



Initial Poverty and Social Analysis

September 2018

IND: Equity Investment and Debt Financing
Annapurna Finance Private Limited
Supporting Access to Finance for Women in Rural
Areas

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Asian Development Bank

CURRENCY EQUIVALENTS

(as of 20 August 2018)

Currency unit	–	Indian rupee/s (Re/Rs)
Re1.00	=	\$0.0143
\$1.00	=	Rs69.7720

NOTE

In this report, "\$" refers to United States dollars.

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INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	India	Project Title:	Equity Investment and Debt Financing Annapurna Finance Private Limited - Supporting Access to Finance for Women in Rural Areas
Lending/Financing Modality:	Equity/ Loan	Department/ Division:	Private Sector Operations Department/ Private Sector Financial Institutions Division

I. POVERTY IMPACT AND SOCIAL DIMENSIONS

A. Links to the National Poverty Reduction Strategy and Country Partnership Strategy
 The proposed \$30 million equity investment to Annapurna Finance Private Limited (Annapurna) will provide growth capital to support expansion of financial products and the proposed \$20 million debt will be used to provide financing to women micro entrepreneurs, low/affordable housing, and Micro and Small Enterprises in semi-urban and rural areas. The project is consistent with Asian Development Bank Strategy 2030 operational priorities in (i) addressing remaining poverty and reducing inequalities; and accelerating progress in gender equality. It is also responsive to ADB's focus on expanding private sector operations to support greater financial inclusion.^a The project will also respond to the country partnership strategy (CPS) for India (2018-2022) to achieve affordable housing and financial inclusions primarily through private sector operations. The CPS gives priority on transactions for low-income states and funding for financial institutions for onlending to increase women's access to finance.^b

B. Poverty Targeting
 General intervention Individual or household (TI-H) Geographic (TI-G) Non-income MDGs (TI-M1, M2, etc.)
 Annapurna's current operations reach out to the poor, underserved or unserved population by providing affordable financial services. Through the project, Annapurna will continue to target women with average monthly incomes of around INR10,000. It will also continue to expand its clients to marginalized sectors such as persons with disabilities (PWDs) and families of persons inflicted with leprosy.

C. Poverty and Social Analysis

1. Key issues and potential beneficiaries. Access to finance in India remains to be a key issue with 190 million unbanked population of which nearly 60% are women. In 2017, 80% of the population age 15 and above have an account, by themselves or together with someone else, at a bank or another type of financial institution. Likewise, access to credit remains to be a challenge with only 7% of the population age 15 and above reported borrowing any money from a bank or another type of financial institution in the past 12 months. While a greater percentage or 33%, borrowed money from family, relatives, or friends.^c Women in India have limited access to credits because of inability to provide collateral and due to lack of available financial documents. This is the situation that Annapurna will aim to address by creating multiple avenues of livelihood opportunities for the poor, unbanked and marginalized people in rural and semi-urban areas who have limited access to finance from formal sectors.
2. Impact channels and expected systemic changes. The project is expected to increase women's access to finance and credit services specifically those who reside in lagging state within rural and semi-urban areas of India. The project will contribute to poverty reduction and inclusive growth through the delivery of affordable banking and other financial services to unserved or underserved groups.
3. Focus of (and resources allocated in) the transaction TA or due diligence. The nature and scale of Annapurna's current and future operations will be reviewed during the due diligence process.
4. Specific analysis for policy-based lending. Not applicable.

II. GENDER AND DEVELOPMENT

1. What are the key gender issues in the sector and/or subsector that are likely to be relevant to this project or program?
 Financial inclusion, economic participation and opportunities for women in India are the issues relevant to the project. Gender divide is still evident in terms of labor participation, access to banking services, and access to credit.
2. Does the proposed project or program have the potential to contribute 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
 The proposed project will deliver tangible benefits to women. Annapurna will target to serve women belonging to poor and marginalized families from rural and semi-urban areas who are not covered under formal financial services. A gender action plan will be prepared focusing on measures that will increase access of women to existing and new financial products, improve Annapurna's organizational capacity to service women borrowers, and enhance capacities of women borrowers to manage business activities through trainings and other capacity building endeavors.

