMH, ASSEFA, Prathama Bank, JSLPS, etc. in addressing financial literacy through their models need to be shared in respective networks or platforms. These could be MFI networks, CSO networks, hospitals and faith based organisations, banking sector, NRLM state missions, etc. Here again, modularising and productising with an analysis of what works where would be very useful to share and enable easy adoption.

22. Engagement with NABARD for further inputs and support required in the next plan period would be a step required. As mentioned in the findings chapter, sharing with other major players in the banking sector to address all type of banks across the country will be useful.

23. There are engagements expected from UNDP that are critical to ensure enabling environment to make the financial inclusion work effective. Some of the work required to be done in this is:

- Advocacy to make the supply side more responsive seems to be an area of future work. Policy level engagement with the respective ministries is an area of support expected.
- Exploring with policy makers on developing a new institutional structure for focused last mile linkages, similar to RRBs, and giving them clear agenda and boundary of operations. These can work only with those who don't have bank accounts and in areas where most are excluded.
- The cost of reaching out to the unreached is currently being borne by Banks and the viability is a question. Banks are not incentivised and are not equipped to handle large number of small accounts. There is a need to explore at policy level what and how this can be incentivised.
- Engaging appropriate human resources at critical levels to help the agenda delivered better – both at Government level and also at partners (such as NABARD).
- Apart from these, the knowledge sharing as done so far in Solution Exchange and through focused studies and dissemination is important to make the work effective.

5.2 Recommendations for NABARD

24. One stream of work is to scale up the initiative building on the experiences, tools and methods that have been developed and tested in the previous phase. NABARD is mandated to do this

across the country. It will require adequate human resources at the State Offices under the FI Division which could possibly be supported from UNDP/other institutions to enable high quality delivery of these programmes. While delivering these services, studies, research and new methods could be developed in parallel developed and fed into the programme to make it more effective.

25. There is a long way to go before FI innovations through the delivery models such as BC and BF can sustain their operations. Making BCs viable – to reach scale and sustain – is an agenda that could be further explored.
26. There is lot more that needs to be done to develop products and methods to address the entire life cycle and livelihood needs of the group, once they are reached and a bank account is opened. Currently there are largely standardised or general products available. Pilots to develop and deliver customised products to groups are required in coming years.
27. Models are yet to be developed to reach populations that are migratory. Building on initiative such as AADHAR cards could be one option. More needs to be done to find solutions in this regard.
28. There could be exploration of identifying BCs from marginalised groups catching them young at schools and colleges. If viable options are given to them at the college or school level with a clear model of operations, they are likely to be going back and working effectively among their communities.
29. In district level FLCCs depute a person from local NGOs to bring in the skills and attitudes required to reach out and convince marginalised communities, building on the experiences gained from this project.
30. There needs to be formal engagement methodologies and metrics between civil societies with the banks to leverage each other's strengths to reach out to the targeted communities.
31. Single point service providers at the local level could be developed so that the sustainability of providers is ensured and basket of services can be provided to people effectively.
32. There could be partnerships for financial inclusion with possibly MFIs and other producer organisations, which may be under NABARD's framework or otherwise. Large scale partnerships to leverage these bases could also be explored (for e.g. with Small Industries Development Bank of India under their SIDBI Foundation for Micro Credit, or with Friends of World Women Banking, etc.). Other institutional models, for e.g. Velugu and Andhra Bank setting up operations in unbanked areas, to address the financial inclusion issues through SHG-Federation model, in multiple states.

6 CASE STUDIES

The following are few indicative case studies from the field interactions to highlight the outcomes and processes of the project at the field level. The intent is to share experiences and benefits that communities have gained due to the project. These are only indicative and not exhaustive.

6.1 Building a *Pucca* Life (Bandhan-UNDP Collaboration)

Murshida Bibi, 58 years old, is an illiterate woman who spent the most part of her life residing in a *kutcha* house in Maheshpur block. She used to work as a domestic help in the village. Her husband Salim Sheikh, was the main earner of the family, working as a labourer, but today, at the age of 62 he is no longer able to do physical work to earn their day-to-day living. Murshida Bibi and Salim Sheikh have two school going daughters. They struggled to fulfil the basic needs of the family. In addition, they were constantly worried about how they would find the means to get their daughters' married. Murshida Bibi lamented not having a son who could help with the household finances.

