

Credit and Credit Plus Approaches for Promotion of Rural Livelihoods in Asia Pacific Region



APRACA Centre of Excellence (ACE)
Bankers Institute of Rural Development (BIRD), Lucknow

An ISO 9001:2015 Certified Institution Promoted by NABARD



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Access to financial services through microfinance has traditionally been recognised as an important means of improving livelihoods, reducing vulnerability and fostering social as well as economic empowerment of poor households. While the overall contribution of microcredit looks impressive, it is now argued that microfinance, per se, needs to be combined with other initiatives to improve the borrowers' capabilities to develop sustainable income-generating activities. Several financing institutions, either on their own or in partnership with other organisations, offer various non-financial services, commonly labelled as credit-plus services, such as financial education, technical or business development trainings, business related advice including legal advice, socially-orientated services, which include health-related services, general education, green programmes, etc.



Evidences suggest that providing credit plus services to beneficiaries enhances the efficiency of financial services to move people out of poverty. Additionally, the credit-plus services is a good hedge for financing institutions to sustainably improve the quality of their portfolio, by increasing their clients' profits and resilience to shocks. Credit-plus services not only increase the capacity of the clients to repay their loan but also their willingness to do so. Financing institutions in this arrangement place themselves within a larger, multi-sectoral and inclusive network and play the critical role of a link between target population and various structures- all fighting against the different dimensions of poverty. Some successful models, including Crédito Con Educación Rural (CRECER) in Bolivia, Pro Mujer network in Latin America, Foundation for International Community Assistance (FINCA) in Peru, Bangladesh Rural Advancement Committee (BRAC) in Bangladesh and Action for Social Advancement (ASA) in India, show the accomplishments of institutions in combining financial and non-financial services.

In this context, the APRACA Centre of Excellence (ACE), established at Bankers Bankers Institute of Rural Development (BIRD), Lucknow, India, has brought out the fourth issue of its publication on the theme “Credit and credit plus approaches for promotion of rural livelihoods in Asia Pacific Region”. The publication carries articles and cases studies from Asia Pacific countries which showcase that financial institutions can have a larger effective impact if they adopt an integrated approach to livelihood development of the poor.

I hope that policy makers and institutions in the APRACA member countries would find the articles useful and get encouraged for making similar efforts in their own countries.

Shaji KV
Chairman
NABARD & APRACA
04th July 2023

Message from Chairman's Desk



The Asia Pacific Rural and Agricultural Credit Association (APRACA) has been in the forefront for deepening and widening access to finance in the rural areas through its member institutions in the Asia-Pacific region by promoting efficient and inclusive rural financial systems, disseminating innovations and best practices in rural finance. Combining financial and non-financial services to have a greater impact on people is one such innovative method that has been successfully adopted by many of the APRACA member institutions, viz., Vietnam Bank for Agriculture and Rural Development (VBARD) in Vietnam, Ekphatthana Microfinance Institution (EMI) in Laos PDR, Bangladesh Rural Advancement Committee (BRAC) in Bangladesh, National Bank for Agriculture and Rural Development (NABARD) in India and many others.



NABARD-APRACA Centre of Excellence (ACE) set up at BIRD, Lucknow, India, has been instrumental, through its publications, in sharing the innovations, best practices and success stories on themes relevant to APRACA member countries. To serve this objective, I am happy to share with you the fourth publication by ACE on the theme “Credit and Credit Plus Approaches for Promotion of Rural Livelihoods in Asia Pacific Region”. I am sure, the knowledge and experiences shared through this publication will certainly help in promoting innovations in credit plus approaches while lending to poor in the Asia Pacific region and by APRACA member institutions.

This publication has been made possible with the support of several individuals and organizations and I take this opportunity to express my heartfelt gratitude to them. I acknowledge the contributions of Vietnam Bank for Social Policies (VBSP), Vietnam; Thengamara Mohila Sabuj Sangha (TMSS), Bangladesh; Sana Kisan Bikas Laghubitta Bittiyasanstha Ltd. (SKBBL), Nepal and various institutions in India including Shri Kshethra Dhramsthala Rural Development Project (SKDRDP), Light Microfinance Private Limited, Hand in Hand India, NABARD Tamil Nadu Regional Office and Andhra Pragathi Grameena Bank (APGB), for sharing articles and success stories on the theme. I congratulate my team at ACE, BIRD, Lucknow for the effort. I hope that institutions in APRACA member countries would find these experiences useful for replication.

Nirupam Mehrotra
Director,
BIRD Lucknow



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Abbreviations

AI	Artificial Intelligence
APGB	Andhra Pragathi Grameena Bank
ATMs	Automated Teller Machines
B2C	Business-to-Consumer
BC	Business Correspondents
BDT	Bangladesh Taka
BF	Banking Facilitators
CAGR	Compounded Annual Growth Rate
CSC	Common Service Centres
DAY-NRLM	Deendayal Antyodaya Yojana -National Rural Livelihood Mission
DRRLREAC	Disaster Risk Reduction and Livelihood Restoration for Earthquake Affected Communities
DWCRA	Development of Women and Children in Rural Areas
EDII	Entrepreneurship Development Institute of India
FPO	Farmers Producer Organisation
FY	Financial Year
GDP	Gross Domestic Product
GoI	Government of India
GoN	Government of Nepal
HEM	Health, Education and Microfinance
HiH	Hand in Hand
HR & G	Human Rights and Gender
ICT	Information and Communication Technology
IGAs	Income Generating Activities
IIT	Indian Institute of Technology
IMPS	Immediate Payment Service
IRDPI	Integrated Rural Development Programme



JLG	Joint Liability Group
KCC	Kisan Credit Card
KYC	Know Your Customer
LEDP	Livelihood and Entrepreneurship Development Programme
MEDP	Micro Enterprise Development Programme
MFIN	Microfinance Institutions Network
MFIs	Microfinance Institutions
MFOs	Micro Financial Organisations
ML	Machine Learning
MSMEs	Micro, Small and Medium Enterprises
MTO	Money Transfer Organizations
NABARD	National Bank for Agriculture and Rural Development
NBFCs	Non-Banking Financial Companies
NEFT	National Electronic Fund Transfer
NFS	Non-Financial Services
NGOs	Non-Governmental Organizations
NPCI	National Payments Corporation of India
NPR	Nepalese Rupee
NRLM	National Rural Livelihood Mission
OCR	Optical Character Recognition
PCM	Policy Credit Management
PMRY	Pradhan Manthri Rojgar Yojana
POPI	Producer organization promoting institution
PPIC	Pro-Poor Innovation Challenge
PUB	Pundra University of Science and Technology
RBI	Reserve Bank of India
RBI-DPI	Reserve Bank's Digital Payments Index
RCH	Rafatullah Community Hospital

READS	Rural Education and Development Society
RSETI	Rural Self-Employment Training Institute
RSRC	Rural Self Reliance Credit
RUDSETI	Rural Development Self-Employment Training Institution
SB	Smart Banking
SCG	Savings and Credit Group
SEP	Skill for Employment project
SEWA	Self-Employed Women's Association
SFACLS	Small Farmer Cooperatives
SFBs	Small Finance Banks
SGSY	Swarnjayanti Gram Swarojgar Yojana
SHGs	Self Help Groups
SIDBI	Small Industries Bank of India
SKBBL	Sana Kisan Bikas Laghubitta Bittiyasanstha Ltd.
SKDRDP	Shri Kshethra Dharmasthala Rural Development Project
SMAIs	Small and Medium Agro-processing Industries
TABIF	Trichy Agri-Business Incubation Forum
TMSS	Thengamara Mohila Sabuj Sangha
TNSRLM	Tamil Nadu State Rural Livelihood Mission
TREP	TMSS Renewable Energy Program
TRYSEM	Training of Youth for Self-Employment
UNCDF	United Nations Capital Development Fund
UPI	Unified Payment Interface
VBSP	Vietnam Bank for Social Policies
VND	Vietnamese Dong
WWT	Welfare Trust

Promotion of Rural Livelihoods – A Brief Commentary on Indian Initiatives

L. H. Manjunath*

1. Introduction

Providing viable employment to the teeming millions of the village population in the Indian subcontinent has always been a challenge. This was more pronounced in the early '80s when the population was growing at a rate of 2.5. Being the biggest employer, the Government of India (GoI) was entrusted with the responsibility of providing gainful employment to the eligible work force. Promotion of rural livelihoods was considered during those days as an important tool for eradicating the poverty and providing gainful occupations. In this backdrop, the GoI has been sensitive in promoting rural livelihoods since those days. Some of the biggest initiatives in promoting rural livelihoods of the world have been launched in the Indian subcontinent with the help of the government.

2. Government Initiatives for Promoting Rural Livelihoods

Some of the key initiatives taken by the GoI for promoting rural livelihoods in the country are discussed below.

2.1 Integrated Rural Development Programme (IRDP): Formally launched in 1980, this programme aimed at providing credit coupled with matching government subsidies for people below the poverty line (those having less than ₹11,000 income per annum). This credit was expected to be used for setting up livelihoods in the villages by the beneficiaries. The loans ranged from ₹10,000 to ₹25,000 and the government subsidy from 30% to 50% of the loan amount. In every district, District Rural Development Agency (DRDA) headed by a central service officer was established to oversee the implementation of IRDP. In the two decades thereafter, the government claimed to have assisted nearly 90 million families with a capital of ₹10,00,000 million. Deficiencies in the scheme led the government to scrap the scheme. The banks were burdened with non-performing assets due to non-repayment of IRDP loans. Promotion of livelihoods required motivated efforts and skill from the beneficiary to pursue the chosen livelihood. This was the major lesson learnt out of the scheme.

2.2 Training of Youth for Self-Employment (TRYSEM): Started in 1981, this central government scheme made efforts in training the rural youth on skill based activities, so that they become better employable. The idea was to motivate trained youths to take up self-employment. In the two decades, this scheme trained four million youth at substantial investments. But this could not result in substantial increase in

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self-employment. Selection of beneficiary and handholding the beneficiary for longer durations were considered essential for success of such efforts. This scheme was also scrapped later.

2.3 Development of Women and Children in Rural Areas (DWCRA):

Started in the year 1981, the DWCRA scheme aimed at forming women affinity groups, each consisting of 05 to 10 rural women. These women would ideally be from a poor household and would take up income generation activities together to become economically self-reliant. Each group was trained to take up chosen livelihood activities. In about two decades this programme formed nearly 2,20,000 women groups and claimed to have assisted 35,00,000 women beneficiaries before it was closed.

2.4 Pradhan Manthri Rojgar Yojana (PMRY): In a further push towards creating livelihoods and microenterprises by assisting unemployed young people, the PMRY brought in a compulsory training component in the scheme for the beneficiary before he/ she was assisted with bank finance amounting upto ₹1,00,000. Every year approximately 2,00,000 youngsters between the age group 18 to 35 were reportedly assisted with bank finance and government subsidy which was pegged at 15% of the loan amount subject to a maximum of ₹7,500.

2.5 Swarnjayanti Gram Swaroggar Yojana (SGSY): Another ambitious programme started in the year 1999 to help individuals and SHGs to take up microenterprises, SGSY espoused loan with a maximum of 50% back end subsidy.

3. Role of NGOs in rural livelihood Development

Many similar programmes have been started and wound up by the central and state governments. Most of the schemes had bank loans as the primary component with matching government subsidies. Many schemes in theory had training and capacity building component too. The government also made efforts to create a market for their products. Yet most schemes were considered to be successful in short term only in the initial days of promotion. While there was intent, the implementation methodology was mostly political in nature. The government officials entrusted with the responsibility of implementing these schemes were mostly overburdened and could not monitor the implementation in true sense. The banks were loaded with defaults from such beneficiaries.

