

INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	<input type="text" value="India"/>	Project Title:	<input type="text" value="Debt Investment in Capital First Limited for Expanding Micro and SME Lending"/>
Lending/Financing Modality:	<input type="text" value="Financial Intermediary"/>	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 Twelfth Five Year Plan, 2012–2017 and the country partnership strategy for India, 2013–2017 of the Asian Development Bank (ADB) emphasize the need for enhanced inclusive growth.^a The plan targets the reduction of the poverty headcount ratio by 10 percentage points by 2017 through consistently greater financial inclusion. The Midterm Review of Strategy 2020 emphasizes ADB's support to the financial sector by helping to develop financial infrastructure, institutions, and products and services.^b The proposed transaction will support the development of finance for the micro, small, and medium-sized enterprise (MSME) sector in India—one of the financial infrastructures identified in the country partnership strategy and the country business operations plan and a high priority for the government—by supporting the growth of Capital First Limited (CFL) as it transitions into a retail lender servicing the financing needs of the underbanked salaried and self-employed individuals and MSMEs that comprise India's missing middle.^c CFL will use the proceeds of the ADB debt financing to finance loans to MSMEs in India, a portion of which will be used to finance loans to MSMEs involved in the Made in India initiative, a government scheme to support domestic manufacturers.

B. Poverty Targeting

General Intervention Individual or Household (TI-H) Geographic (TI-G) Non-Income MDGs (TI-M1, M2, etc.)

The proposed transaction will support the development of finance for the micro, small, and medium-sized enterprise (MSME) sector in India.

C. Poverty and Social Analysis

1. Key issues and potential beneficiaries. The potential beneficiaries of the project are MSMEs, who have limited access to financing. Target customers for the MSME segment include micro and small manufacturers, service enterprises, retailers, and agribusinesses, traders, wholesalers, and distributors.
2. Impact channels and expected systemic changes. Development impacts through these investments potentially include improved access to financial services and job creation.
3. Focus of (and resources allocated in) the PPTA or due diligence. Due diligence will address the following: a number of topics standard to MSMEs with focus on the operation of CFL, including investment strategy and process; its existing portfolio; quality of existing team in charge of ESMS implementation and their knowledge of ADB's environmental and social safeguards requirements among others.
4. Specific analysis for policy-based lending. Not applicable.

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?
Key gender issue is limited access of women-managed or women-owned MSMEs to credit.
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. The project has limited measures but it is anticipated that the project will help improve women's access to credit through the development of new products, as well as gender-related training for CFL staff.
3. Could the proposed project have an adverse impact on women and/or girls or widen gender inequality?
 Yes No Please explain. The proposed project is not expected to cause any specific cultural or social impact upon or exclude any socioeconomic group. It instead aims to increase women's access to financial facilities provided by KBL.
4. Indicate the intended gender mainstreaming category:
 SGE (some gender elements)

III. PARTICIPATION AND EMPOWERMENT
<p>1. Who are the main stakeholders of the project, including beneficiaries and negatively affected people? Main stakeholders include CFL, the MSMEs and its target customers which include micro and small manufacturers, service enterprises, retailers, and agribusinesses, traders, wholesalers, and distributors.</p> <p>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? Consultation meetings and outreach activities will be conducted by CFL with the relevant stakeholders including its target MSME borrowers.</p> <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? L <input checked="" type="checkbox"/> Information generation and sharing</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 Please explain. Details of CFL engagement with its clients including CSR activities will be provided as part of its annual report to ADB.</p>
IV. SOCIAL SAFEGUARDS
<p>A. Involuntary Resettlement Category <input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input checked="" type="checkbox"/> FI (treated as C)</p> <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 The proposed project will promote development benefits associated with increased MSME access to CFL loan. The proposed Loan will only provide loan to activities that will not lead to economic or physical displacement.</p> <p>2. What action plan is required to address involuntary resettlement as part of the PPTA or due diligence process? <input checked="" type="checkbox"/> None</p>
<p>B. Indigenous Peoples Category <input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input checked="" type="checkbox"/> FI (treated as C)</p> <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 The project will not have significant impacts on Indigenous Peoples.</p> <p>3. Will the project require broad community support of affected indigenous communities? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Please explain.</p> <p>4. What action plan is required to address risks to indigenous peoples as part of the PPTA or due diligence process? <input checked="" type="checkbox"/> Environmental and social management system arrangement</p>
V. OTHER SOCIAL ISSUES AND RISKS
<p>1. What other social issues and risks should be considered in the project design? H <input checked="" type="checkbox"/> Creating decent jobs and employment H <input checked="" type="checkbox"/> Adhering to core labor standards</p> <p>2. How are these additional social issues and risks going to be addressed in the project design? ADB loan will be used for MSME activities which are expected to create employment and improve the income generating activities of the borrowers, more importantly the rural households. CFL's operations will comply with the national labor laws and will take measures to comply with the relevant 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? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If no, please explain why. There is no PPTA under private sector project but the client will mobilize competent staff to cover social dimension issues.</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? Due diligence will be undertaken by staff.</p>

^a Government of India, Planning Commission. 2012. Twelfth Five Year Plan, 2012–17. Delhi; ADB. 2013. Country Partnership Strategy: India, 2013–2017. Manila.

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

^c Ministry of Finance. <https://www.pmjdy.gov.in/account>. 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 (Prime Minister's People Money Scheme), which aims to open 100 million bank accounts for poor families. As of 31 May 2017, more than 287.6 million accounts have been opened under the program.