



UNITED NATIONS ENVIRONMENT PROGRAMME

INNOVATIVE FINANCING FOR SUSTAINABILITY

MICRO-FINANCE / INSURANCE

N. PRASAD  
GENERAL MANAGER  
BANK OF INDIA

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# INNOVATIVE FINANCING FOR SUSTAINABILITY UNITED NATIONS ENVIRONMENT PROGRAMME

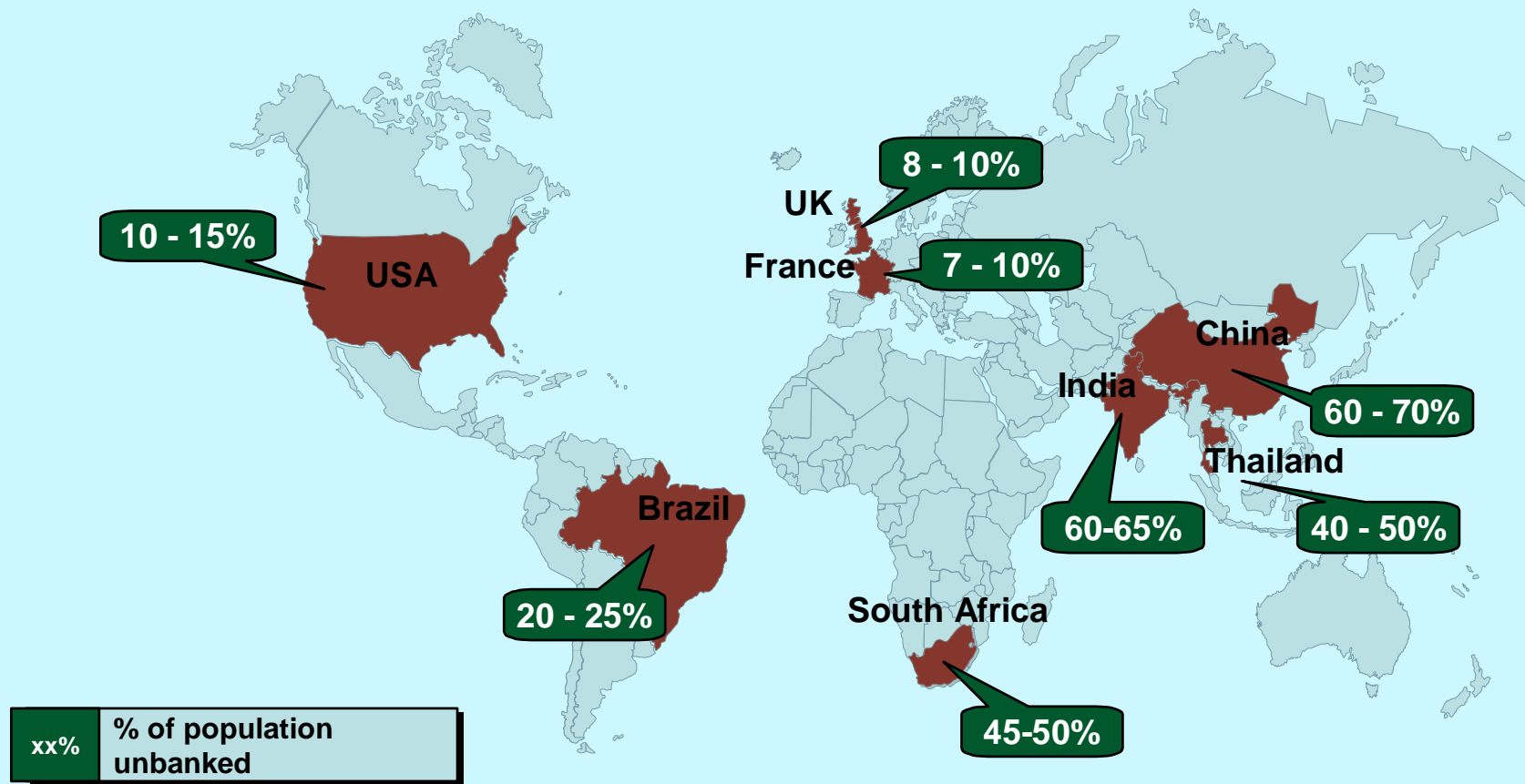
## ISSUES AHEAD :

## FINANCIAL INCLUSION :

- Is the Buzz Word today not only in India but across the World.
- India is no exception to it, with almost 27.09% of the rural population and more than 23.62% of the urban population living below the poverty line. India therefore has the largest potential market for micro-finance.
- Nobel Prize to Prof. Mohammed Yunus – for Peace, established the concern felt World over in addressing the issue of Inclusive Growth.