It can therefore be concluded that promotion of rural livelihood is indeed a challenging task and cannot be target oriented. Most importantly the desire to prosper must be generated from within the community rather than being thrust upon. The efforts of the non-governmental organizations (NGOs) in providing a new direction to help the people in the bottom of the pyramid with livelihoods started in the early 1990s and mostly driven by the experience of the government sector in managing such ventures. These forward looking NGOs of India took a leaf out of the microfinance programme of the Bangladesh to promote affinity groups in the villages and help them with finance.

This movement was initially shouldered by National Bank for Agriculture and Rural Development (NABARD), the premier bank for agriculture and rural development in India. The focus of this initiative was reaching financial assistance to the poorest rather than insisting that such financial assistance be used for livelihood only. Freedom was given to the beneficiary to choose the purpose for which the person would like to use the money. Eventually after their initial personal needs were met, such people invariably moved towards livelihoods when they started getting higher amounts of finance. This paved way for birth of microfinance programme in India. Most of the NGOs who started this activity slowly converted themselves into for profit entities and looked to overseas venture capitalists to support the movement.

However the GoI and state governments continued the subsidy driven approach to support the rural livelihood activities. National Rural Livelihood Mission (NRLM), which was later renamed as Deendayal Antyodaya Yojana- National Rural Livelihood Mission (DAY-NRLM) has been a massive programme which is currently in force. Under this programme, Self Help Groups (SHGs) are promoted and assisted with training capacity building, corpus subsidy, bank loans and interest subvention. Billed as the biggest poverty alleviation programme in the world, the NRLM caters to nearly 90 million households in the country.

Between the efforts of the government and For-Profit entities, there are some NGO initiatives which are pursuing the object of encouraging rural livelihoods through credit and credit plus activities. The NGOs have mostly taken up agency-ship roles in delivery of chosen services. The governments have been engaging non-governmental organisations to deliver the services to the rural poor. Similarly the scheduled commercial banks are appointing Business Correspondents and Banking Facilitators (BC/BF) for delivering banking services at the doorsteps of rural people. Similarly, insurance companies are also appointing corporate agents and individuals to popularize the insurance schemes, especially for the poor people. This has provided an alternative pathway for providing the essential services required for promoting rural livelihood.

4. Case studies which stand out in the efforts made by the NGO sector in this regard

a) The Rural Development Self-Employment Training Institution (RUDSETI): A popular joint venture led by Dr. Veerendra Heggade (Currently Member Rajyasabha – Indian Parliament) and the then Syndicate bank (now merged with Canara Bank), this programme envisages providing short term motivational training programme coupled with the up gradation of skills among the youth to take up self-employment/ livelihoods in the villages. Started as charitable activity, the expenses in this programme were shared between the partner organizations. Training institutes were setup in different parts of the country with a common manual. These institutes offered courses to the aspiring youth. The period of the courses ranged from one week to six weeks. The courses were specialized in different self-employment skills specific to the region where

the institutes operated. However, all the programmes had common features in that, i.e. they contained motivational inputs to change the mindset of the aspirant. Customer management, account keeping, compliance with the government regulations, dealing with the bank, etc., were commonly dealt in all the courses. The courses offered by the RUDSETI created a new methodology in training the youth for taking up typical small ticket livelihood activities. The institutes worked with staff deputed from the banks. For faculty support, the institutes enlisted local successful entrepreneurs and faculty in the local schools and colleges. The courses contained several success stories delivered to the batch by the alumni of the institute. The RUDSETI movement ultimately promoted 28 RUDSETIs across the country and in span of four decades is able to cater to almost a million young people. The courses have a 70% success rate in converting the trainee into a micro entrepreneur. Since the responsibility of providing credit vested with the partner bank, the initial training programme given by the institute came in handy to develop a good customer base for the bank.

The RUDSETI programme was studied in detail by the GoI and in the year 2009 the Ministry of Rural Development and the Ministry of Finance signed a joint MOU with the sponsors of RUDSETI to replicate the RUDSETI in all the districts of the country. Major public sector banks were roped in to support these institutes in the district where the bank was a lead bank. Called as “Rural Self-Employment Training Institute (RSETI)”, this GoI led programme has become a successful programme in providing the necessary skill training and credit thereafter to the aspiring youngsters. This movement has so far catered to almost 4 million young people of whom almost 2.6 million have successfully setup enterprises.

b) Shri Kshethra Dharmasthala Rural Development Project (SKDRDP): A NGO setup by Dr. Veerendra Heggade alongside the RUDSETI in 1982, SKDRDP has produced several best practices in providing credit and credit plus services for promotion of rural livelihood. This model, which has relied on sustainability by acting as agent of the main stream institutions like banks, insurance companies and the government, is active in the state of Karnataka. SKDRDP promotes different kinds of affinity groups in the community. There are separate groups for farmers, where the farmers come together to understand the technology change in agriculture and adopt them in their farms. They also save money and borrow it from the banks for meeting their credit needs. Currently, SKDRDP has promoted 2,60,000 farmers affinity groups, consisting of 1.3 million farmers. Similarly, SKDRDP has promoted 3,30,000 SHGs, consisting of nearly 3.6 million women beneficiaries. These beneficiaries undergo trainings for managing the accounts of their SHGs, taking lending decisions and monitoring the recovery. The women also undergo several women empowerment training programmes. The focus of the SHG is on providing credit support to the members for taking up livelihood activities. Besides, SKDRDP also promotes joint liability groups (JLGs) consisting of youngsters with the expectation that the members would take up microenterprises with the support from their groups. Almost 10,000 such groups consisting of almost 50,000

members have been formed.

Cumulatively, SKDRDP is able to disburse approximately ₹1,20,000 million credit annually to its groups. In the state of Karnataka, the current outstanding of the loans to these groups is in the order of ₹1,80,000 million. Every year almost 3,00,000 to 4,00,000 new livelihoods are started. Besides, necessary credit support is also given to the existing enterprises with higher credit for enhancing their scale of operations. The surpluses generated by these credit activities are utilized by SKDRDP for setting up following credit plus initiatives.

- i.** SKDRDP supports the local markets, especially the Milk Producers Cooperative Societies in the villages, for purchasing equipment and constructing the society building, etc. This support significantly help milk producers, financed by the SHGs, to market their milk without any hassle. Till now, SKDRDP has supported 10,000 milk societies in the state of Karnataka.
- ii.** Whenever a member takes up a new innovative activity, SKDRDP provides subsidy upto 10% of the loan amount to motivate the beneficiary.
- iii.** To promote microenterprises in rural areas the Small Industries Bank of India (SIDBI) has joined hands with SKDRDP for providing low cost credit exclusively for setting up microenterprises. While the current lending rate in bank assisted SKDRDP credit is 14%, credit is provided at 10% rate of interest under SIDBI scheme. The quantum of loan ranges from ₹50,000 to ₹500,000. This successful microenterprise programme has already assisted 18,000 beneficiaries with a credit of ₹5,800 million.
- iv.** Regular training programmes are held for the aspiring SHG members for taking up various livelihood activities. Financial support for such trainings is provided by NABARD under its programmes named Livelihood and Entrepreneurship Development Programme (LEDP) and Micro Enterprise



Development Programme (MEDP). This has helped in developing area specific microenterprise activities.

- v. In partnership with Government of Karnataka, SKDRDP has established agriculture equipment renting centres in 165 different villages of the state. Called as the Custom Hire Service Centres (CHSC), each centre stocks various machines like transplanter, tillers, tractors and harvesters, etc. These machines are rented out to needy farmers in the locality. The small and marginal farmers are immensely helped by these centres. Most of these farmers are the members of farmers affinity groups promoted by SKDRDP.
- vi. SKDRDP has developed a health insurance product called “Sampoorna Suraksha” in which the members of the group contribute the premium for getting themselves protected against hospitalization expenses, in case of need. The scheme covers the entire family (upto six members) of the group members. Hospitalization expenses for the insured members within the age group of 3 months to 80 years are covered. This credit plus service, which currently covers almost all members of the clients of SKDRDP, is evidencing to be of great help to people to mitigate the health expenses.
- vii. As agent of the central government, SKDRDP has established 9,500 Common Service Centres (CSC) in the villages. These centres provide online services to the clients for a small fee. The services include availing the health card, work card, insurance schemes, pension schemes, etc. The centres also give business-



to-consumer (B2C) services. They provide door step banking services to the members of the SHGs.

- viii.** SKDRDP has encouraged all its members to become financially inclusive. All the members have their own bank accounts. Loans given to the members by the groups are directly transferred from the group account to member accounts. The members are trained to use mobile banking services and ATMs for doing the cash transactions.
- ix.** SKDRDP has established a model millet processing and value addition centre. Aspiring beneficiaries get trained in this centre for setting up millet based product services.
- x.** SKDRDP, in partnership with Green Energy companies, is promoting solar driven livelihood equipment like roti making machine, flour machine, xerox machines, milking machines etc.



The success of the credit programme of SKDRDP is a clear indicator that credit plus services greatly enhance the ability of the beneficiary to use the credit and set up livelihoods. Cross subsidization of credit plus services with the surpluses generated by the credit services has helped in strengthening the capacity of the beneficiary to setup livelihoods.



Credit Plus Approaches for Rural Development: TMSS – Experience of Bangladesh Model

Md. Sohrab Ali Khan*

1. Introduction

Thengamara Mohila Sabuj Sangha (TMSS) is a non-governmental organization based in Bangladesh that has been at the forefront of promoting rural livelihoods through its innovative credit plus approaches. Since its establishment in 1980, TMSS has been working towards empowering marginalized communities, particularly women, through a holistic approach that goes beyond providing financial assistance.

TMSS's credit plus approach involves the provision of credit services alongside various non-financial services that aim to address the multidimensional needs of its clients. In this article, we explore TMSS's credit plus services in more detail and their impact on rural livelihoods in the region.

2. TMSS Access to Credit

TMSS was founded in 1980 with the goal of Family development through Women Empowerment by Professor Dr. Hosne Ara Begum, an educator and social worker. The organization started with a small microcredit program in a village in northern Bangladesh, and gradually expanded a wide outreach, operating in 8 divisions, 64 Districts and 1,700 offices, with a presence in 30,972 villages. It also has a significant workforce of 36,884 employees and operates through 52 sister concerns and 55 social businesses.

TMSS has highlighted that microcredit alone cannot bring the desired food security and livelihood changes of the poor households of Bangladesh. An integrated/holistic microcredit approach is needed, such as - increasing the productivity of agricultural sector, creating an employment opportunity and improving livelihoods, and providing education that contributes to socio economic development of the poor people. In order to make a more dynamic as well as to improve the current operating system, TMSS has innovatively developed a microfinance model/approach which is called “Health, Education and Microfinance (HEM)”.

In order to ensure proper resources management and utilization of microcredit, the targeted members should have physical potentiality, sound health, possess own resources as well as have at least basic literacy. The HEM approach entails awareness

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on developing income generating activities (IGAs), primary healthcare/ health hygiene, nutrition, promoting basic literacy (reading, writing and numerical) and capabilities on microfinance management, utilization and record keeping among TMSS's Target participants.

According to TMSS's Health, Education and Microfinance Sector Report March, 2023, organization provided loans worth Bangladesh Taka (BDT) 501.6 billion, since inception, which is equivalent to approximately US\$4,732 million, to over 15.7 million borrowers in Bangladesh. These loans were disbursed through 944 TMSS MFI branches, with 85% of the branches established in rural areas, and 94% of the borrowers being women. Despite the challenges posed by the COVID-19 pandemic, TMSS has made a remarkable recovery in its activities.

