

# Pathways to Enhancing Financial Inclusion in India (PEFI 2)

## **Insights, Impact, and Challenges**

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# Project overview

The project focus on recognizing and surmounting barriers to financial inclusion. The project endeavors to implement and achieve substantial financial and gender-related outcomes at the state, district, and block levels. We have established a Technical Support Unit (TSU) in Uttarakhand, dedicated to offering technical assistance support to the (USRLM) and (UPASaC) across four distinct work streams.

- Strengthening SHG-Bank linkage (uptake and utilization) at USRLM
- Digital channel: Increase in access to digital points (BC Sakhis/Digipay Sakhis/CSC VLEs)
- Develop financial products: Enterprise financing to women entrepreneurs (WEs)
- Capacity building of staff members

## The problem it seeks to address and its significance

- SHG-Bank linkage program plays a pivotal role in financial inclusion of SHG members, however SHG members face multitude of challenges in availing credit under SHG-BLP
- Lack of agent banking channel in the state
- Lack of big-ticket size enterprise loan for women MEs

## Innovative practices or unique approaches introduced

- Develop and establish state-level policies and processes to smoothen implementation
- Audio-Video and interactive training modules and materials to reduce awareness gaps
- Facilitated new partnerships to increase adoption of financial inclusion (FI) initiatives in the state.

Thematic areas – a) Digital channel, b) Convergence and coordination, c) Product development, d) Capacity building, e) Process strengthening

## Stakeholders

- USRLM,
- UPASaC,
- and REAP

## Geographies

- All 13 districts and 95 blocks in Uttarakhand

# Project Outcomes Achieved (incl WIP) – as of September 2024

## SHG-Bank linkage

- Bank linkages increased from 55% to 73% of SHGs between March 2023 and August 2024
- The proportion of SHGs charged higher interest reduced from 52% to 18%
- Targeted reduction in Non-Performing Assets (NPAs) achieved: NPA dropped from 4.10% to 1.74%

## Digital points (BC Sakhis/Digipay Sakhis/CSC VLEs)

- Active digital service points increased from 64 to 1384
- 189 Digipay Sakhis were elevated to CSC VLEs, enhancing digital inclusion and local entrepreneurship
- Gram Panchayat coverage expanded from 64 (0.05 million adults) to 1,500 (1.4 million adults)
- Transaction volume grew from USD 0.012 million to USD 1.52 million

## Social security

- Enrolment in PMSBY and PMJJBY increased by 69.24%, from 433,054 to 732,927 members
- Enrolment under PMSBY rose from 62.4% to 85.2%, while PMJJBY increased from 50.1% to 85.7%

## Enterprise Financing

- 2483 WEs financed worth 3.4 million since June 24

# Key Learnings and Insights

## Things that worked

### Facilitated MoU with major banks and corporate BCs on FI initiatives

- The MOU has resulted in fastracking of loan applications
- Camps are being planned in four districts of Uttarakhand where SHG bank linkage and enterprise financing related loan will be disbursed
- Fastracking of approval of BC Sakhi locations

### Policy advocacy

- Facilitated the formation of SLBC subcommittee on SHG bank linkage as per RBI guidelines through policy advocacy
- Facilitated implementation of uniform CIBIL charges for SHG bank linkage across Uttarakhand
- Drafted policy on BC Sakhi and Social security schemes

### Support from USRLM

- Bringing banks into the regular review was rewarding
- Bringing the team under regular review of ACEO and the CEO, USRLM
- USRLM providing accessibility to increase the outreach of the program
- Organized state level consultation meeting on financial inclusion with bankers
- Trained more than 4000 block staffs and cadres through 829 master trainers, Master trainers have trained 10200 SHG members across 318 batches at the field

## Challenges

- Weather and geographical constraints
- Limited capacity and resources at SRLMs
- Technological gaps

## What could have been done differently?

- Leveraging the use of technology in implementation and monitoring

# Opportunities for collaboration

## Emerging opportunities

- FPO financing: Support FPOs to develop their business plan and strengthen their internal processes to help them access credit from FIs including banks.
- Green Finance Initiatives: Introduce eco-friendly financial products or loans for SHG members to adopt sustainable practices in farming, energy use, or waste management, aligning with climate resilience goals.
- Enterprise development:
  - Connect women entrepreneurs on the ONDC platform
  - Strengthen public-private partnerships by bringing private entities for group enterprises under REAP

## Support needed

### Stakeholder Engagement

- Support in building partnerships and collaborating with key stakeholders, including government agencies

**Abhishek Anand** is a Partner at MSC. With more than 17 years of experience, he is a seasoned expert in project management and delivery of technical assistance and specializes in the development of strategy and strengthening of delivery systems.



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