# MANY COUNTRIES GRAPPLING WITH THE SAME PROBLEM

## About 4 Bn People Unbanked Worldwide



# INNOVATIVE FINANCING FOR SUSTAINABILITY

## WHY MICRO FINANCE ?

### NATIONAL PERSPECTIVE

- Financing the poor is not poor Banking.
- If we stop thinking of the poor as victims or as a burden and start recognising them as resilient and creative entrepreneurs and value conscious consumers – A WHOLE NEW WORLD OF OPPORTUNITIES WILL OPEN.
- Any country that does not pay attention to economic growth of the poor is going to be unsustainable. But, one can not rely on growth only. What is required is to ensure that  
“BENEFITS OF GROWTH ARE WIDE SPREAD (EQUI-DISTRIBUTION)”
- Growth of GDP – Both Agriculture and Allied Sector.

# INNOVATIVE FINANCING FOR SUSTAINABILITY

## MICRO FINANCE AS STRATEGY

- Involves the provision of a broad range of financial services, such as loans, deposits, payment services, remittances, pension and insurance to poor and low income households.

### What it aims at –

- Providing affordable financial services viz.
  - Access to payments/ remittance facilities.
  - Savings, loans and insurance services to the un-banked.
  - Social and economic inclusion of un-banked/counselling.
  - Creating opportunities for the poor by offering them choices and encouraging SELF-ESTEEM.
- Growth with a pro-poor and disadvantaged orientation.
- Growth with a HUMAN-FACE AND DEVOTION.
- Growth of Economy (Agriculture & Rural Sector have not gained adequately).

# INNOVATIVE FINANCING FOR SUSTAINABILITY

- **Growth is essential for MARKET ENLARGEMENT.**

## BENEFITS :

- **Impacts poverty reduction positively.**
- **Enables the poor to build assets and thereby reduce their vulnerability.**
- **Women Empowerment – enhance contribution to household income, thus better control over household decisions.**
- **Dependence on non formal high cost intermediaries reduced**
- **Aids in greater spending on education and health.**
- **Reduces child mortality and leads to improved health especially among women.**
- **Wholesome enhancement in quality of life.**
- **Up-gradation of skills.**

# INNOVATIVE FINANCING FOR SUSTAINABILITY

## SCOPE AND POTENTIAL :

- With the degree and magnitude of financial exclusion, India is one of the largest potential market with estimated demand for micro-finance in excess of Rs.50,000 crore.
- A multi-disciplinary approach is the need of the hour.
- It's no more Corporate Social Responsibility but BUSINESS OPPORTUNITY FOR ONE AND ALL STAKE-HOLDERS



# INNOVATIVE FINANCING FOR SUSTAINABILITY

## BANKS AS FACILITATORS

- Providing Access to Banking and affordable credit.
- Enabling effective financial counseling of un-banked and under-banked.
- Promoting financial services – insurance, pension.
- Promoting NGOs, capacity building of NGOs.
- Facilitating Community Development Projects.