3. Health Services

TMSS has established several healthcare facilities to provide affordable and quality healthcare services to its borrowers and their families. These include the TMSS Medical College and Rafatullah Community Hospital (TMC and RCH), which have 1,000 beds, and the recently established 250-bedded TMSS Cancer Care Hospital. TMSS also operates 96 sub-clinics and one maternity hospital through microfinance sector to provide primary healthcare services to 99,800 groups based beneficiaries. According to TMSS's AGM report for 2022, the organization provided health services to more than 3,30,966 people, with microcredit borrowers and members receiving priority services within affordable cost.



4. Education Services

TMSS also recognizes the importance of education and has established 43 educational institutions, including the TMSS Medical College, TMSS Engineering College, and Pundra University of Science and Technology (PUB). These institutions provide quality education to over 21,000 students. TMSS also offers scholarships to students from underprivileged backgrounds or poor borrower families, enabling them to continue their education and pursue their dreams.

5. Access to Inputs in IGAs

TMSS provides access to inputs in IGAs such as seeds, fertilizers, and livestock to its clients to improve their agricultural productivity. According to a study conducted by the PUB, TMSS's provision of inputs along with credit services led to a 56% increase in agricultural productivity among its borrower family. They are able to improve their yield and income which helped him to improve their family's standard of living.



6. Financial Education and Training

Apart from credit, TMSS provides financial education and training to its borrowers and members, which is another critical credit plus services. Many rural farmers lack basic financial literacy and are often unaware of the various financial products and services available to them. More than three million borrowers and members received financial education and training since inception.

7. Capacity Building initiatives

TMSS places great emphasis on capacity building for its clients, offering a range of training and education programs to help them develop necessary skills and knowledge to succeed. In the year 2021-2022, TMSS provided training to over 10,000 borrowers and beneficiaries, covering topics such as financial management, entrepreneurship, health and sanitation.

8. Savings Services

TMSS encourages its members to save a portion of their income regularly, and offers various savings products, such as fixed deposits and recurring deposits, with competitive interest rates. The savings services help members to build a financial cushion for emergencies and future investments. As of March 2023, the savings outstanding was 13,656 million BDT (US\$128.8 million). It is noteworthy that 98% of the customers are women.

9. Foreign Remittance Services

TMSS provides foreign remittance services through TFR with the agreement of 25 Money Transfer Organizations (MTO). This service has particularly been designed for borrower's family members and migrant workers, allowing them to receive money from abroad in a secure and timely manner. Since inception to March 2023, TMSS facilitated more than US\$177 million in foreign remittance transactions, benefiting 0.6 million of families in rural Bangladesh.

10. Agriculture Value Chain Market Linkages

TMSS provides agriculture value chain services to its clients, including market linkage assistance and support in establishing market linkages with buyers and traders. This helps to increase the profitability and sustainability of their businesses, and ultimately, their livelihoods. In 2021-2022, TMSS provided market linkages assistances to more than 5,000 borrower and beneficiaries.

11. Access to Technology through ICT Services

In conjunction with its credit services, TMSS provides various information and communication technology (ICT) services to its clients, including access to digital solutions, viz. e-passbook, E-collection, point of Sales (POS), Land Management and Mikrof (Micro-Banking ERP). According to TMSS's ICT Sector for 2021-2022, the organization provided ICT services to more than 20,000 borrowers and beneficiaries.

12. Insurance for Risk Fund and Risk Mitigation for Livestock

TMSS also provides tailored insurance products to rural communities for risk mitigation, such as livestock, borrower death and illness. Livestock insurance helps protect farmers against financial losses caused by the death or illness of their animals. Crop insurance is also under development to protect against weather or pest-related crop failure. These services improve economic resilience in rural areas.

13. Initiatives for Environmental and Climate Changes

TMSS provides various environmental services to its member borrowers, including training on sustainable agriculture and the provision of eco-friendly technologies. In 2021-2022, TMSS provided training on sustainable agriculture to more than 1,500 borrowers. On the other hand, to protect environment and to fulfill demand of nutrition, TMSS distributed 02 million fruit and medicinal tree saplings among the beneficiaries, within the last 3 years. TMSS also promotes the use of renewable energy sources such as solar power and biogas for rural households, reducing their dependence on non-renewable sources of energy and reducing their energy expenses. During Financial Year (FY) 2019-20, Solar panel were installed among the 169312 beneficiaries through TMSS renewable energy program (TREP).

14. Disaster Management and Relief Support

TMSS offers disaster management services including relief assistance and training on disaster preparedness. In FY 2021-2022, it provided relief assistance to 10,000 families affected by floods and natural disasters, with priority given to microcredit borrowers and beneficiaries for emergency loans and grants to rebuild homes and businesses.



15. Scholarships for Underprivileged Students

TMSS supports education through scholarships to students from underprivileged backgrounds or children of borrowers in need. This helps to create a more educated and skilled workforce in rural areas. During FY 2021-2022, TMSS distributed approximately US\$36,347 in cash to scholarship recipients, and also provided waivers through 43 educational institutions of TMSS.

16. Providing Access to Clean Water and Sanitation

TMSS provides sanitation and hygiene services to its clients, including access to safe drinking water and toilets. This helps in improving the health and hygiene of rural households, reducing the incidence of water-borne diseases. TMSS has provided access to safe drinking water and sanitation facilities for 3,06,196 people since inception through water.org, SDL and various projects.

17. Social Services

TMSS offers social services to its borrowers and members, such as legal aid and support for victims. During the COVID-19 pandemic, TMSS also provided food assistance to help those in need among the 0.1 million families.

18. Livelihood Diversification

TMSS promotes livelihood diversification among its clients to reduce their vulnerability to shocks and increase their income-generating activities. In FY 2021-2022, TMSS provided training on livelihood diversification to more than 15,000 beneficiaries.

19. Gender Empowerment

TMSS promotes gender equality and empowerment through various interventions such as women's leadership training, gender-based violence prevention and support for women's economic activities through TMSS Human Rights and Gender (HR and G). According to TMSS's AGM report for 2022, 600 women were made aware through Gender Based Violence Program.

20. Infrastructure Development

TMSS provides infrastructure development services such as the construction of roads, bridges, and irrigation systems to improve the overall living conditions of its clients. In FY 2021-2022, TMSS accomplished projects such as - home repair, road construction, land development, which improved access to markets and services for more than 20,000 people in 26 districts.

21. Women Empowerment

TMSS places a strong emphasis on women's empowerment and provides various services aimed at improving their social and economic status. Women's empowerment is a key factor in the promotion of rural livelihoods, as women constitute a significant proportion of the rural workforce. TMSS provides women with access to training and education, as well as support for income-generating



activities among more than 50,000 women. Another initiative aimed at women's empowerment is the provision of microcredit loans specifically designed for women. These loans provide women with the capital necessary to start their own businesses, improve their family's financial situation and gain greater independence. In FY 2021-2022, TMSS disbursed over BDT 57.3 billion (US\$545.9 million) in microcredit loans to women entrepreneurs.

22. Sustainable Enterprise Program

TMSS offers a Sustainable Enterprise Program to its borrowers, providing them with training and support to develop and improve their businesses. The program aims to promote sustainable income generation and reduce poverty through entrepreneurship. Through this program, borrowers receive technical assistance and access to credit and market linkages to help their businesses succeed.

23. Policy and Advocacy

TMSS is involved in policy and advocacy initiatives to advance rural development. This may entail promoting policies that foster rural entrepreneurship and economic expansion, as well as collaborating with government and other stakeholders to guarantee that rural areas have access to the necessary resources to flourish.

24. Impact of TMSS's Credit plus Approach

TMSS's credit plus approach has had a significant impact on the lives of rural communities in the Asia Pacific region. According to TMSS's internal data, its clients have seen an average increase in income of 80% after receiving its services. In addition, TMSS's credit plus approach has also resulted in the following:

- **Improved agricultural productivity:** TMSS's clients have seen an average increase in crop yield of 56% after receiving its services.



- **Reduced poverty:** TMSS's services have lifted more than 9 million people out of poverty.
- **Improved access to markets:** TMSS's infrastructure development initiatives have improved access to markets for more than 9 million people.
- **Improved health and sanitation:** TMSS's health and sanitation initiatives have benefited more than 20,000 people.
- **Improve financial literacy:** More than 3 million members and borrowers received financial education and training since inception through 99,800 groups.

In conclusion, TMSS has been a pioneer in the use of credit plus approaches for promoting rural livelihoods in the Asia Pacific region. Its innovative programs and services have helped thousands of households to access financial services, build their businesses, and improve their livelihoods. Through the provision of credit, inputs, training, and other services, TMSS has been able to create a holistic approach to rural development that addresses the multifaceted challenges faced by rural communities. As the world continues to face challenges related to poverty, inequality and climate change, the work of organizations like TMSS will be critical in promoting sustainable and equitable development in the Asia Pacific region and beyond.



Mobile Banking: Financial Inclusion and Economic Empowerment for Women and the Low-Income Populations in Vietnam

Phan Cu Nhan*

1. Introduction

Since 2016, with funding from the Australian Department of Foreign Affairs and Trade under the Business Partnerships Platform, The Asia Foundation has facilitated a public private partnership between Vietnam Bank for Social Policies (VBSP) and MasterCard to support financial inclusion and women's economic empowerment through digital financial services. The partnership is built on the shared value concept, which aims to deliver combined social and financial returns on investment. The long-term goal of the project is to increase and improve access to a full range of financial services for low-income households, especially women-led microenterprises that lack access to traditional banking services.



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1 SMS notification services frequently send account-related SMS notification (i.e. loan reconciliation, repayment schedules, reminder and account balances) to clients.

2. Policy Credit Management (PCM) app is designed for use by VBSP's SCG leaders to facilitate cash-in transactions (collection of loan payment and savings, etc.) and serving as an e-resource for the members of VBSP's Board of Directors at the commune level (e.g., local mass organisations, chairperson of Commune People's Committee) and the VBSP's mobile transaction unit staff.

3. VBSP smart banking (SB) app is developed to enable early embarkment on provision of payment services for individual clients as being responsive to different segments of the Bank's clients.

2. Impact Assessment of Digital Financial Services

The impact assessment of digital financial services was conducted from March 2023 to May 2023, to review and assess the project implementation and the project impacts on VBSP and its clients. The assessment adopted a mixed-methods study involving 6,383 quantitative questionnaire respondents (52% female) from 19 piloted provinces, and 80 (50% female) interview stakeholders.



VBSP CLIENT BENEFITS

- Improved planning for loan payment, savings attitude among clients
- Better bookkeeping practices, PCM management among SCG leaders
- Reduced time for loan management among clients, SCG leaders, thus having more time to participate in income generating activities
- Enhanced trust in SCG leaders among clients thanks to increased transparency in loan management
- More confidence in discussing, making decisions on income generating activities among female clients
- Empowered women' social engagement & loyalty to VBSP among SCG leaders



VBSP BENEFITS

- Improved effectiveness in communication, transparency, accountability in VBSP's service delivery
- Transformed into a digital solution service delivery
- Improved VBSP operation efficiency in monthly transactions, creating more time for capacity building for SCG leaders
- A step forward on VBSP strategic service diversification
- Increased clients' awareness & satisfaction on VBSP's services
- Simplified monitoring process, more proactive in data accessibility & effective record management among entrusted mass organization and involved local authorities



3. Case Study 1: Mushrooming with VBSP's Mobile App

Ms. Nguyễn Thị Thanh Trà, Tân Kỳ village, Gio Quang commune, Gio Linh district, Quảng Trị province

O (Sister) Trà has adopted mushroom cultivation as a source of livelihood for past ten years. In the beginning of her start-up, she relied completely on her extended family for capital mobilisation. There is indeed a high local demand for her mushroom supplies. Each month, she is able to sell an average of 20 kilos of mushroom to local customers



which mainly include schools and restaurants in her vicinity. She get a monthly net income of approximate Vietnamese Dong (VND) 10 million. During peak time, O Trà employs four labours from her village and each labour is paid VND 200,000 per day.

