

INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	<input type="text" value="India"/>	Project Title:	<input type="text" value="Loan to Janalakshmi Financial Services"/>
Lending/Financing Modality:	<input type="text" value="Project"/>	Department/ Division:	<input type="text" value="Private Sector Operations Department
Financial Institutions Division"/>

I. POVERTY IMPACT AND SOCIAL DIMENSIONS

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

The Government of India's 12th five-year plan and ADBs Country Partnership Strategy for India 2013-2017 emphasize the need for enhanced inclusive growth. The proposed loan to Janalakshmi Small Finance Bank (JFS) is consistent with the direction of both strategic documents as it contributes to both inclusive growth and financial sector development through its support to microfinance. As JFS transitions into a small finance bank, it will further its mandate of financial inclusion in India, and in addition, it will also support the development and deployment of sanitation loans complementing the Government of India's Swachh Bharat Abhiyan Policy, which seeks to provide sanitation services to the mass population.

B. Poverty Targeting

General Intervention Individual or Household (TI-H) Geographic (TI-G) Non-Income MDGs (TI-M1, M2, etc.)
Notwithstanding the size of the banking sector, access to finance in India remains a key issue with 47.0% of people being unbanked^a. More than 53% of households in India do not have a household toilet and over 50% of the population defecates in open spaces. The proposed transaction addresses both access to finance and access to adequate sanitation facilities.

C. Poverty and Social Analysis

1. Key issues and potential beneficiaries. Primary beneficiaries of the proposed transaction are (i) microfinance end-borrowers, predominantly women organized in joint liability groups (JLG), and (ii) MSME.
2. Impact channels and expected systemic changes. The transaction is expected to broaden access to finance for those segments of the population with either no or severely limited points of entry into the formal financial sector by improving financial intermediation to JLGs and MSMEs.
3. Focus of (and resources allocated in) the PPTA or due diligence. Due diligence will review JFS's ability to reach underbanked segments through its portfolio and areas of operations, including potential social safeguards and other social dimension concerns such as labor and gender (if any).

II. GENDER AND DEVELOPMENT

1. What are the key gender issues in the sector/subsector that are likely to be relevant to this project or program? Despite some progress in gender equality, India ranks lowest among 6 countries in South Asia in the Global Gender Gap Report 2013, demonstrating that growth has not necessarily been inclusive for women, and World Bank data reveals that financial inclusion of women remains low, with only 10% of women have access to formal credit and only 26% have formal savings.
2. Does the proposed project or program have the potential to make a contribution to the promotion of gender equity and/or empowerment of women by providing women's access to and use of opportunities, services, resources, assets, and participation in decision making?
 Yes No Please explain. JFS supports (i) women organized in JLGs and (ii) MSMEs by providing working capital to productivity and income opportunities.
3. Could the proposed project have an adverse impact on women and/or girls or widen gender inequality?
 Yes No Please explain
4. Indicate the intended gender mainstreaming category:
 GEN (gender equity) EGM (effective gender mainstreaming)
 SGE (some gender elements) NGE (no gender elements)

III. PARTICIPATION AND EMPOWERMENT

1. Who are the main stakeholders of the project, including beneficiaries and negatively affected people? Identify how they will participate in the project design.
The proposed loan to JFS will benefit JLGs and MSMEs who are targeted clients of JFS.
2. How can the project contribute (in a systemic way) to engaging and empowering stakeholders and beneficiaries, particularly, the poor, vulnerable and excluded groups? What issues in the project design require participation of the poor and excluded?

NBFC-MFIs and banks follow a well-established participatory approach in forming groups and holding regularly scheduled, structured group meetings. This is adequately reflected in the banks product policy papers for JLGs.
<p>3. What are the key, active, and relevant civil society organizations in the project area? What is the level of civil society organization participation in the project design?</p> <p><input checked="" type="checkbox"/> Information generation and sharing L <input checked="" type="checkbox"/> Consultation L <input type="checkbox"/> Collaboration <input type="checkbox"/> Partnership</p> <p>4. Are there issues during project design for which participation of the poor and excluded is important? What are they and how shall they be addressed? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>Due diligence will assess JFS's products and services and its ability to reach its target clients, specifically JLGs and MSMES. Findings of such will inform project design.</p>
IV. SOCIAL SAFEGUARDS
A. Involuntary Resettlement Category <input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input checked="" type="checkbox"/> FI
<p>1. Does the project have the potential to involve involuntary land acquisition resulting in physical and economic displacement? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No None, due to the small value of on-lending involved. ESMS will provide guidance on due diligence and corrective actions in the unlikely event of any IR impacts.</p> <p>2. What action plan is required to address involuntary resettlement as part of the PPTA or due diligence process?</p> <p><input type="checkbox"/> Resettlement plan <input type="checkbox"/> Resettlement framework <input type="checkbox"/> Social impact matrix</p> <p><input checked="" type="checkbox"/> Environmental and social management system arrangement <input type="checkbox"/> None</p>
B. Indigenous Peoples Category <input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input checked="" type="checkbox"/> FI
<p>1. Does the proposed project have the potential to directly or indirectly affect the dignity, human rights, livelihood systems, or culture of indigenous peoples? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>2. Does it affect the territories or natural and cultural resources indigenous peoples own, use, occupy, or claim, as their ancestral domain? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No JFS will apply a screening checklist and exclude transactions with IP impacts categorized as A and B.</p> <p>3. Will the project require broad community support of affected indigenous communities? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Not applicable.</p> <p>4. What action plan is required to address risks to indigenous peoples as part of the PPTA or due diligence process?</p> <p><input type="checkbox"/> Indigenous peoples plan <input type="checkbox"/> Indigenous peoples planning framework <input type="checkbox"/> Social Impact matrix</p> <p><input checked="" type="checkbox"/> Environmental and social management system arrangement <input type="checkbox"/> None</p>
V. OTHER SOCIAL ISSUES AND RISKS
<p>1. What other social issues and risks should be considered in the project design?</p> <p><input checked="" type="checkbox"/> Creating decent jobs and employment L <input checked="" type="checkbox"/> Adhering to core labor standards L <input type="checkbox"/> Labor retrenchment</p> <p><input type="checkbox"/> Spread of communicable diseases, including HIV/AIDS <input type="checkbox"/> Increase in human trafficking <input type="checkbox"/> Affordability</p> <p><input type="checkbox"/> Increase in unplanned migration <input type="checkbox"/> Increase in vulnerability to natural disasters <input type="checkbox"/> Creating political instability</p> <p><input type="checkbox"/> Creating internal social conflicts <input type="checkbox"/> Others, please specify _____</p> <p>2. How are these additional social issues and risks going to be addressed in the project design?</p> <p>The proposed transaction will include in its legal agreements compliance with national and core labor standards.</p>
VI. PPTA OR DUE DILIGENCE RESOURCE REQUIREMENT
<p>1. Do the terms of reference for the PPTA (or other due diligence) contain key information needed to be gathered during PPTA or due diligence process to better analyze (i) poverty and social impact; (ii) gender impact, (iii) participation dimensions; (iv) social safeguards; and (v) other social risks. Are the relevant specialists identified?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>2. What resources (e.g., consultants, survey budget, and workshop) are allocated for conducting poverty, social and/or gender analysis, and participation plan during the PPTA or due diligence?</p> <p>Due diligence will be undertaken by ADB staff.</p>

^a The level of unbanked people in India has declined from 65% in 2011 following the launch by the Government of India of the Pradhan Mantri Jan Dhan Yojana (PMJDY) scheme, which aims to open 100 million bank accounts for poor families.