The family has a BPL card through which they receive only kerosene. Murshida Bibi applied a few time for the Antodaya Anna Yojana card so that they could get subsidised rice, but was not successful. Now she has given up asking the dealer for the AAY card.

In 2009 Murshida Bibi was introduced to BANDHAN by one of her village friends. BANDHAN is a microcredit & development organisation working through BANDHAN Financial Services Pvt. Ltd., a Non-Banking Financial Company-MFI and BANDHAN Konnagar, an NGO. BANDHAN was implementing the UNDP-NABARD Financial Inclusion Project, a credit plus initiative to develop the capacity of the clients on micro enterprise and financial literacy.

The credit plus approach recognises that credit alone does not guarantee viability and sustainability of micro enterprises, and a socially and economically disadvantaged community need skills, information and techniques to plan, run, grow and sustain enterprises. At the same time trainings in household finance management and facilitation of financial inclusion enables financial security at household level. These two critical inputs, when integrated with planned and need-based credit flow will uphold the family income (through enterprise) and financial stability (through literacy and inclusion) and lead to a holistic impact of poverty alleviation that does not allow them to slip back.

Murshida Bibi saw an opportunity to build and enterprise, and after completing the required formalities became a part of a BANDHAN micro-finance group. Through BANDHAN assistance, she went to Maheshpur to get training on broom manufacture. With a ₹1,000 loan she started the trade of broom making. Her husband would buy the inputs from Pakur market and she would produce the brooms. Initially she sold the brooms in the local and weekly markets. After one year, she took a second loan from BANDHAN , of ₹4,000 and a year later one more loan of ₹14,000. The gradual increase in credit enabled her to increase production and sell in bulk at the wholesale markets.

With a financial literacy training provided by BANDHAN , Murshida Bibi learned to maintain a household diary to track and plan fund flow and expenses. She prepares cash-flow for her enterprise and receipts-payments account daily basis.

Murshida Bibi's enterprise currently has a turnover of ₹25,000, earning a profit of nearly ₹10,000. She bought a mobile phone and now takes order over mobile phone. She has a reputation for producing outstanding quality and possessing innovative thinking, which keeps her at the very forefront in her trade.

With BANDHAN 's support Murshida Bibi has now developed a business plan to further expand her business in a structured, realistic and purposive manner. She plans to produce Santhali broom and mud carrying basket to cater to the needs of the Santhal community in the region, most of whom are agricultural labourers. She estimates a capital requirement of ₹38,000 of which she needs ₹26,000 as credit assistance from BANDHAN to buy a three-wheeler van for marketing purpose. She will invest her own money to the tune of ₹12,000.

With her earnings from her business Murshida Bibi has been able to make modifications to her house and now has a semi-*pucca* house. She was able to get her elder daughter married.

BANDHAN made Murshida Bibi aware of the need and mechanisms for savings. She opened a savings bank account in State Bank of India and has a saving of ₹ 2,000 in the bank. She also took out two LIC policies. The family is now keen to open a recurring deposit account.

Since the day she took her first loan from BANDHAN , Murshida Bibi's trade is growing day by day. Murshida Bibi now hopes to build a *pucca* house by end of 2013.

Murshida Bibi's story shows that the two key challenges of financial inclusion, that of achieving depth and breadth of financial services can be addressed. Depth refers to reaching increasingly poorer and more remote people through financial services. Murshida Bibi had lived in poverty, subsisting on earnings from labour by her and her husband. As youth gave way to old age and labour became difficult, the vulnerability increased. The financial inclusion project was able to reach this highly vulnerable family, who otherwise, because of poverty and illiteracy may have never built a successful enterprise.

Breadth was addressed by providing a range of appropriate products and services. Murshida Bibi was supported in enterprise development through credit, business planning and tracking. Graded loans, beginning with small amounts and gradually increasing the amounts as the enterprise began to mature reduced the risk for Murshida Bibi and BANDHAN . Business planning services provided a vision and stability to the enterprise, reflecting its viability. It also gave Murshida Bibi confidence in her ability to run the enterprise. Being a part of the formal banking system helped Murshida Bibi manage her savings and move away from a hand-to-mouth existence, dissipating her worries of getting her daughter's married. It gave her a reason to dream and hope for the future, for a pucca house, and in a sense, a pucca life.

