

SUMMARY POVERTY REDUCTION AND SOCIAL STRATEGY

Country:	India	Project Title:	Equity Investment in Satin Creditcare Network Limited for Supporting Access to Finance for Women in Lagging States
Lending/Financing Modality:	Equity Investment	Department/ Division:	Private Sector Operations Department Private Sector Financial Institution Division

I. POVERTY AND SOCIAL ANALYSIS AND STRATEGY

Poverty targeting: General intervention

A. Links to the National Poverty Reduction and Inclusive Growth Strategy and Country Partnership Strategy

The proposed equity investment of up to \$10 million (in Indian rupee equivalent) in Satin Creditcare Network Limited will provide institutional growth capital for its microfinance operations and support its geographical expansion across underpenetrated regions of India, with a focus on lagging states and rural areas. The proposed investment is aligned with the Midterm Review of Strategy 2020^a and the Financial Sector Operational Plan^b of the Asian Development Bank (ADB), which highlight the role of private investment and finance sector development in stimulating economic growth. The midterm review outlines ADB's support to the financial sector toward the development of financial infrastructure, institutions, and products and services.

The investment is also consistent with the Government of India's 12th five-year plan^c and ADB's country partnership strategy (CPS) for India, 2013–2017,^d which promote inclusive growth and financial inclusion to reduce poverty. Financial inclusion is also one of the areas of intervention identified in the financial sector strategy of the CPS, recognizing that access to reliable and affordable financial products by low-income and vulnerable groups is a prerequisite for poverty reduction and inclusive growth. The strategy further recommends broadening access to savings, insurance, and credit services to provide more options tailored to the needs and capacities of small borrowers, particularly disadvantaged and low-income groups. The CPS also highlights ADB's nonsovereign operations support to the infrastructure and financial sectors by undertaking selective projects for physical and social infrastructure and financial infrastructure.

B. Results from the Poverty and Social Analysis during PPTA or Due Diligence

1. Key poverty and social issues. Despite the size of the banking sector, access to finance in India remains a key issue, with only 53% of people aged 15 and above having a bank account.^e Similarly, access to credit in India remains a challenge, with less than 14% of borrowers accessing credit through formal channels.^f The microfinance sector targets borrowers low-income borrowers, who often rely on informal channels (friends, family, and informal moneylenders) for credit. To support micro and small enterprise financing, the Reserve Bank of India has required commercial banks to lend at least 40% of their adjusted net bank credit of the previous year to underserved and rural borrowers. Women, in particular, have difficulties accessing credit because of a number of factors including lack of land titles and other forms of collateral needed to obtain credit, as well as lower income, lack of required financial documents, and unfamiliarity with paperwork and procedures.

2. Beneficiaries. Excluding institutions that have been awarded a small finance bank license, Satin is the second largest microfinance institution in the country, with more than 99.5% of its portfolio concentrated in states where the microfinance industry has negligible, low or moderate penetration. Joint liability group (JLG) borrowing clients are women from these states aged 18 to 65 who are low-income, self-employed or working women living in rural, semi-urban or urban slums. Its other clients are micro, small, and medium-sized enterprises, predominantly in manufacturing and trading. Satin's JLG portfolio accounts for 98% of its total lending portfolio. Over 78% of its portfolio is in lagging states and an estimated 65% is in rural areas. At the end of December 2016, Satin serviced more than 35,000 villages with a customer base of 2.58 million. As well as JLG loans, Satin plans to branch out to individual loans for its existing customers. Satin will also diversify to small businesses and entrepreneurs who do not have access to credit from banks because of the small size of the loans and the lack of tangible assets to be used as collateral.

3. Impact channels. Satin extends financial services and nonfinancial services, such as capacity building training to women borrowers to support their income-generating activities, and awareness seminars in JLG center meetings on government schemes that can benefit its borrowers. Financing the economic activities of households enables women borrowers to increase their productivity and address other basic needs such as proper nutrition, good health, and education. Nonfinancial services such as awareness programs also inform women clients on topics such as health and hygiene, sanitation, and financial management, which contributes to improved living conditions.

