SUMMARY POVERTY REDUCTION AND SOCIAL STRATEGY

Country: Regional  Project Title: Proposed Equity Investment CreditAccess Asia
Lending/Financing Modality: Equity Investment  Department/Division: Private Sector Operations Department

Private Sector Financial Institutions Division

I. POVERTY AND SOCIAL ANALYSIS AND STRATEGY

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

The proposed equity investment of up to €45 million in CreditAccess Asia (CAA) will provide growth capital to support its pan-Asia microfinance operations, in areas where financial outreach is lowest and underserved markets remain significant. CAA will use the proceeds of the Asian Development Bank (ADB) loan to capitalize CAA’s existing operating subsidiaries in India, Indonesia, the Philippines, and Viet Nam, and support their growth. These subsidiaries offer financial products and services to women to improve their economic productivity and income-generating capacity. CAA also provides nonfinancial services such as capacity building programs to its clients, who are mostly women. The project responds to findings in the India country partnership strategy, 2013–2017; Indonesia country partnership strategy, 2016–2019; the Philippines country partnership strategy, 2011–2016; and Viet Nam country partnership strategy, 2016–2020, which identify lack of economic opportunities and access to financial services as constraints on reducing poverty.

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

1. Key poverty and social issues. Access to finance is a key challenge in Asia, with unbanked populations of 46% in South Asia and 69% in East Asia and the Pacific. Financial inclusion is prominent in the ADB country partnership strategies relevant to CAA’s operations. In India, financial inclusion is one of the areas of intervention under ADB’s finance sector strategy, 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 the disadvantaged and low-income groups. Similarly, in Indonesia, expansion of financial services to facilitate financial inclusion is also considered necessary for the country’s growth. In the Philippines, the government’s strategy to broaden financial inclusion is to promote the use of alternative products and delivery channels to reach underserved and unserved areas of the country. Lastly, in Viet Nam, financial inclusion remains an issue, especially in rural areas where informal finance still plays a significant role in the economy.

2. Beneficiaries. CAA is a nonoperating holding company of microfinance institutions across South and Southeast Asia, providing financial and nonfinancial services to approximately 1.8 million underserved women clients and employing 7,325 people across the three countries where it currently operates. ADB’s equity investment will support CAA to capitalize on the synergies between all of its subsidiaries—Grameen Koota in India, Bina Artha in Indonesia, One Puhunan in the Philippines, and a new operating subsidiary in Viet Nam.

3. Impact channels. CAA extends financial services and nonfinancial services, such as capacity building training and awareness seminars to women micro entrepreneurs, which translates into increased income-generating activities and economic opportunities. The majority of loans provided are invested in productive areas such as animal husbandry, trading, agriculture, service, transportation, manufacturing, and retail. Financing economic activities of households in these sectors will enable them 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. Government interventions shall improve other social and poverty issues and improve productivity in sectors with underserved markets and low financial outreach, such as the agriculture and manufacturing sectors; develop capabilities of the population to access economic opportunities through targeted livelihood improvement programs, health and nutrition programs, programs ensuring access to safe drinking water and better sanitation, and education and skills development programs; and protect the poor and disadvantaged from various types of shocks by providing safety nets through targeted social security schemes.

5. Design features. The investment will strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance, and financial services for underserved and unserved population segments.
## II. PARTICIPATION AND EMPOWERING THE POOR

1. Participatory approaches and project activities. CAA’s operating subsidiaries undergo a client protection principle certification by international rating agencies specializing in microfinance. At the minimum, the certification provides that the operation “does not harm clients” and exercises appropriate standard of care in the treatment of clients. Subsidiaries are assessed against appropriateness of product design and delivery channels, prevention of overindebtedness, transparency in loan terms, responsible pricing, fair and respectful treatment of clients, privacy of client data, and effective mechanisms for complaints resolution. Grameen Koota obtained its Smart Campaign Client Protection Principle (CPP) certification in January 2013, while Bina Artha is in the process of being certified with a target date of March 2017. One Puhunan’s certification process is planned to start in March 2017.

2. Civil society organizations. CAA’s operating subsidiaries partner with civil society organizations for the delivery of its nonfinancial services and corporate social responsibility activities.