Recently, O Hạnh, the current chairwoman of Gio Quang Commune Women's Union, shared with O Trà some success business stories of female entrepreneurs and agricultural production modules related to mushroom cultivating that O Hạnh found under the *Cẩm nang điện tử* (E-Handbook) feature of the app *Quản lý tín dụng chính sách*. These stories gave O Trà better ideas about the process to start a business and to mobilize fund for it. Moreover, O Trà is able to gain additional information and knowledge about mushroom production techniques and issues dealing with pests, etc. Coupled with a strong encouragement from O Hạnh, O Trà has confidently forwarded her application for a new VBSP loan under the Job Creation scheme. With this newly expanded scale of her commercial mushroom cultivation, O Trà is hoping to increase the monthly production volume to 100 kilos, and reaching out to potential markets beyond her vicinity.



"I have learned a lot from these aspiring female business owners who shared advice, insights, and also various challenges they overcame. All available on the Cẩm nang điện tử (E-Handbook) feature of the app Quản lý tín dụng chính sách"

4. Case Study 2: Dare To Be The Technology Frontier

Mrs. Nguyễn Thanh Hương, Secretary of Village Party Cell, Savings and Credit Group Leader of Ale A village, Ea Tam ward, Buôn Ma Thuột city, Đắk Lắk province

Sharing Mrs. Hương experience of using the Policy Credit Management (PCM) application (*Quản lý tín dụng chính sách*), cô (Aunt) Hương said that she found it rather difficult in the beginning, especially when she had to perform the task of entering data of borrowers' interest payment or savings. But with constant practices, she has become affluent in its use. It is a lifesaver for her because, as a Savings and Credit Group Leader of her village, she has to carry out a lot of calculations. Now, she no longer has to do it manually. The mobile application has made the whole process much easier, time saving and fun. Also, now she could



"The PCM is a lifesaver... Now, I no longer have to calculate manually, making the whole process much easier and more fun"

devote more time to her catering business. Before the inception of the project on SMS notification services, Mrs. Hương had to go to each borrower's house to remind them and/or to collect the dues. But now with SMS notification services, she reminds SCG borrowers about the due dates of their interest payment and principal payment through SMS.

With more time in her hand, she could expand her catering business through which she offers a range of traditional foods of ethnic minority groups in Buôn Ma Thuột City. Due to her engagement in VBSP networks of grass-roots credit monitoring, she has been able to build a strong network with her clients which has benefited her catering business as well. Each month she could earn an extra income of nearly VND 10 million or up to VND 20 million during the peak season. She has provided employment to five ethnic minority fellows from her hamlet in her business.



Credit and Credit Plus Approach to Rural Livelihood: Lessons from Indian Microfinancing

Rakesh Kumar* and Aviral Saini*

1. Introduction

Lending is perhaps as old as human civilisation, evolving through the ages as an integral part of life and livelihood that would survive until the world exists. The mechanism of issuing loans traces its roots to Babylon where the code of Hammurabi was introduced for silver loans. The first savings and loan cooperative came up in Germany in the late eighteenth century. But, far from the pluralistic European or American society, Bangladesh, one of the poorest nations in the world, cradled and fostered the concept of loans for the economically marginalised to bring them to the mainstream, make them financially independent and, in turn, develop an entire economy. That was the origin of microfinance in 1976.

Although Grameen Bank of Prof Muhammad Yunus attracted global attention towards microlending, the concept took its birth a couple of years earlier in India. Now the fifth largest economy in the world, with a contribution of nearly US\$1.3 trillion to the global demand¹, India conceived the idea and implemented it in the SEWA Bank, a division of the Self-Employed Women's Association (SEWA), in Gujarat in 1974². Since then, microfinancing has been pivotal in the development of the Other India which is deprived of most modern amenities and services and languishing in poverty, illiteracy and exploitation.

Non-government organisations and developmental agencies started providing small loans to the poor in unbanked and underserved rural India to promote self-employment and create livelihood options since 1970s but it was not until 1990s that microfinance began gaining traction in India and found recognition as a formal industry. With the growth of microfinance institutions (MFIs), the sector saw an increased focus on formalisation, regulation and sustainability.

It was a risky proposition for the early-day microlenders, involving high chances of defaults, but the concept of social collateral through Joint Liability Group (JLG) was woven around an induction process that made the largely illiterate consumer class aware of their potential and the opportunities that could usher in a better tomorrow for them. After some initial hiccups through the time it took for the impoverished borrowers to understand the difference between doles and debts, the idea of JLG based microlending

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observed initial success, and microfinance ceased to be a domain of not-for-profit organisations alone. Steady repayments, repeat loans and a spiralling customer base translated into margins and profits for the lenders.

Around the early 2000s, the government began working on supportive policies to help unleash the potential of microfinancing. The sector experienced exponential growth in the following years and India became one of the largest microfinance markets in the world and promised to be an outperformer soon. Over a billion poor people around the world are still without access to formal financial services and India is home to around 200 million of them³. Almost half of India's 130 crore plus people do not have a simple savings account⁴ and they need financial services to achieve their goals of wealth creation and risk mitigation. These simple statistics show the tremendous potential the industry holds.

The microfinance experiment in India began as relationship banking, rather than parallel banking, like in other parts of the world. In this experiment, there exists a link between self-help groups (SHGs), non-government organisations (NGOs) and banks. The SHGs are formed and nurtured by NGOs and only after accomplishing a certain level of maturity in terms of their internal thrift and credit operations; they are entitled to seek credit from the banks.

NGOs and MFIs started the experiment but as microfinance began gathering steam, resources fell short with demand spiralling. Many not-for-profit organisations took the help of the policy support and converted into for-profit non-banking financial companies (NBFCs) in the early 2000s⁵. The accelerating success story of the microfinance industry soon started attracting private equity funds and other investors. Escalating financial activities in the domain called for a higher degree of regulatory mechanism. In 2007, the Micro Financial Sector (Development and Regulation) Bill was tabled in Parliament to promote the sector and regulate micro financial organisations (MFOs) by bringing them under the purview of the Reserve Bank of India (RBI).

Over the last two decades, India's microfinance industry has extended its outreach to 595 districts across 28 states and five Union Territories. The self-help group-bank linkage programme, which is the world's largest microfinance programme, touched 14.2 crore households through 119 lakh SHGs with deposits of over ₹47,240 crore and an annual loan offtake of more than ₹1,51,051 crore⁶ by the end of 2022.

As on March 31, 2022, the combined microcredit portfolio of 225 registered microlenders stood at ₹2,62,599 crore, a growth of 5 percent over the previous year, against a loan portfolio of ₹2,50,826 crore by 209 lenders. The number of institutions providing microfinance services has gone up to 225, comprising 82 NBFC-MFIs, 18 banks, nine small finance banks (SFBs), 71 NBFCs and 45 non-profit MFIs, during FY 2021-22 from 209 in FY 2020-21⁶.

In this article, we will focus on the NBFC-MFI category of microfinance institutions which was created in December 2011 by the RBI after the 2010 Andhra Pradesh crisis

based on the recommendation of the Malegam Committee. In 2012, NBFC-MFIs were the only regulated entity offering microfinance to their clients or borrowers. The loan portfolio for the sector stood at ₹17,264 crore, as on March 31, 2012. In the following 10 years, the industry expanded 16.5 times to ₹2,85,441 crore (Figure 1.1).



Figure 1: Microcredit portfolio over the years in Rs/Crore

In 2016, banks and NBFCs started providing microfinance and SFBs joined the league a year later. According to Microfinance Institutions Network (MFIN), India's microfinance loan portfolio reached ₹3,00,974 crore, as on September 30, 2022, serving 6.2 crore unique borrowers through over 12 crore loan accounts⁷.

The microfinance sector in India has evolved through several transformations over the last few decades⁸. Entry of commercial banks, increased regulations and technological advancements are some of the major developments that determined the industry dynamics. These transformations have led to greater efficiency, wider reach and deeper impact. Today, the microfinance sector serves millions of households, particularly in rural areas, providing access to credit and other financial services. From its humble beginning as a tool for poverty alleviation, it has grown into a robust industry with a strong impact on the lives of countless people. As the sector continues to evolve, it vows to bring about greater financial inclusion and economic development in India.

2. Evolving Market and Consumer Behaviour

The Indian economy has undergone a host of major transformational changes over the last few years, driven by factors such as the Covid pandemic, digital transformation, global economic and geopolitical crises and changing demographics, but nothing could derail India's economic growth. Despite raging global headwinds, India has emerged as

the fastest-growing economy among the seven largest emerging markets and developing economies, said the World Bank in its global economic prospects report⁹.

A decade ago, India was eleventh in the world in terms of gross domestic product (GDP). Today, the Indian economy has overtaken its erstwhile colonial masters, setting the British economy behind to be the fifth largest economy in the world, according to the International Monetary Fund. The resilience of the Indian economy has helped it survive the global doom that has pushed Sri Lanka into an abyss of economic crisis, Pakistan on the edge of a collapse, China languishing with slower growth, and the West staring at a “perilously close” recession in 2023 led by weaker growth in all major economies.

Industry reports estimate that consumption in India will grow from US\$1.8-1.9 trillion in FY21 to about US\$3 trillion by FY26¹⁰. This growth will be driven by factors like rising incomes, heightened urbanisation, and the increasing number of affluent households. The estimated addition of 4 million affluent and 33 million mass affluent households in the next four years will be a key driver of this growth¹⁰.

Advancement in technology is another key factor determining the market dynamics and consumer behaviour in India. The country is likely to have approximately 1.1 billion smartphone users by FY26 as against around 750 million today. The increasing dependence on digital devices has led to a shift towards a mobile-first economy, especially in financial services. With an estimated number of internet users above 850 million by FY26, up from about 650 million today, India is the second-largest base of internet users in the world¹⁰.

The wave of digital transformation has swept through the financial services sector as well. The change in the financial services space is reflected in the nine-fold surge in Unified Payment Interface (UPI) transactions, compared to credit cards in the last four years, as more and more consumers turn to digital payments. According to data sourced from the National Payments Corporation of India (NPCI), the total number of UPI transactions jumped 91.11 percent in 2022 over the previous year, and the value of UPI transactions surged 74.83 percent during the period. This shift towards digital transactions will continue in the coming years, driven by increasing adoption of technology and the need for convenience and efficiency.

The resurgence of the Indian economy is firmly supported by a young population. According to the 2021 World Population Review, India is home to 1.37 billion people and is projected to become the world's most populous country in the next decade, surpassing China in 2023. The growth is driven by India's large, dynamic and young population, with 65 percent of its people aged below 35 years¹¹.

India Brand Equity Foundation has predicted that the Indian population will increase by over 40 million between 2021 and 2026, leading to a growth in consumer spending. As the population grows, so does the size of the affluent and young middle class, who are increasingly taking to digital commerce and technologies. A shift towards healthier lifestyles and growing demand for sustainability is driving the growth of new industries

such as health food, organic products and wellness products. All these changes are leading to an expansion of opportunities for businesses to capitalise on changing consumer demand and create innovative products.

Micro, small and medium enterprises (MSMEs) are expected to post an 11 percent compounded annual growth rate (CAGR) by FY26, uplifting the economy, as this sector directly employs more than 120 million people, or about 20 percent of India's workforce, contributes 49 percent of merchandise exports, and constitutes 6 percent and 25 percent of manufacturing and service sector GDP¹⁰.