Murshida Bibi's story shows how financial inclusion complements hard work, determination and an entrepreneur spirit to move and keep communities out of poverty.

6.2 Delivering Financial Literacy – the FINO Experience

Chandrawati holds a smart card and has worked under NREGA scheme for 16 days for which she received her payment at the rate of ₹120 per day. "We used to save our money at home but it would get spent on daily needs. Once we started saving accounts in bank we were assured that our money was in safe hands, earning some interest, and also available in the long-term."

Doodnath owns 2 Bighas land. He has access to bank services and holds a saving account in Punjab National Bank and Jila Sahkari bank. He holds accident insurance in HDFC for which he pays ₹100 per annum. He had also received a claim for ₹7,000 when he had an accident and fractured his hands and had some minor health problems.

Meena Devi worked for 14 days under NREGA in 2011 for the construction of bunds in villages and received ₹1,680 which she utilised for her household expenses.

Jugnu Prasad had an account in Allahabad bank from last 4 years but did not know how to use the account. Infrastructure was poor, the bank had long lines and systems that he could not understand. He was not operating his account. He has recently opened an account with Punjab National Bank, knows about the bank services and is able to operate the account.

The common thread through these stories is of the support received from "*Bandhus*" of FINO who facilitated the financial inclusion of these beneficiaries.

FINO Fintech Foundation was established to promote sustainable livelihoods for the rural poor and underserved classes by helping them become economically self-reliant, through provision of financial and insurance services and technical assistance in an integrated sustainable manner. FINO implements the UNDP-NABARD Financial inclusion project, promoting financial literacy through capacity building. The approach of the project is three pronged: (i) Develop modules and material for financial literacy capacity building; (ii) Build and operate a channel for delivery of capacity building to beneficiaries; (iii) Conduct financial literacy workshops and provide other support to beneficiaries on the ground.

The delivery channel developed by FINO has a District Coordinator in each district responsible for overall operations in the district. A block coordinator manages the operations in the block, mainly supporting the Bandhus, who are the first contact point for the end beneficiaries and are responsible to conduct daily transactions for them. The Bandhus are the critical link in the capacity building chain. They are local youth identified from every panchayat and trained by FINO on financial literacy. A Bandhu earns ₹750 per month.

In Bikampur village, Chatra block, Sonebhadra district, Mr. Vijay is the Bandhu who serves the community. Vijay was trained on financial literacy by FINO at a workshop in Robertsganj. He then went back to his village to train the community on different aspects of financial literacy - such as importance of regular savings, meaning and usefulness of insurance, basic knowledge about banking services and insurance companies, and so on. He held meetings at the Gram Pradhan's house, displayed banners and other materials developed by FINO, and also went from house to house to interact will potential beneficiaries and address their queries first hand.
FINO is responsible for disbursing NREGA payments in the village and Vijay made people aware of their entitlements, linked them to NREGA work and disbursed cash payments. He supported the villagers to get a bank account with the Punjab National Bank (PNB), from where they got smart cards. The NREGA payments went to PNB and Vijay was authorised to collect cash from PNB for disbursal at village level. A prior announcement would be made informing recipients when and where the cash was to be disbursed, and they would gather accordingly.

"Many villagers had an account at Allahabad Bank, but did not know how to operate it. Since FINO was collaborating with PNB for the NREGA payments, I linked them to PNB. Banks are not able to effectively disburse NREGA payments since they are short-staffed, and cannot not give accurate payment schedules. As a result NREGA beneficiaries would frequently visit the branch, only to be turned away. This made NREGA less attractive to villagers. Now with cash at their door-step, accessing NREGA entitlements has become easy for villagers. In fact if they are not present when we disburse the cash, they come to my house and collect it later. 75% of the villagers have an account at PNB," he says.

HDFC bank offers accident insurance and Vijay encouraged villagers to buy accident insurance policies. 90% of villagers now hold accident insurance policies and a few like Doodhnath have also benefited through claims for accidents.

Vijay linked farmers to the Zilla Sarkari Bank (District Cooperative Bank) from where small and marginal farmers can avail credit to buy agriculture inputs. 80-85% of villagers in Bikampur are now linked to the Zilla Sarkari Bank.

Vijay has also covered farmers under the Kisan Credit Card (KCC), known more popularly as the "green card". Farmers can get credit from any nationalised bank for crop loans, working capital or investment credit for viable agriculture purpose.

