



Initial Poverty and Social Analysis

Project Number: 56039-001
January 2023

India: Promoting Research and Innovation through Development of Fintech Institute at GIFT

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CURRENCY EQUIVALENTS

(as of 17 January 2023)

Currency unit	–	Indian rupees (₹)
₹1.00	=	\$0.0122
\$1.00	=	₹81.656

ABBREVIATIONS

ADB	–	Asian Development Bank
CAGR	–	compound annual growth rate
COVID-19	–	coronavirus disease
GDP	–	gross domestic product
GIFT	–	Gujarat International Finance Tec-City
GIFTCL	–	Gujarat International Finance Tec-City Company Limited
GOI	–	Government of India
IFSC	–	international financial service centre
IFI	–	international fintech institute
IT	–	information technology
MSME	–	micro-, small-, and medium-sized enterprises
RBI	–	Reserve Bank of India
R&D	–	research and development
UPI	–	unified payment interface

NOTES

- (i) The fiscal year (FY) of the Government of India ends on 31 March. “FY” before a calendar year denotes the year in which the fiscal year ends, e.g., FY 2023 ends on 31 March 2023.
- (ii) In this report, “\$” refers to United States dollars.

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INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	India	Project Title:	Promoting Research and Innovation through Development of Fintech Institute at GIFT
Lending/Financing Modality:	Project Loan	Department/ Division	Urban Development and Urban Housing Department, Government of Gujarat Gujarat International Finance Tec-City Company Limited (GIFTCL)

I. POVERTY IMPACT AND SOCIAL DIMENSIONS

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

Progress towards poverty reduction can be effectively furthered by (i) enhancing access to diverse financial products, and (ii) the development of digital, financial and industry-aligned skills, both of which aid the expansion of household economic and financial resilience through higher incomes and savings. Amalgamating the push towards digital, financial, and industry-ready skills as per the National Education Policy, 2020 and bridging gaps in expanding financial inclusion through the National Strategy for Financial Inclusion,^a the proposed project aims to establish the country's first international fintech institute at Gujarat International Finance Tech-City (GIFT). It will deliver training courses in industry-aligned fintech job roles at par with international standards; promote start-ups incubation and develop thought-leadership by pioneering evidence-based research for application to industry and policy. It also furthers ADB's India Country Partnerships Strategy 2018–2022 focused on attracting investments, generating employment, and inducing growth in MSMEs and new age industries.

B. Poverty Targeting (Select one):

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

C. Poverty and Social Analysis

1. Key issues and potential beneficiaries. At present, digitally skilled workers represent only 12% of India's workforce but by 2025, an average worker in India would require seven new digital skills to keep pace with the technological advancement and demand.^b Only 1.5% of the 2.7 million Science, Technology, Engineering and Mathematics (STEM) graduates in India each year are fit for these new-age jobs.^c As per the National Skills Development Corporation (NSDC) skill gap study, there is an incremental requirement of 1 million skilled resources by 2025 in the Banking and Financial Services sector. The Indian fintech market is estimated to record a CAGR of approximately 12% by 2027,^d presenting an opportunity for employment of skilled workers. This project will bridge the existing skill gaps through fintech training; provide an enhanced incubation ecosystem to support the growth of fintech start-ups and MSMEs to scale; and foster innovations through research.

2. Impact channels and expected systemic changes. The project is expected to bring about the following changes: development of (1) world class financial infrastructure; (2) fintech courses targeting both domestic and foreign students; (3) curriculum design and delivery in partnership with the best global institutes; (4) employability-focused programs catering to the future of work/gig economy; (5) incubation and start-ups support to develop innovative fintech solutions; and (6) thought leadership and policy advisory through actionable research on associated themes. The fintech institute is designed to be catalytic towards attracting fintech firms to pilot solutions, conduct research, develop use of sandbox to pilot new initiatives through established linkages with Industry and funding mechanism. Additionally, training resources through specifically designed programs will also contribute towards advanced skilling.