The government's Atmanirbhar Bharat mission and the Make-in-India initiatives have propelled the Indian markets to scale newer highs at a time when the world's biggest consumer United States locked horns with the world's largest manufacturing hub China over a prolonged trade standoff. Relation between two of the world's largest economies soured further since Russia declared war on Ukraine in February 2022 and Beijing backed Moscow when the West slapped a blanket ban on the invaders. The US and other developed economies of the West then devised the China Plus One strategy to diversify investments to another destination. India has emerged as a bright spot to attract global attention.

3. Demonetisation and Microfinance Landscape

The November 2016 demonetisation has left a deep impact on the Indian markets, bringing about a host of changes, which paved the road ahead for the economy.

- i. **A shift towards digital transactions:** Demonetisation led to increased adoption of digital payment methods like UPI, mobile wallets and card transactions.
- ii. **Boost to financial inclusion:** With the government's push towards a cashless economy, there was an increased focus on financial inclusion, with more and more people accessing formal banking services.
- iii. **Growth of fintech companies:** The rise of digital transactions led to an increase in the number of financial technology companies offering loan and investment services, making it easier for people to access credit and other financial services.
- iv. **Increased focus on credit history:** With digital transactions creating a trail of financial data, there was an increased emphasis on using credit history to assess creditworthiness, leading to the growth of credit bureaus and scoring systems.
- v. **Expansion of credit networks:** With an increased focus on financial inclusion, there was an expansion of credit networks to reach previously unbanked populations.

These developments have led to a transformation in India's credit landscape. Credit options, starting from small mobile recharge to big-ticket business loans, have widened, insurance facilities have improved, and investment avenues have opened up, riding

primarily on India's fintech revolution, triggered by sweeping digital transformation and enhanced push for financial inclusion in the aftermath of the ban on ₹500 and ₹1,000 currency notes. Technology provides convenience and safety in payment solutions, including mobile wallets and the UPI for instant digital payments.

The government's digital drive has helped fintech companies reach out to the base of the pyramid. Increasing smartphone user base and deepening internet penetration helped them gain access to the rural populace and serve the low-income group that was so far excluded from traditional banking services. Scarce bank branches, documentation protocols, lack of creditworthiness and need for small loans had left this wide section of society untapped for ages. The fintech companies use advanced technology to cater to this customer base.

The government has provided a supportive regulatory environment for the growth of fintech companies. An inter-ministerial committee on fintech and digital banking has been set up and tasked to explore the opportunities and challenges in the domain and develop a comprehensive strategy for the growth of the sector.

4. Age of Digital Transaction

- There has been a growth of more than 200 percent in digital payment volume in the last four years since 2018-19. According to data sourced from the NPCI, UPI transactions registered in FY22 stood at 45 billion, reflecting an eight-fold growth in the last three years and 50 times in the last four years¹².
- The growth in UPI transactions in value terms, however, came in at 56.1 percent in January 2023, compared to a 93 percent growth a year back¹³.
- Although Immediate Payment Service (IMPS) recorded a single-digit growth in volumes at 7.8 percent in January 2023 as against 27 percent last year and a 23.4 percent rise in value terms as against 34.1 percent, National Electronic Fund Transfer (NEFT) transactions surged in both volumes and values. NEFT transactions in volumes recorded a growth of 32.2 percent in January 2023 compared to 26.2 percent last year, while transactions in value terms garnered 15 percent growth as against 12.8 percent¹³.
- The recently released Reserve Bank's Digital Payments Index (RBI-DPI) showed year-on-year growth of 24.1 percent in September 2022¹³.
- The UPI has gone global with Singapore's PayNow joining the league of 13 nations that have signed up to accept transactions through UPI¹⁴.
- The RBI has set a target of 5 billion digital transactions per day by 2025.

The rapid growth in digital payments gets the biggest boost from the government's sustained push for a cashless economy.

5. Fintech Disruption and Microfinance in India

The global microfinance industry is estimated to grow by US\$122.46 billion from 2021 to 2026 at a compounded annual rate of 11.61 percent. The rapid adoption of technology has been one of the primary contributing factors to the growth of the microfinance sector. Moreover, global development agencies and governments have been making concerted efforts to alleviate poverty by enabling financial inclusion products, such as micro-credits, to the underserved segment¹⁵.

In India, the government's push for financial inclusion and digital drive have fuelled a sustained rally in microfinancing. An estimated 20-30 percent growth rate for the ₹3,00,974-crore microfinance industry in India by FY24 is being driven by a booming fintech sector that has bridged and mobilised the unbanked rural populace with financial services over the last two-three years. Fintech innovations are also improving financial inclusion in areas such as insurance, wealth management, and cross-border payments (most notably remittances)¹⁶.

India has emerged as a bright spot in Asia's fintech landscape, with more than 7,000 fintech start-ups and the highest number of unicorns in the region. This growth is driven by several factors, including favourable demographics, increasing digital adoption, and the potential for disruption in the financial services sector.

The financial services sector in India is pegged at US\$1.4 trillion, and fintechs are expected to capture US\$350 billion of it in estimated value by FY26. In 2021 and 2022, India saw the addition of 15 fintech unicorns, or start-ups with a valuation above US\$1 billion, in segments beyond payment. This expansion beyond traditional payment solutions is a testament to the growth and potential of the fintech sector in India.

A recent study by PwC showed that fintech partnerships can provide MFIs with the required technological innovations for a higher-value delivery to borrowers. Over the last decade, the fintech firms have built various products and platforms for MFIs that have reduced the turnaround time, increased efficiency and made it more cost-efficient.

Some fintech players have used their tech edge and smart incentive structures to equip alternate last-mile digital channels such as Kirana shops, mobile recharge shops and local influencers to widen the customer base for MFIs. Customer onboarding solutions that use Indian tech stacks such as Aadhaar-based KYC and e-sign along with customised intuitive digital journeys helped streamline the end-to-end onboarding and financial transaction processes. These solutions are further supported by video-based KYC, verification of national IDs using optical character recognition (OCR), and artificial intelligence (AI) for fraud detection and early warning signs. Technologies such as big data analytics, geo-tagging and AI are aiding MFIs in portfolio monitoring and in building early warning systems for better loan management collections.

With the growth of the microfinance industry in India, there has been a consequent rise in basic and financial literacy through various NGOs and developmental agencies.

Fintechs are now helping MFIs combat the digital literacy challenges in customers. Advanced tech solutions like multilingual chatbots have been designed and put to use to address customer queries and concerns as well as help borrowers understand the various nuances of credit and repayment. Multilingual voice bots and automation calls are also developed to provide support through calls.

MFIs are also partnering with fintech to offer financial guidance to the customer at the early stage of their journey by leveraging machine learning (ML) algorithms. This helps the institutions to recommend relevant products to their customers at the right time based on different triggers such as current assets and liabilities, potential future cash flows, and customer lifetime milestones.

6. Challenges Before MFIs in Promoting Rural Livelihoods

Microfinancing plays a crucial role in promoting rural livelihoods by providing access to financial services to low-income individuals and economically backward communities. Despite its potential to create positive social and economic impacts, the microfinance sector in India battles a host of challenges.

- i. **Lack of financial inclusion:** Despite progress in recent years, large parts of rural India stay out of bounds for formal financial services. This creates barriers for low-income individuals who need access to credit, savings, and other financial services to improve their livelihoods.
- ii. **High operating costs:** Operating in rural areas can be challenging due to the high costs associated with infrastructure and service delivery. This can result in higher interest rates, making microfinance services less accessible to low-income individuals.
- iii. **Limited financial literacy:** Scarce or nil financial literacy and understanding of financial services among rural communities limit their ability to effectively use microfinance services.
- iv. **Political and social instability:** Political and social instability in some regions can make it difficult for microfinance institutions to operate effectively and reach those in need. This can result in reduced access to financial services and reduced economic opportunities for rural communities.
- v. **Competition from informal financial services:** Informal financial services such as moneylenders and informal savings groups are often the only financial services available in rural areas. This can limit the growth and impact of formal microfinance institutions, making it difficult for them to reach low-income individuals and promote rural livelihoods.

Addressing these challenges will be critical for the sector to achieve its potential for promoting rural livelihoods and reducing poverty.

7. Microfinance: The Blueprint to Success

Razor-Sharp focus on target segment: This is critical for achieving scale, user growth, and market expansion. This can be achieved by developing a unique customer-centric proposition that caters to the specific needs of the target segment. For example, if the target segment is micro small and medium enterprises (MSMEs), the proposition should focus on providing customised products and value-added services that cater specifically to the needs of MSMEs.

User-friendly platform: A platform that is intuitive, easy to use, and accessible to all users can help MFIs increase customer engagement and enhance customer satisfaction. This can be achieved through a combination of good design, user-centric features, and a focus on usability.

Customised products and value-added services: Catering to the needs of MSMEs through customised products and value-added services is critical for achieving scale and attracting fresh borrowers.

Expansion into core adjacencies: Strengthening the customer proposition by expanding into core adjacencies is critical. This can be done by starting with one service and gradually launching a variety of value-added services to evolve into a full-stack solution. This will help to increase customer engagement and build brand loyalty, as well as provide a more comprehensive offering to customers.

Initiatives to boost customer engagement: A variety of marketing and engagement campaigns, as well as the creation of strong customer relationships, are essential for MFIs. Loyalty programmes, customer feedback mechanisms, and regular engagement initiatives help foster better customer engagement.

8. Innovation in Products and Services

With rising competition from various lending agencies, innovation become crucial for achieving customer loyalty and bringing in fresh borrowers. The need for innovative and affordable financial products and services has become increasingly important for MFIs. The value proposition of financial products and services is the value that is created for customers through the delivery of financial products and services.

This paper aims to explore the various aspects of the value proposition for financial products and services, including standard term loans, small-ticket, short-tenor term loans, credit limits, working capital requirements, flexible repayment options, instant creation of customised or personalised credit products to meet health, education, and consumption requirements.

- i. **Standard term loans:** These are one of the most common financial products and they provide a standard solution for customers who need financing for a specific purpose. These loans are typically available at a competitive rate of interest and with a flexible repayment option, which makes them a popular choice among

individuals and businesses.

- ii. **Small-ticket, short-tenor term loans:** This type of loan is designed for customers who need small amounts of financing for a short period. These loans are ideal for customers who have an urgent need for funds and cannot wait for the disbursement of a traditional loan. They offer the advantage of quick and easy access to financing and are often available at competitive rates.
- iii. **Credit limits:** This is another important financial product that provides customers with a convenient source of financing for meeting festival or special occasion requirements. They offer customers the flexibility to access credit whenever they need it and are a convenient solution for individuals who need funds but do not want to take out a loan.
- iv. **Working capital:** This is essential for the growth and development of businesses, and they play a critical role in ensuring that businesses have the resources they need to operate effectively. Financial institutions provide working capital loans to help businesses meet their operational expenses, and these loans are often available at competitive rates and with flexible repayment options.
- v. **Flexible repayment options:** Customers prefer to repay their loans in a manner that is convenient and affordable. This is an important consideration for borrowers who need financing, as they need to be able to repay their loans in a manner that is consistent with their financial situation.
- vi. **Instant customised/personalised credit products:** this is a key aspect of the value proposition for financial products and services. This allows financial institutions to create products that are tailored to the specific needs of their customers, which helps to ensure that the products are more relevant and effective.
- vii. **Personalised credit products:** These products are designed to meet health, education, and consumption requirements. These products are often available at competitive rates and with flexible repayment options.