Financial literacy has eased access to credit, insurance and entitlement. It has given poor people more money in their hands for their daily expenditure. It has provided affordable credit alternatives for their production and consumption needs. It has helped them deal with emergencies without assuming unnecessary debt. It has taught them to prepare for life cycle needs and save for the future. The range of products and alternatives available to and accessed by the residents of Bikampur are addressing their diverse financial needs.

In financial inclusion, while breadth of products is important to address diverse needs, depth in terms of reach is as critical. Depth has been addressed by FINO through the delivery model where Bandhus are identified from the villages and trained in financial literacy. This model is able to reach out to every last person in the village in need of support. Being a local person, villagers have trust and are able to interact with more ease, and he is also available to them round the clock.

Ram Dev has the last word, "Earlier for financial help, we would go to moneylender where we were always cheated and exploited, but now we go to Vijay and Manishji (Block Coordinator) who set us on the right direction, give us all the support we need and make sure that we are not at any loss."

6.3 Smart Card is not Simply Smart Tool, but a Life Saving Card for Poor (EMH)

The following are three caselets that reflect how the smart card initiative by the Emmanuel Hospital for accessing support under RSBY has been facilitated.

Smt. Munni Devi Smart card Holder under RSBY

Case 1:

With a heart-warming smile Smt. Munni Devi says "*Itna rupya kahan garib aadmi ke paas hai? Agar ye card hamare paas nahi hota to abhi tak hum jinda nahi hotein. Ye mere aur mere parivar ke liye vardan sabit hua hai. (Poor people do not have such money. Today I am alive only because of this card. It is a life saving card and has been a boon for me and my family.)*

Smt. Munni Devi, aged 38 and residing in Lodhi village of gram panchayat Badholi in Chatra block of Roberstganj shared her experience and gave her thanks to the scheme and effort of agencies involved in Rastriya Swasthya Bima Yojana (RSYB) programme. She explained that she was suffering from weakness and abdomen illness since last 3 years, after the delivery of second child. The illness started with mild to severe pain in abdomen once in a week. She didn't want to confide her health problems with anyone as she was worried they would ask her to go to hospital, and it would be an added expenditure that her family could ill afford. But as the frequency of symptom increased with severe pain in abdomen region, her family came to know about the illness and admitted her in the hospital in severe condition. To pay for the treatment in the first year her husband took a loan of ₹5,000 from a money lender at an interest rate of 10% per month. She was soon diagnosed as suffering from piles which had reached a severe stage. The treatment was helping and she started feeling better. Meanwhile his husband was able to repay the money lender in 3 months by selling his agricultural produce after harvesting of paddy.

Four months later in 2011, she once again started facing the same health problem. She consulted a doctor at the district hospital and was referred to Lifeline Private Hospital of Varanasi where she was diagnosed with severe piles disease, which needed an urgent operation. But since she had no money she could not opt for an operation. Her family went to Gram Pradhan for help. He was aware of RSBY scheme and arranged a camp to help people get enrolled in the scheme and get smart card with the help of Emanuel Hospital Association.

After getting the smart card Munni Devi and her husband immediately went up to Kirtipal Hospital and got her admitted. Munni Devi was in the hospital for 7 days. The operation and stay cost ₹17,680 which was reimbursed with smart card she was holding. Her family was thrilled that she was cured. Munni Devi, who had lost all hope in life was finally at peace and in good health. She is grateful to the Government for implementing such a wonderful scheme for the poor.

Case 2:

A familiar and sad story oft repeated in poor households is of family members (often women) who by themselves, or at the behest of the family deny themselves health care because it is a drain on the family resources. Smt. Savitri Devi a 26 year young woman who suffered from migraine knows the story too well. The migraine used to make her faint and unconscious, sometimes for upto 24 hours. Severe weakness and loss of appetite made her lean and thin for past one year. She needed to seek medical care at a hospital, but the expense too much to afford. She approached her Gram Pradhan for financial help. The Gram Pradhan knew that many persons in the village suffered health related problems so he organised a village meet with help of Emmanuel Hospital in which everyone was told about the RSBY scheme and smart card. Savitri Devi applied and received a smart card. When Savitri faced the same symptom the next time her family members took her to Kirtipal hospital with Smart Card. She was admitted for 3 days and the treatment cost ₹ 3,000. With the smart card she was able to take the treatment and is now fine and attends to all her work. She has immense praise for this scheme, which helps poor people like her. She is also thankful to Emmanuel hospital that helped her to get the smart card.