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):
   - M Information gathering and sharing
   - L Consultation
   - L Collaboration
   - NA Partnership

4. Participation plan.
   - ☑ Yes.
   - ☑ No.

CAA has a corporate social responsibility policy that recognizes the well-being of its clients, employees, and the local communities where CAA operating subsidiaries are present. As part of its corporate social responsibility program, CAA implements socially responsible initiatives undertaken directly by its operating subsidiaries with budget coming from a portion of its net profit.

## III. GENDER AND DEVELOPMENT

### A. Key issues.

CAA’s operating subsidiaries provide financial services to large underserved segments, comprising mostly women in rural areas. According to the World Bank’s financial inclusion data, in 2014 women still lag behind men in terms of borrowing from formal financial institutions in India, with 7.8% of men and only 4.9% of women accessing credit. In Indonesia, 15.1% of men and 11.2% of women had access to credit. In the Philippines, while more women were able to borrow from financial institutions than men (13.6% of women compared to 9.9% of men), the unbanked female population remains significant (endnote e). Alternative sources of finance for these women are from family or friends, and from private informal lenders, who do not require collateral and do not have complex loan application processes. CAA addresses these constraints through group lending where its operating subsidiaries target economically active women earning less than $5–$6 per day, the majority of whom are in rural areas and have little or no access to formal financial institutions. Operating subsidiaries also lend to women micro and small entrepreneurs who do not have collateral or lack the capacity to undergo what is perceived as a bureaucratic process in banks. Most of these women entrepreneurs are engaged in multiple activities including retail trading activities, food service or catering industries, and agriculture.

### B. Key actions.

- ☑ Gender action plan
- ☑ Other actions or measures
- ☑ No action or measure

The gender action plan captures measures to promote financial inclusion of women and other complementary measures to promote the capacity of women borrowers. It includes targets on the number of micro loans and insurance products for women, financial products for women, financial capacity building activities, organizational targets on improving outreach and services, and corporate social responsibility programs to address nonfinancial needs of women borrowers.

## IV. ADDRESSING SOCIAL SAFEGUARD ISSUES

### A. Involuntary Resettlement

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<td>2. Strategy to address the impacts.</td>
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### B. Indigenous Peoples

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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).
   - L unemployment
   - L underemployment
   - L retrenchment
   - L core labor standards

2. Labor market impact. The project will provide microfinancing to underserved and unserved households in rural and semi-urban areas in India, Indonesia, the Philippines, and Viet Nam. It is unlikely that the project will impact on local labor markets, except to provide income-generating opportunities and possibly employment in informal sectors.

B. Affordability CAA’s operating subsidiaries offer products and services tailored to joint liability groups and micro entrepreneurs. Operating subsidiaries are certified or are in the process of being certified by client protection principle standards to ensure utmost care for client protection. These include assessment to ensure financial intermediaries are able to provide long-term services, and pricing policies are aligned with the market and the interests of the clients. The certification also looks at fair and respectful treatment of clients: there must be no discrimination, collections are conducted in an appropriate manner, and services are delivered in a fair and timely manner.

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):
   - NA Communicable diseases
   - NA Human trafficking
   - NA Others (please specify)

2. Risks to people in project area. Not applicable.

VI. MONITORING AND EVALUATION

1. Targets and indicators. ADB’s equity investment will allow increased uptake of financial services by target groups, including underserved women.
2. Required human resources. CAA and its operating subsidiaries will assign compliance and social staff. CAA operating subsidiaries will implement a gender action plan and monitor compliance with all requirements under ADB’s Safeguard Policy Statement (2009) and Social Protection Policy.
3. Information in the project administration manual. Not applicable
4. Monitoring tools. CAA will consolidate reports of its operating subsidiaries and will be required to submit monitoring reports (at least annually).

Source: Asian Development Bank

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f The Smart Campaign is a global effort led by Accion to unite microfinance leaders around the common goal of protecting clients’ rights in the microfinance industry. The Smart Microfinance encompasses core Client Protection Principles (appropriate product design and delivery, prevention of over-indebtedness, transparency, responsible pricing, fair and respectful treatment of clients, privacy of client data and mechanisms for complaint resolution).