These product innovations will play a critical and strong enabler role in the growth of the credit and credit-plus approach for rural livelihood. However, a major challenge that the finance industry faces while going for product innovation is the lack of data for rural India. We still haven't reached a stage where we have significant data to predict or create models on how and where rural India spends to predict their financial behaviour. Though the digital adoption by Bharat and technology infrastructure in rural areas are helping to create the data, there is a need for some more enabling factors. These are:

- i. **Government support:** Government support in the form of policies, regulations, and funding can provide a supportive environment for the growth of the microfinance sector. This can help to ensure access to finance for low-income individuals and communities and promote financial inclusion.

- ii. **Technological innovations:** Technological innovations such as mobile banking and digital financial services can greatly increase the reach and efficiency of microfinance services. This can help to reduce the costs of service delivery, increase access to financial services, and improve the quality of services.
- iii. **Financial literacy and awareness:** Financial literacy and awareness programmes can educate low-income individuals and communities about the benefits of microfinance services, and increase their ability to use these services effectively.
- iv. **Partnership and collaboration:** Collaboration between microfinance institutions, governments, and other stakeholders can help to create synergies, increase the reach and impact of microfinance services, and promote financial inclusion.
- v. **Increased investment:** Increased investment in the microfinance sector can help increase the capacity of microfinance institutions to reach more individuals and communities, and provide a wider range of financial services.
- vi. **Improved data and analytics:** Improved data and analytics can help microfinance institutions to better understand the needs of low-income individuals and communities, and to design and deliver services that meet these needs.

9. Conclusion

Despite global headwinds, India stays the course to a 7 percent economic growth in 2022-23, but the Centre's aim for holistic economic development calls for an upgrade in the lives and livelihoods of the entire population. Economic development through women empowerment has been a successful mission for the Indian government and microfinancing has always been crucial in this. Starting its journey as a small loan provider for rural people and businesses, microfinancing has emerged as a major growth engine for India's economic dream. If supportive government policies paved the way for unleashing the tremendous potential the sector holds, then the rise of fintech has bolstered its momentum. Microfinancing is not merely about helping the unbanked rural Indian populace develop livelihoods, it is also about bringing an uneducated community in the light of basic and financial literacy to help India emerge as a global economic superpower.

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Credit Plus Financial Services of SKBBL, Nepal to Promote Financial Inclusion and Agricultural Value Chain

Nav Raj Simkhada*

1. Introduction

Sana Kisan Bikas Laghubitta Bittiyasanstha Ltd. (SKBBL) or Small Farmer Development Microfinance Financial Institution was established in Baramahal, Kathmandu, Nepal on July 6, 2001 and registered under the then Company Act. SKBBL has received a license as D class national-level wholesale microfinance institution from Nepal Rastra Bank (Central Bank of Nepal) in accordance with Bank and Financial Institution Act. It provides wholesale credit and technical support services to Small Farmer Cooperatives (SFACs) and other Microfinance Institutions (MFIs) to promote financial inclusion in the country. It also provides various credit plus services to communities in partnership with SFACs.

SKBBL has vision to be a leading, financially viable microfinance wholesale institution, mainly owned by SFACs, dedicated to strengthening rural communities through alignment with partner cooperatives. The mission of SKBBL is to offer quality financial services along with technical supports to the poor, small farmers, and small and medium entrepreneurs in collaboration with vibrant and sustainable partner cooperatives. SKBBL works in close collaboration with Government of Nepal (GoN), Central Bank, Asian Development Bank and other donors to realize its vision and mission.

2. Services provided by SKBBL

2.1. Establishment of Pro Poor Institution at Grass-Roots Level

SKBBL holds the conviction that poverty can be alleviated by establishing strong, capable, people-owned and managed community based sustainable cooperative rather than promoting conventional microfinance institutions. Accordingly, it has established more than 1300 SFACs and other community based cooperatives, operating in 545 municipalities, i.e., in 72 percent municipalities of the countries. These grass-root level institutions are providing accessible and affordable financial and non-financial services to the poor and marginalized people living in remote and rural communities. The empirical evidences have revealed that services of SKBBL through SFACs and other community based cooperatives are more cost effective and sustainable than

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other service delivery initiatives. As of July 2022, 1300 SFACLs and cooperatives have provided services to about one million households.

SKBBL has continuously organized program review workshops, trainings and seminars for capacity enhancement of SFACLs. Training programs include - Financial Management, Business Planning of Cooperatives, Cooperative Management, Book-keeping, SFACL Replication Program, Supervision and Evaluation of Cooperatives. Till January 2021, 3210 training events were conducted, providing benefit to about 144 thousand members.

2.2. Farmer to Farmer Replication Program

SKBBL is committed to expanding microfinance services to a large number of underprivileged sections of the population in the remote and rural areas of the country. To this end, it has been practicing Replication Program since 1998. Under Replication Program, competent, sustainable and well-managed SFACLs are given the opportunity to create new SFACLs in neighbouring villages, especially focusing on the high incidence of poverty and backward areas. This approach has resulted in expansion of financial access in rural and remote areas of the country. As of July 2022, 731 new SFACLs were created through replication programs and additional 350 SFACLs are in the process of replication. SKBBL has planned to cover all rural municipalities of Nepal by replicating new SFACLs in the future.

2.3. Business Expansion Program

To extend services to the deprived poor, women, *Dalits*, indigenous and backward communities at a faster pace, SKBBL has implemented a business expansion program through its partner cooperatives. Under this program, cooperatives have expanded outreach within the working area of the cooperatives and in neighbouring communities as well. The business expansion not only helps in enhancing financial inclusion but it also increases productivity and profitability of the cooperatives.

2.4. Client Friendly Credit Products

SKBBL has offered innovative credit products such as Micro Credit, Livestock credit (for dairy/meat production), Renewable Energy Credit, Vegetable Farming Credit, Rural Self Reliance Credit (RSRC), Rural Enterprise Credit, Sunaulo Bhavisya and Samriddhi Credit. These credit products are designed to cater to the needs of clients. Rural Enterprise Credit is developed to cater to the need of graduated clients from microcredit and to promote agriculture value chain and SMEs. Similarly, Sunaulo Bhavisya and Samriddhi Credit have been designed to address the need of returnee migrants and aspirant migrants. These credit products have been developed to cater the specific needs of members engaged in various economic activities and different income spectrum.

2.5. Livestock Insurance Program

Animal husbandry is undoubtedly a risky but also a profitable business. Therefore, to protect small farmers from financial shocks due to loss of animals, a community-managed livestock insurance program has been in operation. SFACLs also provide livestock health services to the farmers. As of July, 2022, 462 thousand animals, valued at Nepalese rupee (NPR) 12.84 billion were insured; NPR 762 million was collected as premium and NPR 608 million livestock insurance funds have been created.

2.6. Community Development/Credit-plus Program

Needless to mention, microfinance services alone are not enough to uplift the living standard of small farmers. Therefore, community development programs/credit plus services have been implemented by utilizing resources of SKBBL for the overall development of small farmers. These programs include vocational training, social programs on education, health, drinking water, environment conservation, maternal and infant welfare scheme, community development programs, construction/improvements of bridges, roads, schools, irrigation facilities and reforestation. These programs are being implemented with the voluntary service of farmers, financial resources of SFACLs, and some support from SKBBL. Till July 2022, about 1,500 thousand people have been benefited from about 2600 community/social development activities.

2.7. Disaster Risk Reduction and Livelihood Restoration Program

To address the disaster created by devastating earthquake of 2015, SKBBL provided livelihood restoration credit to 18,167 earthquake affected families and provided training to 1,619 people for earthquake resilient construction under Disaster Risk Reduction and Livelihood Restoration for Earthquake Affected Communities (DRRLREAC) Program. Under the project ADB provided US\$5.5 million for providing livelihood restoration credit and US\$1.5 million for strengthening disaster risk management capacity of the communities. The project also provided community-based disaster risk management training to 13,666 people.

2.8. Skill for Employment project (SEP)

In partnership with UK-Aid, SKBBL has been implementing "Capacity Development & Financing to Migrant Workers" project to provide financial access and capacity development of returnee migrants, aspirant-migrants and their families in 16 districts. The total number of beneficiaries of the project are approximately 25,000 migrant workers or their families. The project provides training and credit to the returnee migrants for starting self-employment activities. It also provides accessible and affordable financial services to aspirant migrants. The program provides financial literacy to both returnee migrants and aspirant migrants too. The basic objective of this project is to equip the potential migrants with skill and discourage the returnee migrants to go again to Malaysia, Gulf countries and other countries for seeking employment.

2.9. Promotion of Renewal and Clean Energy

With the support from United Nations Capital Development Fund (UNCDF), the SKBBL implemented Clean Start program. The program supported installation of renewable energy equipment/plants (solar panel, improved cook stove, and biogas plant) to 40 thousand small farmers' households. The program helped to improve the health and education of the children and families by providing clean energy and light during night time. In addition to this, SKBBL is implementing clean cooking program with the financial and technical supports from UKAiD. Under the program, SKBBL has planned to promote 10,500 e-cooking (induction stove).

2.10. Small Farmer Agricultural Training Program- “Learn and Earn Program”

SKBBL is implementing “Learn and Earn Program” since 2013 in collaboration with the government of Nepal and the Embassy of Israel. The goal of this program is to create pool of skilled human resources to modernize and commercialize the traditional and subsistence agricultural sector of Nepal. Youths from small farmers families, totaling 3162 have directly benefited from it. They have returned to Nepal after the completion of 11 months training program on modern agriculture and animal husbandry practices at Israel. The returnee trainees are now engaged in commercial farming and livestock rearing in different municipalities. It showcases how the adaptation of knowledge and technology in farming helps to enhance agriculture production and productivity. Currently, the youth involvement in agriculture and animal husbandry has significantly increased through demo effect.

2.11. Promotion of Small and Medium Agro-processing Industries (SMAIs)

SKBBL provides credit and technical support to the partner cooperatives and entrepreneurs to establish and operate Small and Medium Agro-processing Industries (SMAIs) under Rural Enterprise Financing Project of ADB. The ADB has provided US\$50 million under the program along with technical support for business development. As a result of this initiative, large numbers of rice mills, milk collection and processing centers, seed processing units, tea plantation and processing factories and mustard oil processing factories have been established across the country. Establishment of these industries have helped in supply chain management of agricultural products, agricultural value chain promotion and promotion of agri-enterprises. Besides, SKBBL has started awarding scholarship to the youth and small holder farmers to pursue courses in agriculture and livestock.

3. Major Achievements

SKBBL provides services through its 11 area offices covering 76 districts out of 77 districts of the country. As of July 2022, SKBBL has been providing its services to one million households through its network of 1,309 small farmer cooperatives. The beneficiaries of SKBBL include 79% women, 11% *Dalit* and 38% indigenous and ethnic minorities.

The loan portfolio of SFACLs has grown from 2 billion to 85 billion from July 2001 to July 2022. Out of the total loan mobilized by partner cooperatives, only 35 percent i.e., NPR 30 billion has been provided by SKBBL and the remaining 65 percent has been mobilized by the partner cooperatives locally as members' share and savings.

As per the study of an independent agency conducted in the year 2020, the livestock credit and insurance provided through SKBBL has helped increase the meat and milk production by 5 times and the annual income of livestock rearing farmers by 11 times. Moreover, financial and non-financial services provided by SKBBL has helped to improve social and economic status of members'/clients' households.

4. Conclusion

SFACL has a unique three-tiered organizational structure, which ensures the involvement of women and disadvantaged members in decision making process. SFACL forms the groups comprising of 5 to 12 members of small farmers, poor and people from deprived communities in the neighborhood. In partnership with 1,300 SFACLs and cooperatives, SKBBL has been implementing various activities related to agro enterprise development as well as strengthening different agriculture value chain activities including production, processing, storage, and marketing.