Case 3:

Shri Baijhnath of Lodhi village has learned that "*Paisa mauka par nahi hai to garib ke paas koi rasta nahi hota, par smart card hamare jaise garib ke liye ek sunahra rasta hai apne jindgi jeene ke liye (Poor don't have money at the time of need, but Smart card is a golden opportunity in the life of poor people like us.)*

Shri Baijnath holder and beneficiary of Smart card under NHIS with his two children

Baijhnath is a poor BPL farmer who was not aware of his entitlements. His wife was admitted to Kirtipal hospital during her 8th month of pregnancy. Doctors diagnosed a fetal irregularity and recommended an urgent operation. Baijhnath was poor and couldn't afford the operation. Then he came to know about RSBY Scheme. He got enrolled and got the smart card. His wife underwent the operation and the smart card paid for the total operation and hospital charges of ₹23,450. The card saved the life of both mother and child.

6.4 Every Step Counts: Women of a SHG making Small Strides

JSLPS has been imparting training and awareness generation programs for villagers since last two years under the UNDP-NABARD Financial Inclusion project, to empower the people, help them become self-reliant and exercise their rights. The thrust of such trainings is to create awareness on burning issues the people face, and the content includes various dimensions of the FI and Banking which have been passed recently; the entitlements that are available to them; and livelihood options.

Members of the Muskan group, an SHG in a Pakur village shared how JSLPS had supported their group. "Initially JSLPS staff came to us and explained the importance of savings; they proposed we start a group of 12 women and asked us to save ₹10 each a week. They explained that this money would come to use in case of emergencies like when someone in the family fell ill.

The JSLPS staff taught us how to start a group and how to save money. In an initial meeting, we decided to name our group Muskan. They also told us the importance of saving in bank. For the first 3 months we started saving ₹10 each per week and after three months, we opened a group account in the bank. We understood that by having a bank account we would get interest on our savings, and after some time when we have a certain level of saving the bank will also loan us money. At present, we have around ₹ 5,000 in our bank account and some money with the group. In the group, we have one box and every week we put money in that box. The box remains with one person and another person has the key.

Once we started saving JSLPS staff explained how we should loan money to members. Members in need can take a loan. The members themselves decide who can be given the loan, and the amount and other terms. The group charges 2% per ₹100 loan. One woman of the group shares “I started bangle shop in the village. I took around ₹ 2,000 from the group at rate of 2% interest and included other saving I had after my family sold one of our goats. My trade is now going well.” She could not specify how much money she makes in a month, but believes her enterprise is doing well and growing. She hopes to take a lager loan in future from the group to invest in her shop.

There are four groups in the village and many people have taken loans for petty enterprises such as betel shop, grocery shop in the village and tea shop. Loans are also taken to buy agricultural inputs and for personal in health, weddings and house construction and repair.

Though the groups have bank accounts, few individuals do so, largely because they do not have enough money to save. There is one school teacher and one widow (who gets widow pension) who have bank accounts. Through there are remittances from migration, this is not happening through banks. Occasionally remittances are transferred by money order through post office.

As one of the women of the Muskan group shared, “Before JSLPS came to our village we did not have any concept for saving. We would keep some money at home for emergency use, but often would spend it on daily requirements. When we need funds there are no alternatives and we are forced to either sell our jewellery or take loans from money lenders at high interest rates. Now that we save with the SHG, our money we have funds for most of our need.”

6.5 Empowering Women through Financial Literacy

Geeta Devi (Age 38 years) from village Gopalpur expresses her gratitude to Mahila Prabodhini for building her capacity, and that of other women in her village.

"Before 2010 we didn't have a place in society, we didn't have an identity. We would follow the decision of our husband or family members. When our abilities were not recognised in our homes, how could we leverage them in society?" she asks. "The day that Mahila Prabhodini came to our village for an awareness programme on financial literacy was a day that changed our lives." Mahila Prabodhini sought to create awareness on the importance of having a bank account and the benefits of different bank products, schemes for them. With help of songs, folk theatre, pictures and slogans it was very easy for Geeta Devi to understand the concept and objective of the programme.