3. Due diligence. The diagnostic work will include (i) conducting a GESI analysis to identify barriers to the financial inclusion of women and disadvantaged groups and (ii) integrating actions to address the barriers in relevant project components, as feasible. GESI analysis due diligence would be carried out through consultations and a review of secondary data and related studies. Social safeguards documents would be prepared.

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 program?

There is a gender disparity in the financial sector workforce, with the ratio of males to females at about 2.5 : 1.^e Though women comprise 42.7% of the STEM graduates in India, they are not retained to enter the workforce or opt for advanced education.^f Low access to (i) the internet (33% for women compared to 57% for men), and (ii) digital devices (67% for women compared to 79% for men)^g, also demonstrate the gender digital divide. Women-founded fintech start-ups face numerous hurdles such as the lack of access to formal finance, the lack of adequate mentorship and network linkages, the lack of incubation and acceleration programs that cater to them, and the general lack of a conducive growth ecosystem.^h Disparities in education quality, financial inclusion and financial literacy at the national level contribute towards the exclusion of women from the workforce,ⁱ adding to the falling female labor force participation rates in India.^j The greater deployment of fintech to micro finance is yet to be explored, which will bring down operational costs, and

create greater flexibility and transparency for women entrepreneurs.^k

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 access to and use of opportunities, services, resources, assets, and participation in decision-making?

☒ Yes ☐ No

The project aims at strengthening of industry-aligned education, start-up incubation and acceleration, R&D and innovation in Indian fintech. The project will incorporate measures to enhance access to industry-aligned training in fintech and aligned courses along with career development and entrepreneurship training for women, persons with disabilities and disadvantaged groups. Start-ups with female founders will be supported through funding and provision of incubation and acceleration services. The project is envisaged to be categorized as *effective gender mainstreaming* and a comprehensive gender equality and social inclusion (GESI) analysis will be undertaken to support the development of a GESI action plan with well-defined activities, targets and resource allocation.

3. Could the proposed project have an adverse impact on women and/or girls or widen gender inequality?

☐ Yes ☒ No

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 EMPOWERING THE POOR

1. Who are the main stakeholders of the project, including beneficiaries and affected people? Explain how they will each participate in the project's design.

Primary stakeholders of the project are students, young professionals, researchers and entrepreneurs, including those belonging to disadvantaged communities having interest and acumen in fintech. Secondary stakeholders include educational institutions, digital training platforms, industry associations, civil society organizations, incubators, accelerators and financial and technology firms.

2. Who are the key, active, and relevant CSOs in the project area?

Key CSOs are industry associations, research institutes, public incubators, academic institutes, and associations involved in delivery of fintech education. Further, scoping of CSOs in the project area will be conducted as part of project diligence as well.

3. Are there issues during project design for which participation of the poor and vulnerable is important?

☐ Yes ☒ No If yes, what are these issues?

4. How will the project ensure the participation of beneficiaries and affected people, particularly the poor and vulnerable and/or CSOs, during project design to address these issues?

The team will hold consultations with employers, entrepreneurs, students (including women, those with disabilities and disadvantageous groups), and CSOs to design interventions that will make training more accessible and ensure job readiness. Additionally, the demand assessment survey with students and young professionals will be undertaken to help understand aspirations and barriers in accessing fintech education, research, and entrepreneurship opportunities.

5. What level of CSO participation is planned during the project design?

☒ Information generation and sharing (Low) ☒ Consultation (Low) ☐ Collaboration ☐ Partnership

CSOs will be consulted to discuss the needs, concerns, and aspirations of women and students from small cities and towns. CSOs will also be involved, as required, in designing and implementing counselling and training programs for entrepreneurship development initiatives focusing on the rural and urban poor.

IV. SOCIAL SAFEGUARDS

- A. Involuntary Resettlement Category** ☐ A ☐ B ☒ C ☐ FI

1. Does the project have the potential to involve involuntary land acquisition resulting in physical and economic displacement? ☐ Yes ☒ No

Any infrastructure work would be undertaken within existing premises of GIFT City, without any new land acquisition.