The SKBBL model has been considered as one of the exemplary and successful models for poverty reduction and empowerment of rural communities in Nepal. The efforts and achievements made by SKBBL have been appreciated by various organizations. In 2003, SKBBL was conferred with the PPIC (Pro-Poor Innovation Challenge) Award of US\$50,000 to create a revolving fund for the replication of SFACLs in rural areas of Nepal. The award was provided by Consultative Group to Assist the Poor under World Bank. SKBBL has received the "Best Managed Microfinance Development Bank" award in 2014. In addition to this, Rural Enterprise Financing Project implemented by SKBBL has been awarded for exemplary work in 2020 during COVID-19 Pandemic by Ministry of Finance and Asian Development Bank.

The government and donors have considered SKBBL approach of financial and non-financial services as a cost effective and innovative approach for promoting financial inclusion and poverty alleviation. With support from donors, government, financial institutions and other, SKBBL has planned to expand its services to all the 77 districts of Nepal within 5 years, increase the loan portfolio from NPR 30 billion to NPR 60 billion and transform the traditional farming system to modern and technology-based farming. Additionally, it has also focused to carryout various activities for the involvement of women, youth and deprived communities in different development endeavour. SKBBL has envisioned to be established as a national level specialized bank dedicated to financial inclusion, rural and agriculture transformation and poverty alleviation.

Credit Plus Services and Promotion of Women Entrepreneurship – The Hand in Hand Model

Kalpanaa Sankar* and Sahaana Sankar**

1. Introduction

Empowering rural communities through livelihood creation, access to savings, access to credit, digital and financial literacy has proven to be a successful model for creating a community that contributes to the economic growth of the nation. The Hand in Hand (HiH) India and Belstar Microfinance model espouse this by combining social and economic capital to further women's livelihoods in 18 states of India. In India, our credit plus initiative, started in Kanchipuram city in Tamil Nadu state, has grown to 17 states and UT of Puducherry with 19 lakh active clients. Hand in Hand India's job creation and credit plus approach combines enterprise formation and integrated community development which has grown into a massive program over the last 20 years, reaching 6.4 million vulnerable women in India and benefitting another twenty millions of their family members. The model has been replicated across Afghanistan, Brazil, Cambodia, Kenya, Myanmar, South Africa and Sri Lanka, where the model has been contextualized to the local milieu.

2. Women Empowerment through Credit Plus Approaches

Access to credit plays an important role in poverty reduction and livelihood creation. Belstar Microfinance bridges this gap for clients mobilised by Hand in Hand India. It is one of the top 10 microfinance institutions in India that is categorized with high potential and low risk. It has an AUM of ₹5,500 crores and a commitment to its clients with a CARE Advisory rating of M1C1.

In India, our focus is on social mobilisation, enterprise development and furthering entrepreneurship through business coaching and marketing for graduated entrepreneurs. In our expansive work with women, we have observed that women in Self Help Groups (SHGs) learn to experience the world outside their villages, gain confidence in themselves and start taking leadership roles. Their brush with entrepreneurship empowers them to confront existing stereotypes and change traditions and cultural mores. In our model, the entire value chain of promotion of rural livelihoods spans the following critical steps:

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- i. **Social mobilization:** For promoting collective strength, social capital and empowerment of women of homogenous backgrounds by bringing together like-minded women at the bottom of the pyramid through the traditional SHGs. The women are provided training in financial and digital literacy, skill development in different trades, business skills and marketing training and information on how to leverage Government schemes to further their entrepreneurial dreams
- ii. **Skill training:** For enterprise facilitation that will lead to securing higher incomes, facilitating women's holistic empowerment and creating a positive spill-over effect in households. Women are encouraged to set up their own businesses either at the home or group level.
- iii. **Access to credit for enterprise development:** An integral missing link in promoting advanced entrepreneurship among rural women is securing higher amount of credit from a reliable source. This gap has been filled by Hand in Hand India's NBFC entity i.e. Belstar Microfinance Ltd, a subsidiary of Muthoot Finance Ltd. Belstar's business model is unique as it pursues a double bottom line focusing on both financial performance as well as social performance with the assistance of the Hand in Hand India, in alleviating poverty along with community development. Apart from credit, it also ensures providing a range of 'credit plus' services in terms of training in financial literacy, skilling, business development training including facilitating market linkages for enterprise development, insurance and health.
- iv. **Beyond credit – access to Government schemes:** In the Indian scenario, there are several possible avenues for credit plus and one such is ensuring access to the available Government schemes to further women entrepreneurship and protect the families. Over the last three years, Belstar Credit Plus has reached out to 1,86,240 women clients cumulatively through the various social security schemes of Government of India, viz. health and life insurance schemes, pension schemes and cattle insurance schemes. These schemes provide a safety net and also help meet the UN SDGs in terms of access to water, sanitation, climate action, gender equality and no poverty.
- v. **Business coaching for graduated entrepreneurs :** To support graduation of entrepreneurship of rural women from 'micro to macro,' HiH India has partnered with the Indian Institute of Technology (IIT), Madras to train and mentor women entrepreneurs in integrated skills of business management principles, marketing, technology, accounting and finance. Additionally, mentoring support is provided for over 6 months to help women entrepreneurs prepare business proposals and access credit and market linkages for up-scaling their enterprises. First generation entrepreneurs need marketing avenues, access to technology to enhance outreach and skills to use mobile applications for digital payments and market their products. These innovative methodologies are a part of the business coaching for graduated entrepreneurs.

- vi. **Institutional arrangements for strengthening SHGs:** Through Cluster and Block level Networks of SHG Collectives. They promote sustainability of SHGs to reach economies of scale and address issues of social change, women empowerment, community development and access to financial services and livelihoods promotion. Cluster level and block level networks (CLNs and BLNs) of SHGs are formed to address issues of advocacy and change at the individual, household and community level to promote women empowerment and community development. The inherent strength of CLNs and BLNs is to leverage Government resources pertaining to community development, financial inclusion and livelihoods promotion to achieve women empowerment and community development.

Moving beyond India, in South East Asia, where 85% of the rural population is self-employed and lacks access to affordable credit, our approach was to support agriculture value chains to strengthen small businesses of SHG women. These women also got benefitted from our skill trainings and micro-loan, i.e. a credit plus approach to diversify their income generation activities.

In Cambodia, HiH India conducted full-fledged projects on women entrepreneurship and job creation. The lack of employment opportunities for rural poor, low savings, illiteracy and poor financial knowledge were key considerations around which the pilot intervention was designed. The program set the goal of enterprise formation and increase in income for the beneficiaries. Since agriculture is the predominant sector, livelihoods in the sub-sectors of vegetable cultivation, poultry, cassava, and piggyery had been strengthened by skill training, primarily to increase productivity to enhance production. The average savings per group in the project was around US\$290. This is a significant amount for internal rotation and investment in enterprises. 30% of total members in the Project and 47% of the members visited by the team had used their loans from internal lending for investment in enterprises, indicating a strong desire towards enterprise development, which could be leveraged to upgrade their skills and motivate them to start value chains. About 35% of the members (605 out of 1700) visited by the evaluation team and 40% of the members in general (700 out of 1700), had the potential to upscale their enterprises into establishing value chains, if provided with adequate training in helping them develop business plans and establish backward and forward linkages. In Myanmar on the other hand, the focus was on formation of groups with training in group dynamics with financial literacy training.

3. A case study from Cambodia

Chin Sinang, a 37 year old mother, lives in Kakot village, Sambok commune, Chit Borei district, at Kratie province. She has completed her education till 5th grade. Ms. Sinang has been running the general store for more than 12 years. She was trained in doing business by her mother and has received additional sales techniques from SHG staff. She earns US\$500 per month from her business activities.



Ms. Sinang is a, active member of the "Sorn Sambrakdoemby Achhyveakam" SHG and has attended various training courses through SHG, such as - team management, financial management, enterprise development, and marketing skills. Her income has considerably improved through the SHG saving group and has also received US\$750 business loan from the "Sorn Sambrakdoemby Achhyveakam" group to buy more products for her shop.



Case Studies on Credit Plus Approaches for Livelihood Development from Tamil Nadu and Andhra Pradesh

NABARD Tamil Nadu RO and Andhra Pragathi Grameena Bank

1. Introduction

Conventionally, financial institutions including microfinance institutions focus on the provision of financial services, especially microcredit, to relatively poorer borrowers. However, in recent times, in addition to the financial services, some of the financial institutions organize, by themselves or through strategic partnership with other institutions, non-financial interventions to strengthen the livelihoods of the poor people. Almost all such organizations seem to believe that merely giving access to financial services to poor people is not enough to lift them out of poverty sustainably and therefore they offer some type of Non-financial services (NFS) or credit plus services in addition to their core financial service. A positive and significant impact of non-financial services on the livelihoods of the participants have been demonstrated through many studies. Along the same lines the current publication presents case studies on credit plus interventions adopted by NABARD in Tamil Nadu Regional Office and Andhra Pragathi Grameena Bank (APGB) in Andhra Pradesh.

2. Case Studies from Tamil Nadu

The SHG movement was originally started in Tamil Nadu as a link between the unbanked and the formal banking system to cater to the credit needs of the poor. With 11.45 lakh SHGs, it is one of the leading States in India in the world's most widely participated grassroots-oriented microfinance programme. To enable SHG members graduate to entrepreneurship, NABARD has been imparting need-based skill development training under Micro Enterprise Development Programme (MEDP), which builds skill sets of the beneficiaries by providing training in the farm/off-farm/service sector and promotes entrepreneurial talents. During the year 2021-22, a total of 35 MEDPs were sanctioned for a Grant Assistance of ₹34.60 lakh. MEDPs were sanctioned for activities like agro processing, cattle farming, bee keeping, tailoring, *Aari* work, embroidery, terracotta, bamboo craft, spices processing, tie & dye, and training on 'silk thread jewelry making for Narikuravas. Training on food processing to transgenders in Tiruchirapalli was an innovative one.

The Livelihood and Enterprise Development Programme (LEDP) is a similar intervention where programmes are conducted in clusters to find ways to bridge the skill, knowledge and resource gap and facilitate credit and market linkages. There is a provision for intensive training for skill building, refresher training, backward-forward linkages and

handholding support. It also encompasses the complete value chain and offers an end-to-end solution to the SHG members. During the year 2021-22, a total of 17 LEDPs were sanctioned for a Grant Assistance of ₹124.44 lakh. LEDPs were sanctioned for activities like bee keeping, mulberry cultivation, Japanese quail farming, banana fiber products, Spirulina and Trichogramma production, dry fish products and value addition, hand embroidery and *Zardozi* work.

Case Study 1: MEDP to Train Narikurava Group in Silk Thread Jewellery Making

NABARD conducted a ten days skill training in August 2022 under the MEDP in Kanchipuram District, Tamil Nadu. It was intended to impart training to Narikuravars, an indigenous semi-nomadic tribal community of Tamil Nadu, on making silk thread jewelry from silk waste, to enhance their income. A grant assistance of ₹1.00 lakh was sanctioned by NABARD for the MEDP.



The programme was implemented with the support of a NGO named Rural Education and Development Society (READS) and Tamil Nadu State Rural Livelihood Mission (TNSRLM). The Narikuravas have been traditionally involved in the activity of making artificial jewelry using beads. They could barely earn ₹2000 per month by selling them in flea market. Through MEDP, training was provided to them for making bangles/accessories using silk threads. The reason for choosing the programme was that the market of silk thread jewelry is growing and raw material is abundantly available in Kanchipuram District. The Narikurava group has been into jewelry and ornament making for generations and new skill set complements their traditional knowledge and skill of making artificial jewelry.