Her interest piqued, she spoke to Tarak Mehta the programme coordinator of Mahila Prabodhini on how to get the benefit of the programme. He told them it was necessary to form an SHG and open a bank account in the Union bank of India, which was near their village. Mahila Prabhodini staff assisted Geeta Devi to form and SHG and link to the bank.

On the same day in evening, she talked to other women in village and held a meeting to discuss the issues that learned that day. Eleven women attended the meeting and following discussions, decided to form an SHG. The next day Geeta called the field representative from

Mahila Prabodhini and asked him to detail the processes on how to form SHG and how to proceed further.

The women formed group of 16, named Ujala and started regular fortnight meetings. The main objective of the group was to improve the member's saving habits and provide loans to the group. They decided to save ₹50 per month in their group. They would loan to anyone from group in case of need and she would be liable to repay in a certain time and with a certain interest rate. Under the flagship of SHGs they opened a bank account with name of Ujala SHG in Union bank of India. Day by day the group grew stronger and more capable and in a short while their monthly savings had increased to ₹100 which was deposited every month in the bank. When members applied to the SHG for loans, the requisite amounts were withdrawn.

At the household level, the SHG was an important platform for savings and credit. But its value transcended the household boundaries, and in the village too the Ujala SHG was seen as instruments for a variety of goals including empowering women, developing leadership abilities among poor people, increasing school enrollments, and improving nutrition and the use of birth control. The members get invited for any decisions which are taken at village level. Seeing the working and benefits of Ujala SHGs, other women from village also participated in building and operating SHG. Currently this village has 8 successfully running SHG that are well linked with UBI and maintain a good cash flow.

Now most women, in addition to the group accounts also have their individual savings account in the bank. Some of them have health insurance policy; application for the artisan card holder is in process. Geeta herself had claimed for ₹30,000 for animal health insurance from same bank. The connecting of women to bank had really empowered them and makes them capable to take good financial decisions. Currently Ujala SHG has savings of ₹ 65,000 in their bank account and all 16 women have savings that range of ₹ 2,000 to ₹ 7,000. They have also applied for loan of ₹ 80,000 from the Bank to start a sweet shop in village which will be run by Ujala SHG women.

Geeta has full faith on this model and linking to bank which had changed the women status in her village and enabled them to realise their potential.

7 ANNEXES

7.1 Annex A – Summary of the UNDP Financial Inclusion Project

1. Situational Analysis

Financial inclusion is the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost. Access to finance by the poor can help strengthen their livelihoods by building their asset base, supporting income generating activities and expanding the range of choices available to them.

India has a massive network of 69,417 commercial bank branches and an evolved microfinance programme, with the SHG Bank Linkage Programme and MFIs together reaching out to 50 mn households. The Government of India has set up the Financial Inclusion Fund and Financial Inclusion Technology Fund, with a corpus of Rs. 500 Cr. each. States have been tasked with achieving 100% financial inclusion in at least one district by providing a 'no-frills' account and issuing general purpose credit cards. Banks have been permitted to utilise the services of NGOs, SHGs and MFIs as intermediaries.

Two main challenges that stand out today are those of the ***depth and breadth of financial services***. Depth refers to reaching increasingly poorer and more remote people through financial services. In India, only 22% of all poor households currently receive microfinance services. Broken down by social groups, 49% of farmer households belonging to SCs and OBCs do not have access to credit; the STs are worse off at 64%. In terms of geographic coverage, while the UN focus states are home to 57.3% of India's poor, they account for only 34.3% of commercial bank branches and 20.8% of MFI clients. Breadth refers to ensuring that a range of appropriate products and services are available to everyone. The poor need a variety of financial services that are integrated with livelihood promotion and income protection such as insurance for death and asset protection, pension, remittances, transfers, loans for education, microenterprises and for emergency needs. Presently, the range of such products is limited and there are issues of pricing and cost. Only 10% of the population is served by micro insurance, less than 2% by health insurance; only 6% of livestock are insured.

