Financial Inclusion

**Millennium Development Goal:**
Goal 1: Eradicate extreme poverty and hunger

**Target:**
Halve, between 1990 and 2015, the proportion of people living on less than a dollar a day and those who suffer from hunger

**Relevant India Development Goal:**
Reduction of poverty ratio by five percentage points by 2007 and 15 percentage points by 2012; providing gainful and high quality employment to the labour force added over the 11th Five-Year Plan period

**Background**
Access of the poor and vulnerable to finance is critical to reducing poverty. Greater access to finance can help strengthen livelihoods of poor women and men by building their asset base, supporting income generating activities and expanding the range of choices available to them. Risk mitigating financial products can also protect the poor from losses associated with production, income and productive assets. Access to finance is critical to achieving the Millennium Development Goal (MDG) 1 of eradicating poverty, and can also help improve progress on other MDGs such as education, gender equality and health.

Nevertheless, financial inclusion in India remains limited. Recent estimates suggest that more than 40 percent of the adult population (60 percent in rural areas) do not have access to basic banking services. In addition, life insurance products are availed by only 10 percent of the adult population and non-life insurance products by only 0.6 percent. Financial products designed to meet the livelihood needs of the poor are largely absent. The challenge is further compounded by low awareness.

Therefore, to achieve the objectives of financial inclusion, it is important to increase the depth and breadth of financial services on the supply side, and strengthen financial literacy on the demand side. To address these challenges, UNDP in partnership with the National Bank for Agriculture and Rural Development (NABARD), has initiated a project on financial inclusion in India. The district of Pakur in Jharkhand is of particular focus because, despite being declared “100 percent financially included,” as per the Reserve Bank of India norms, there remains a significant lack of institutional support and awareness on financial products and services. Pakur is also one of India’s 600 most backward districts with a largely tribal and Muslim population.

**Objectives**
The project supports innovative approaches to improve access of the poor, particularly the disadvantaged groups, to existing financial products. It also aims to promote financial literacy and support advocacy efforts aimed at building a more conducive policy environment for financial inclusion.

**Project Information**

**Area:** Poverty Reduction

**Budget:** US$ 2.6 million

**Duration:** 2009-2012

**Implementing Partner(s):** NABARD and UNDP

**Location(s):** Select districts and blocks in Bihar, Chhattisgarh, Jharkhand, Madhya Pradesh, Odisha, Rajasthan and Uttar Pradesh
Results so far

- Community-based model established to improve access of more than one million poor households to health-related information and services available under the national flagship Rashtriya Swasthya Bima Yojana or the National Health Insurance Scheme in 15 of the most backward and predominantly tribal districts of the country
- About 5,000 households better linked to financial services and products in Pakur district in Jharkhand through sustainable process of engagement between the poorest and the most marginalized households and providers of financial products to develop financial solutions specific to different livelihood needs and opportunities
- Nearly 10,000 poor men and women have benefited from customized financial literacy packages that include information on available financial products and services, pricing and conditions in select locations in Rajasthan, Madhya Pradesh and Uttar Pradesh
- Knowledge sharing networks such as the United Nations Solution Exchange-Microfinance Community of Practice have provided policy support through inputs on key draft legislation such as the Microfinance Bill aimed at integrating gender concerns in the Bill, furthering inclusive access to financial services, etc
- Renewed policy focus on financial inclusion needs of street vendors by generating new evidence on the financial exclusion of street vendors in 15 cities across India
- Support to policy rethink on the current microfinance crisis through national policy dialogue events such as the Microfinance India conference

Looking to the Future

- Support to regional forums for mainstreaming issues of exclusion in the financial inclusion agenda of financial institutions
- Support capacity development of field functionaries of financial intermediaries to sharpen focus on financial inclusion in underserved rural areas
- Support innovation in design of financial products for disadvantaged groups and regions, thereby, lowering the cost of delivery
- Mainstream financial literacy issues across states through stakeholder consultations which strengthen the demand for financial services
- Ensure appropriately designed financial products are effectively delivered to the poor and enable them to fulfill their livelihood and lifecycle needs
- Support banks and microfinance institutions in assessing the effectiveness of their efforts in reaching the poor through the national flagship effort on financial inclusion - Swabhiman

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