<p>3. Could the proposed project have an adverse impact on women and/or girls or widen gender inequality? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>The proposed project's intended goal is to narrow down gender gaps in terms of access to financial services in India. It will highlight gender equality and women empowerment through financial inclusion.</p>
<p>4. Indicate the intended gender mainstreaming category: <input checked="" type="checkbox"/> GEN (gender equity) <input type="checkbox"/> EGM (effective gender mainstreaming) <input type="checkbox"/> SGE (some gender elements) <input type="checkbox"/> NGE (no gender elements)</p>
<p>III. PARTICIPATION AND EMPOWERMENT</p>
<p>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 key stakeholders of the proposed project are women from rural and semi-urban areas who have limited access to finance from formal sectors.</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? Annapurna has established network with civil society organizations and engages with target women clients and their communities. Further, Annapurna will continue to employ participatory approaches in credit processing to continue engaging and empowering stakeholders in its area of operations.</p> <p>3. What are the key, active, and relevant civil society organizations (CSOs) in the project area? What is the level of civil society organization participation in the project design? <input checked="" type="checkbox"/> (L) Information generation and sharing <input checked="" type="checkbox"/> (L) Consultation <input checked="" type="checkbox"/> (L) Collaboration <input checked="" type="checkbox"/> (L) 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 should they be addressed? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No There will be no anticipated issues on the participation of poor and excluded during project design. Annapurna has already established a system to reach out to their target clients and engage with the communities within their area of operation.</p>
<p>IV. SOCIAL SAFEGUARDS</p>
<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 Annapurna's loan products that will be made available to borrowers through the project are not expected to cause involuntary resettlements impacts. Loans will not be intended to be used for land purchase.</p> <p>2. What action plan is required to address involuntary resettlement as part of the transaction TA or due diligence process? <input type="checkbox"/> Resettlement plan <input type="checkbox"/> Resettlement framework <input type="checkbox"/> Social impact matrix <input checked="" type="checkbox"/> Environmental and social management system arrangement <input 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 Annapurna's operation as well as the nature and scale of loan products that will be offered through the project are unlikely to cause impacts to the Indigenous People's.</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 transaction TA or due diligence process? <input type="checkbox"/> Indigenous peoples plan <input type="checkbox"/> Indigenous peoples planning framework <input type="checkbox"/> Social impact matrix <input checked="" type="checkbox"/> Environmental and social management system arrangement <input type="checkbox"/> None</p>
<p>V. OTHER SOCIAL ISSUES AND RISKS</p>
<p>1. What other social issues and risks should be considered in the project design? <input type="checkbox"/> Creating decent jobs and employment <input checked="" type="checkbox"/> (L) Adhering to core labor standards <input type="checkbox"/> Labor retrenchment <input type="checkbox"/> Spread of communicable diseases, including HIV/AIDS <input type="checkbox"/> Increase in human trafficking <input type="checkbox"/> Affordability <input type="checkbox"/> Increase in unplanned migration <input type="checkbox"/> Increase in vulnerability to natural disasters <input type="checkbox"/> Creating political instability <input type="checkbox"/> Creating internal social conflicts <input type="checkbox"/> Others, please specify _____</p>

2. How are these additional social issues and risks going to be addressed in the project design?

Annapurna's compliance with core labor standards and system to ensure that borrowers are also compliant will be confirmed during due diligence.

VI. TRANSACTION TA OR DUE DILIGENCE RESOURCE REQUIREMENT

1. Do the terms of reference for the transaction TA (or other due diligence) contain key information needed to be gathered during transaction TA 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?

Yes No

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 transaction TA or due diligence?

ADB staff will assess the poverty, social, and gender aspects of the proposed project during due diligence.

^a ADB. 2018. *Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific*. Manila

^b ADB. 2017. *Country Partnership Strategy India, 2018-2022 – Accelerating Inclusive Economic Transformation*. Manila

^c A. Demirgüç-Kunt et al. 2018. *Global Findex Database 2017: Measuring Financial Inclusion and the Fintech Revolution*. Washington, DC.: World Bank