After the training, the quality of their products have remarkably improved and so does their income. The bangles/accessories made from silk threads have relatively high market value

Initiative to train Narikuravas in silk thread jewellery making

30 people from the community to be trained under NABARD-funded scheme

SANGEETHA KANDAVEL

You can now purchase silk thread jewellery designed and crafted by the Narikurava community in and around the Kanchipuram region.

Under its Micro Enterprise Development Programme (MEDP), the National Bank for Agriculture and Rural Development (NABARD) will be handholding these Narikuravas and will train them on making silk thread jewellery from silk waste.

Vijay Neehar, District Development Manager, NABARD, said the Hindu that the reason for choosing the programme was that the market for the silk thread je-



Silk thread jewellery was chosen because raw material was available in abundance.

Welfare was growing and the raw material was abundantly available in the district.

"Further, the Narikurava group has been into jewellery and ornament making for generations," he said.

Mr. Neehar explained that the project was financially

supported by NABARD and implemented by READS, an NGO, in collaboration with Tamil Nadu State Rural Livelihood Mission, Kanchipuram.

Channeling creativity

Kanchipuram Collector M. Aarthi said that 30 people from the Narikurava community had been trained to make these silk jewellery. She said the Narikuravas were creative and a formal training along with enhancing their skills would help their products reach a wider audience.

"After the training, the quality of their products have improved and we now want to help them make good profits for their work."

Mr. Aarthi said a shop had been allocated to self-help group cluster of Narikurava group by the district administration near the Sriperumbudur bus stand exclusively for marketing its products.

"If they do well, we can even help them with funding to market their products. We will help them set the branding apart too," she said.

The Collector highlighted that Kanchipuram district had been allocated ₹2.50 crore for construction of Common Facility Centre and purchase of machinery through District Industries Centre for manufacturing of raw material pertaining to beads and ornament making.

of ₹200 to ₹2000 per piece. Now, each beneficiary could earn a monthly income of ₹5000-₹7000. To enhance their business, a shop had been allotted to SHG cluster of Narikuruva group by the district administration near the Sriperumbudur bus stand exclusively for marketing its produce.

Case Study 2: LEDP on Sea Shell Crafts Training

A fifteen days LEDP was implemented by NABARD during December 2021 in Ramanathapuram District, Tamil Nadu, to train 90 women SHG members on making sea shell crafts. The programme was implemented with the support of NGO Women Welfare Trust (WWT). WWT selected women for training ensuring that most of the beneficiaries are from rural areas and are living below the poverty line. The women identified for training had very limited resources and they had never attained any skill development training earlier.

All the 90 members received training on making colourful and decorative items with sea shells. Some of the members were also provided training on operating computer,



handling social media accounts and shopping sites to market their products and perform financial transaction through mobile banking.

Out of the 90 members who received training under LEDP, 84 members have been successful in generating livelihoods from the skill set they received from the programme. A total of 42 members got



credit linkage of ₹25,000 to ₹50,000 through RDDC bank and ICICI bank, Paramakudi, while rest of the 42 members utilized their own funds to start their business activity.

Case Study 3: MEDP to Develop Transgender Entrepreneurship in Food Processing

A MEDP programme was organized by NABARD in February 2022 to impart training on food processing to 30 transgenders from Trichy region. The programme was implemented in collaboration with Entrepreneurship Development Institute of India (EDII) and Trichy Agri-Business Incubation Forum (TABIF). The initiative has been taken to break the social stigma that transgenders face and to provide earning and



Transpersons make a fresh start with solar-powered stalls

each a centre and juice shop to be run by them at Trichy Collectorate

Trichy: Transpersons, and especially transwomen, are the most vulnerable group in the city. They have suffered from discrimination and harassment in the past. The transgender community has been marginalized and has faced social stigma. The transgender community has been marginalized and has faced social stigma.



Transpersons in their respective shops opened at the Collectorate in Trichy on Tuesday. The stalls are solar-powered and are run by transpersons.

Transpersons in their respective shops opened at the Collectorate in Trichy on Tuesday. The stalls are solar-powered and are run by transpersons. The stalls are solar-powered and are run by transpersons. The stalls are solar-powered and are run by transpersons.

livelihood opportunities to them. After the training programme, the initiative of setting up a Trans-Kitchen was taken up.

Apart from this, a solar-powered juice shop and xerox shop has been opened inside Trichy Collector Office with the help of SELCO and other CSR partners, which are run by the transgenders. The total cost of the project is ₹11.00 lakh out of which ₹1.00 lakh has been contributed by the District Administration. Three persons run the shop alternatively and each one of them earns ₹8,000 per month. All these initiatives have paved the way for more employment and better livelihood for transgenders.

3. Case Studies from Andhra Pradesh

The role of RRBs have been instrumental in Andhra Pradesh as they line up second after commercial banks in terms of meeting financial needs of people in the state. The Andhra Pragathi Grameena Bank (APGB), sponsored by Canara Bank, in the state of Andhra Pradesh, has played a key role in offering financial services, especially to rural poor and low income households. It came into existence on 01.06.2006 after amalgamation of 3 RRBs namely Rayalaseema Grameena Bank, Sree Anantha Grameena Bank and Pinakini Grameena Bank, into a single entity by a Notification of Government of India. The Bank is headquartered at Kadapa and presently its area of operation is extended to 5 districts of Andhra Pradesh state (source: <https://www.apgb.in/vision.php>). Access to finance through APGB has positively impacted livelihoods of the people as evident through following case studies.

Case study 1: From Drought to Diversity

Mr. M. Sri Rami Reddy, a native of Nallapureddy palli village, Pulivendula mandal, YSR district, Andhra Pradesh, India, owns 15.22 acres of land in Yerraballe village and has been passionate about agriculture since his youth. Earlier, he used flood method of irrigation using bore well water, which he believed as unsustainable as it depletes water table. During peak summer season, when the irrigation requirement is more, the bore well would dry up and he was not able to irrigate in the next cropping season.

He was one among few persons in his village to adopt sprinklers and drip irrigation and thus saving precious water. He used sprinkler and drip irrigation for agricultural crops such as groundnut, bengal gram and black gram. Ever since he adopted the drip irrigation method, he has been able to manage a whole year without facing any water scarcity. Now, he not only cultivates agricultural crops but also grows plantation crops such as Banana. With crop diversification and improved productivity, he has been able to generate a regular income from his agriculture land.



As per Mr. Reddy, he could achieve this success with the support of Andhra Pragathi Grameena Bank, Nallapureddypalli branch, which granted him loan of ₹1.00 lakh in the form of Kisan Credit Card (KCC) in year 2000. Further, Mr. Reddy, with his enhanced borrowing capacity, availed term loan of ₹30.00 lakh for land development and KCC of ₹14.80 lakh for other agricultural activities. Mr. Reddy recollects “the credit of my growth goes to Andhra Pragathi Grameena Bank, because of which I could pursue my dream of becoming a successful agriculturist. The bank helped me when I needed it the most through timely access to credit and is still helping me in meeting my financial requirements”. With the financial support received from bank, Mr. Reddy could fence



his agricultural land and also built an artificial water storage system which draws water through pipes from a distance of 2 to 3 km.

The main factors that have contributed to his success are the timely financial help that he received from the bank and his passion towards new technologies, coupled with suitable management practices, which has enhanced his financial position remarkably.

Case study 2: Overcoming crisis through Credit – A journey of Parla Farmers Producer Organisation (FPO)

Parla Farmers Producers Company Limited, a FPO, is running its operations in Kallur village of Kurnool District in Andhra Pradesh, India. The FPO was incorporated in year 2019 with 510 farmers, of which 420 members are small and marginal farmers. The FPO has been nurtured by APARD, a Producer organization Promoting Institution (POPI) which has received grant assistance from NABARD. The FPO is mainly engaged in distribution of fertilizers and tarpaulin sheets to its members at a rate cheaper than the market price. During Kharif season in year 2021, FPO supplied 180 MT of fertilizers to its farmers. The FPO procures fertilizers in bulk thus reducing the procurement cost which in turn help pass the benefits to farmers.



Andhra Pragathi Grameena Bank supported the FPO by extending credit facility of ₹5.00 lakh without collateral security, to meet FPO's working capital requirements. Formation of FPO has strengthened farmers' confidence and has also helped in accessing credit from bank at lower interest rates at the initial stages of establishment of FPO. Timely availability of credit from Andhra Pragathi Grameena Bank has also aided FPO in escalating its business operations.

Case study 3: Building Business through Credit

Ms. S. Madhavi, a resident of Peapully Mandal of Nandyal District, in Andhra Pradesh, India, used to run a small eatery in Peapully. She felt that there is an enormous prospect of running a restaurant, as there no good eatery in the region. With culinary skills and experience of running business in her hand, she decided to open a restaurant on the land she already owns. The cost estimated for establishing the project was ₹10.00 lakh.

To meet the financial requirement, Smt. Madhavi approached Andhra Pragathi Grameena Bank, Peapully Branch. With the right guidance of branch head, she could avail loan of ₹10 lakh from bank under PMEGP scheme and a capital subsidy of ₹3.45 lakh. Now she is successfully running her restaurant business and getting good



returns out of it. She is grateful to the bank for supporting her in becoming a successful entrepreneur.

Case study 4: Milking Way to Success

Ms. Cherukuri Sariojini, is a resident of Santhanuthalapadu, District, in Andhra Pradesh, India. In year 2013, Ms. Sariojini availed term loan from of ₹50,000 from Andhra Pragathi Grameena Bank, Santhanuthalapadu branch. With this loan, she purchased two buffaloes and started dairy business of selling milk to customers in the village. Soon, as the demand for milk grew, she felt the need for expanding her business. Thereafter, she has been able to receive multiple doses of loan from the bank. In year 2013, she availed a loan of ₹8.00 lakh, to purchase more milch animals to augment her dairy business.

Currently, Ms. Sariojini is supplying 80 litres of milk per day to customers including 35 shops in the locality. She has employed 3 people to manage dairy business. She is able to generate good amount of profit even after meeting all the expenses including loan repayment. She highly appreciate the timely and adequate financial support she received from Andhra Pragathi Grameena Bank.

Case study 5: Reaping Profits Jointly and Severally

A group of ten women in Veimpalli Mandal, Kadapa district in Andhra Pradesh, formed Muntaj Self Help Group in the year 2004 with an initial corpus of ₹20,000. The SHG availed financial support of ₹50,000 from Andhra Pragathi Grameena Bank in the same year. Thereafter, with enhanced income owing to growth in their businesses and prompt repayment of loan, the group availed subsequent doses of credit viz. ₹7.50 lakh in FY 2018 and ₹10 lakh in FY 2020. The group has now reached a credit limit of ₹20.00 lakh. The core





strength of the group is engagement of all members in income generating activities. Funds generated have been deployed in running individual businesses.

Group members are involved in different business activities, such as - hotel business, general store, cloth business, utensil shop, etc. A total of 30 people are employed in the businesses run by the group members. The SHG members acknowledge that availing loan of ₹1-2 lakh individually, for establishing business, was very difficult for them. But through SHG mode they got easy access to credit and other support from the Government. They further add that timely availability of credit from Andhra Pragathi Grameena Bank, Veimpalli Branch, has helped the members to expand their existing business activities and diversify their livelihoods. Each member of the group is earning an average income of around ₹40,000 per month. Affordable, easy and timely access to credit from bank has improved livelihood of the members and has helped them in sustaining their income even at the time of crisis, such as during droughts.





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