4. Other social and poverty issues. A significant initiative of the Government of India is to move the financial services industry toward cashless transactions, which will help mitigate the cash-handling risk and improve operational

<p>efficiency.</p> <p>Under separate approval, ADB will provide capacity building technical assistance in an amount of up to \$500,000, which will support the company in key areas, including the rollout of its cashless transaction platform.</p> <p>5. Design features. ADB's investment will allow increased uptake of financial services by women. The project outputs will be (i) Satin's increased capacity to provide loans and other financial services sustainably to underserved target groups, including women; and (ii) the implementation of innovative business solutions to serve new and existing customers.</p>
<p align="center">II. PARTICIPATION AND EMPOWERING THE POOR</p> <p>1. Participatory approaches and project activities. Participatory approaches are integrated in Satin's loan cycle processes from client selection to loan utilization check. Satin's area level assessment includes account population, household incomes, employment, crime rate, and competition in the area. At the village level, determining factors include the number of households, literacy rate, sources of incomes, primary economic activities, financial dependency, and irrigation facility. When a village is approved, the community service officer conducts an open general meeting in the village where women borrowers are briefed about Satin's credit programs. Borrowers then voluntarily form a group and undergo training to have at least a basic level of financial literacy, and basic messages on discipline in meeting Satin's rules and regulations are reiterated during loan disbursement. A loan utilization check is conducted between two installment payments.</p> <p>2. Civil society organizations. Civil society organizations are tapped as implementing agencies in Satin's corporate social responsibility activities. Activities include livelihood skills development and primary health care service delivery.</p> <p>3. The following forms of civil society organization participation are envisaged during project implementation, rated as high (H), medium (M), low (L), or not applicable (NA):</p> <p><input checked="" type="checkbox"/> L Information gathering and sharing <input type="checkbox"/> Consultation <input checked="" type="checkbox"/> L Collaboration <input type="checkbox"/> Partnership</p> <p>4. Participation plan.</p> <p><input type="checkbox"/> Yes. <input checked="" type="checkbox"/> No. In addition to its inclusive loan process, Satin implements corporate social responsibility activities to help bridge the gap in financial literacy, education, health, and financial inclusion among its clients.</p>
<p align="center">III. GENDER AND DEVELOPMENT</p> <p>Gender mainstreaming category: Gender equity</p> <p>A. Key issues. ADB's gender analysis summary in the CPS, 2013–2017 cites several constraints faced by women including low representation in industry and services, heavy reliance on biomass fuels for household energy, high household workload exacerbated by deficiencies in basic water and sanitation services in urban and rural areas, and lack of access to financial services. Figures for access to financial institutions are low, with 43% of women aged 15 and above having accounts compared with 63% of men. Figures for borrowing from financial institutions are even lower, at 5% for women and 8% for men. Lack of land title—exacerbated by other constraints, including lack of collateral needed to obtain credit, low income, lack of financial documents, and unfamiliarity with paperwork and procedures—limit access to formal credit, especially for women.</p> <p>Consistent with India's Twelfth Five Year Plan, this project recognizes women as agents of development rather than a vulnerable group; and promotes economic opportunities for women in addition to complementary products and services. As most of its client base is women, Satin creates strategies to develop gender-responsive products and services.</p> <p>B. Key actions.</p> <p><input checked="" type="checkbox"/> Gender action plan <input type="checkbox"/> Other actions or measures <input type="checkbox"/> No action or measure</p> <p>A gender action plan has been prepared to support the gender equity category of the project. The plan includes measures to increase the capacity of Satin and its borrowers to provide and access gender-inclusive financial services. Targets on financial products and outstanding total loan amounts have been set, as well as the implementation of gender equity measures across Satin's operations including its human resource administration. Satin has policies against discrimination as well as sexual harassment. It has set up a grievance redress mechanism to address complaints arising from violation of these policies.</p>
<p align="center">IV. ADDRESSING SOCIAL SAFEGUARD ISSUES</p> <p>A. Involuntary Resettlement Safeguard Category: <input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input checked="" type="checkbox"/> FI (treated as C)</p> <p>1. Key impacts. None.</p> <p>2. Strategy to address the impacts. Not applicable. The investment is proposed to be classified <i>FI (treated as category C)</i> for involuntary resettlement. Operations of Satin and its subsidiaries are not likely to have involuntary resettlement impacts. Its lending portfolio comprises 98% JLG loans, with loan sizes of \$10–\$1,500. Satin has a social and environment policy, which its subsidiaries will adopt. Satin's activities will be monitored in the annual environment and social performance report submitted to ADB to ensure category A and B projects are not financed.</p>