It is also recognised that supply-side interventions need to be accompanied by ***demand-side efforts*** to strengthen the livelihoods of the poor. The Rangarajan Committee on Financial Inclusion refers to critical gaps, related to access to land, infrastructure, income and productivity enhancement, value addition, market linkages and organising unorganised producers. Additionally, awareness generation or financial literacy is also important so that the poor understand these products and services and how to access them. Finally, to address the issues outlined above, the ***capacities of a range of stakeholders*** (financial institutions, MFIs, poor clients, regulators etc.) need to be strengthened. This may include support on systems and processes needed to deliver/access services at the grassroots level, particularly for excluded groups and remote areas.

2. Project Deliverables

- Innovation support for design and delivery of financial products and services suited to the livelihood needs of the poor
- A range of financial products and services piloted to promote livelihoods and reduce vulnerabilities of the poor in at least 4 UN focus states.
- Financial literacy strengthened for the poor on available financial products and services, pricing and terms and conditions in 7 UN focus states.
- Knowledge sharing networks supported/established nationally and across 7 UN focus states between actors of the financial services sector to encourage delivery and scaling up of financial products and services for the poor.
- Policy environment for financial inclusion strengthened.

3. Project Strategy

Keeping the poor at the centre of the strategy, the emphasis will be on disadvantaged groups such as SCs, STs, migrants, minorities, female-headed households, People Living with HIV, Persons with Disabilities, and involuntarily displaced persons. The project will adopt an integrated approach with the following components:

a. **Supporting design and pilot financial products and services for the poor, particularly disadvantaged groups among them:** The project will provide stakeholders with financial resources, technical support and linkages to reach disadvantaged groups. It will leverage funds from diverse sources including donors, private sector and the government. Innovation in design and delivery of financial products and services will be supported in areas such as agriculture, allied activities, micro-enterprises, basic services, and clusters in sectors like silk, bamboo and textiles. It will catalyze public-private-community-partnerships with clearly defined roles for governments, private sector and organisations of the poor.

b. **Supporting district level demonstration pilots to test out new products, delivery channels and models designed for disadvantaged groups and regions:** The project will support demonstration pilots to increase the depth and breadth of financial services, focusing on both vulnerability reduction and income enhancement. It will work on the supply side by designing and delivering innovative financial products/services and demand side by ensuring the participation of the poor in design and delivery and strengthening their livelihoods. The pilot proponents will work with formal financial institutions and also support experiments with alternative delivery channels. ICTs will be leveraged to reach remote areas and groups, reduce delivery cost and enhance transaction security. Capacities of communities and formal financial institutions will be strengthened especially at district levels, for improved product design and delivery.

c. **Strengthening financial literacy through information provision and protection of the poor:** The project will support financial literacy in 3 main areas: building technical capacities of the poor, strengthening the attitudes and functional capacities of bank/MFI staff, and conducting awareness campaigns on available financial products and services. It will identify and collaborate with at least one technical institute/agency to undertake these initiatives.

d. **Supporting knowledge sharing at state and national levels to help exchange new ideas and good practices, share experiences and scale up:** With UN Solution Exchange for the Microfinance Community as the key partner, the project will support knowledge sharing and platforms to exchange experiences among existing actors in financial inclusion. As new models are tested on the ground, it will support the documentation and sharing of good practices and successful, replicable interventions. The project will also support the annual State of the Sector Report on Microfinance - a repository of information and activities on this sector.

e. **Policy Advocacy:** The project will collaborate with the Microfinance India Platform to support visioning workshops for financial inclusion, and policy retreats where policy makers and sector experts evolve recommendations on specific financial inclusion themes. It will engage with national level committees set up by the Government of India, apex banks such as the RBI, NABARD, SIDBI, and the UN Solution Exchange knowledge community on Microfinance.

The proposed strategy recognises that financial inclusion is not a panacea for poverty alleviation and is at best a supplementary tool that must accompany other efforts to strengthen the livelihoods of the poor. Therefore, financial inclusion will go hand in hand with social mobilisation, micro enterprise development, capacity building and technical support such as business development services. This will be done through linkages with the project on State Level Support to Livelihood Promotion Strategies.

4. Implementation Arrangement

The project will be anchored with NABARD (to be confirmed). NABARD and UNDP together will identify Implementing Partners for the various components of the project and these could be a government agency, NGO, financial institution, private sector etc. NABARD will facilitate knowledge and advocacy component at national level, experience sharing across 7 UN focus states, and generation of feedback on relevant policies and regulatory issues, including inputs into the XII Plan formulation process.

5. Budget

USD 4.5 million