2. What action plan is required to address involuntary resettlement as part of the transaction TA or due diligence process?

☐ Resettlement plan ☐ Resettlement framework ☐ Social impact matrix
☐ Environmental and social management system arrangement ☒ None

- B. Indigenous Peoples Category** ☐ A ☐ B ☒ C ☐ 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</p> <p>3. Will the project require broad community support of affected indigenous communities? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>4. What action plan is required to address risks to indigenous peoples as part of the transaction TA 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 type="checkbox"/> Environmental and social management system arrangement <input checked="" 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 (H) <input checked="" type="checkbox"/> Adhering to core labor standards (H) <input type="checkbox"/> Labor retrenchment</p> <p><input checked="" type="checkbox"/> Spread of communicable diseases, including HIV/AIDS (L) <input type="checkbox"/> Increase in human trafficking <input type="checkbox"/> Affordability</p> <p><input checked="" type="checkbox"/> Increase in unplanned migration(M) <input checked="" type="checkbox"/> Increase in vulnerability to disasters <input type="checkbox"/> Creating political instability</p> <p><input type="checkbox"/> Creating internal social conflicts(M) <input type="checkbox"/> Others, please specify _____</p> <p>Indicate high (H), medium (M), low (L) for selected boxes</p> <p>1. How are these additional social issues and risks going to be addressed in the project design?</p> <p>The project design would take a multi-stakeholder approach, closely guided by industry demands and needs of the state, while emphasizing on access, quality and relevance of training programs and other project components.</p>
VI. TRANSACTION TA OR DUE DILIGENCE RESOURCE REQUIREMENT
<p>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?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No If no, please explain why.</p> <p>2. What resources (e.g., consultants, survey budget, and workshop) are allocated for conducting poverty, social, and/or gender analysis; and the participation plan during the transaction TA or due diligence?</p> <p>A national social development and gender specialist has been engaged to conduct poverty, social, and gender analysis and prepare a GESI action plan under the guidance of ADB GESI officers/experts at the HQ and/or India Resident Mission. Adequate resources will be allocated for surveys and focus group discussions to identify GESI concerns and design project GESI features at the project design phase and for the implementation of the GESI action plan. A GESI consultant will be assigned to monitor the progress and results of the GESI action plan implementation and submission of reports.</p>

ADB = Asian Development Bank, CSO = civil society organization, ESMS = environmental and social management system, MFF = multi-tranche financing facility, IPSA = initial poverty and social analysis, TA = technical assistance.

- ^a Government of India, Reserve Bank of India. 2019. [National Strategy on Financial Inclusion, 2019-2024](#). Mumbai.
- ^b Amazon Web Services and AlphaBeta. 2021. [Unlocking APAC's digital potential: Changing digital skill needs and policy approaches](#).
- ^c SHL. 2022. [National Employability Report for Engineers](#). India.
- ^d Research and Markets. 2022 [India Fintech Market-Growth, Trends, COVID-19 Impact, and Forecasts \(2022 – 2027\)](#).
- ^e Government of India, Ministry of Statistics and Programme Implementation. 2019. [Periodic Labour Force Survey, 2020-2021](#). New Delhi.
- ^f World Bank. Gender data portal (accessed on December 2022). Washington, DC.
- ^g B. Chandola. 2022. [Exploring India's Digital Divide](#). Observer Research Foundation. New Delhi.
- ^h WEP and NITI Aayog. 2022. [Moving the Needle: The Women Entrepreneurship Platform](#). NITI Aayog. New Delhi.
- ⁱ Of the 6.3 crore MSMEs in India, only 12.6% of them witness female participation.
- ^j ADB. India. 2022. [In India, Financial Literacy Programs Are Lifting Families Out of Debt and Fueling New Prosperity](#). Manila.
- ^k D. Sarkar and S. Kumar. [Women-centric Approaches under MUDRA Yojana: Setting G20 Priorities for the Indian Presidency](#). Observer Research Foundation. New Delhi.