3. Plan or other Actions. <input type="checkbox"/> Resettlement plan <input type="checkbox"/> Resettlement framework <input type="checkbox"/> Environmental and social management system arrangement <input checked="" type="checkbox"/> No action		<input type="checkbox"/> Combined resettlement and indigenous peoples plan <input type="checkbox"/> Combined resettlement framework and indigenous peoples planning framework <input type="checkbox"/> Social impact matrix	
B. Indigenous Peoples		Safeguard Category: <input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input checked="" type="checkbox"/> FI (treated as C)	
1. Key impacts. None. Is broad community support triggered? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No			
2. Strategy to address the impacts. Not applicable. Satin's operations and that of its subsidiaries are not likely to have indigenous peoples impacts. Its lending portfolio comprises 98% JLG loans, with loan sizes of \$10–\$1,500. Satin has a social and environment policy, which its subsidiaries will adopt. Satin's activities will be monitored in the annual environment and social performance report submitted to ADB to ensure category A and B projects are not financed.			
3. Plan or other actions. <input type="checkbox"/> Indigenous peoples plan <input type="checkbox"/> Indigenous peoples planning framework <input type="checkbox"/> Environmental and social management system arrangement <input type="checkbox"/> Social impact matrix <input checked="" type="checkbox"/> No action		<input type="checkbox"/> Combined resettlement plan and indigenous peoples plan <input type="checkbox"/> Combined resettlement framework and indigenous peoples planning framework <input type="checkbox"/> Indigenous peoples plan elements integrated in project with a summary	
V. ADDRESSING OTHER SOCIAL RISKS			
A. Risks in the Labor Market			
1. Relevance of the project for the country's or region's or sector's labor market, indicated as high (H), medium (M), and low or not significant (L). <input type="checkbox"/> unemployment <input type="checkbox"/> underemployment <input type="checkbox"/> retrenchment <input checked="" type="checkbox"/> L core labor standards			
2. Labor market impact. Satin has 710 branches, including those of its business correspondent subsidiary, and employs about 6,800 staff including 450 loan officers. Branches are spread across different states, which casts wide reach in terms of areas for employment opportunities. Employment opportunities are expected to increase as Satin expands its geographical presence and increases its branches.			
B. Affordability			
While the pricing of loans is market-driven, rigorous assessment is conducted to assess borrowers' capacity to repay loans. This ensures financial products are accessible to low-income clients.			
C. Communicable Diseases and Other Social Risks			
1. The impact of the following risks are rated as high (H), medium (M), low (L), or not applicable (NA): <input checked="" type="checkbox"/> NA Communicable diseases <input checked="" type="checkbox"/> NA Human trafficking <input type="checkbox"/> Others (please specify) _____			
2. Risks to people in project area. Not applicable.			
VI. MONITORING AND EVALUATION			
1. Targets and indicators. The project has targets to (i) increase the uptake of financial services by women in lagging states, (ii) increase the capacity of Satin to serve financially underserved populations sustainably, and (iii) implement innovative business solutions.			
2. Required human resources. Satin has an environmental and social management team, and is developing a core team for environmental and social management implementation.			
3. Information in the project administration manual. Not applicable.			
4. Monitoring tools. Satin will submit to ADB an annual environment and social performance reports, development effectiveness monitoring report, and a monitoring report on the gender action plan.			

Source: Satin Creditcare Network Limited.

^a ADB. 2014. *Midterm Review of Strategy 2020: Meeting the Challenges of a Transforming Asia and Pacific*. Manila.

^b ADB. 2011. *Financial Sector Operational Plan*. Manila.

^c Government of India, Planning Commission. *Twelfth Five Year Plan, 2012–17*. <http://planningcommission.gov.in/plans/planrel/12thplan/welcome.html>.

^d ADB. 2013. *Country Partnership Strategy: India, 2013–2017*. Manila.

^e World Bank. Financial Inclusion Data / Global Index. <http://datatopics.worldbank.org/financialinclusion/country/india> (accessed 15 February 2017).

^f World Bank. *The Global Findex Database 2014*. Washington, DC.