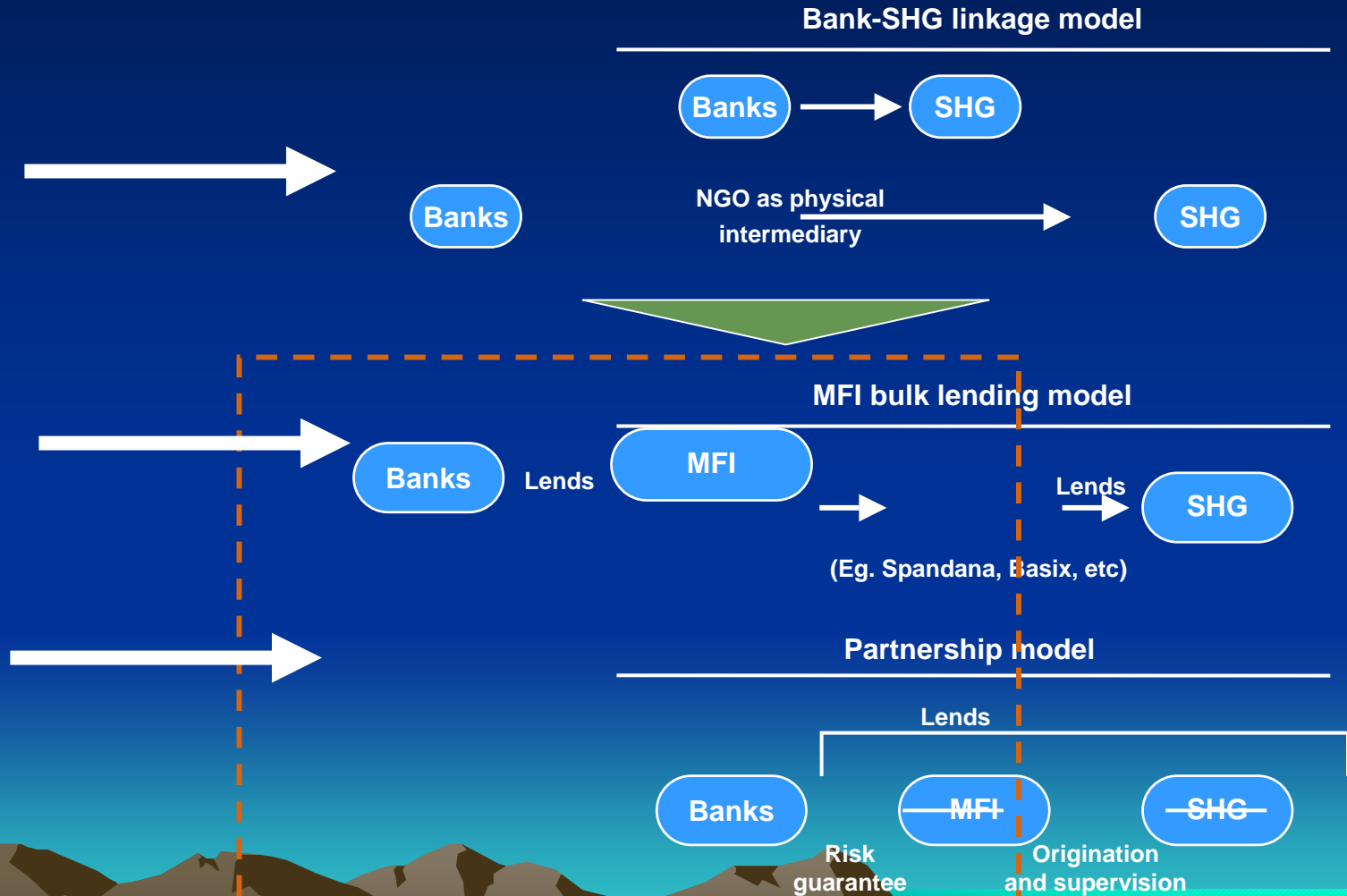
# INNOVATIVE FINANCING FOR SUSTAINABILITY

## POLICY INITIATIVES BY GOVT. / REGULATOR

- Introduction of No Frill Accounts.
- Simplified KYC norms.
- Simple loan product – General Credit Card (GCC) – Simple loan product for general purposes.
- Promoting use of Business Facilitators/ Business Correspondents.
- Graduating customers from consumption credit to production/ investment credit.
- Thrust on coverage of small and marginal farmers, share croppers, tenant farmers, oral lessees.
- Thrust is going to continue at Policy Planning Level.
- Developing sound Regulatory Frame-Work (in offing)

# INNOVATIVE FINANCING FOR SUSTAINABILITY

## MAJOR MODELS FOR MICRO-FINANCE



# INNOVATIVE FINANCING FOR SUSTAINABILITY

## MAJOR MODELS FOR MICRO-FINANCE :

- Direct lending to individual target group clientele.
- Direct lending to Self Help Groups (SHGs)
- Lending to MFIs for on-lending to SHGs/ SHG Federation.
- Lending to Joint Liability Group (JLGS)

## AREAS TO BE FOCUSSED :

- Spread of Information Technology to rural areas for
  - Creating opportunity for financing large network of Rural Kiosks, Village Malls, Information System.
  - Increased capacity of rural branches in servicing large number of transactions – preferably through e-delivery channels (Rural ATMs, Bio-metrics, etc. (Resulting into reduced transaction cost).



# INNOVATIVE FINANCING FOR SUSTAINABILITY





# INNOVATIVE FINANCING FOR SUSTAINABILITY

## MICRO INSURANCE – RISK MITIGATION FOR THE POOR

- Basically envisages provision of insurance to low-income group households.
- Poor households are more open to risk arising out of natural calamities as also regular occurrences of ill-ness/ accidents.
- There is serious need of addressing this issue for protecting life of income-earning member/s to avoid risks causing losses beyond their means.

## PRODUCTS NOW AVAILABLE-WORLD OVER :

- Life, health, property, disability, weather,crops.

# INNOVATIVE FINANCING FOR SUSTAINABILITY

## Why MICRO INSURANCE ?

- Social Protection – Life cycle needs, including life, illness, widow-hood, accident, fire, natural and man made calamities.

## MICRO INSURANCE PROVIDING IN ASSOCIATION WITH INSURANCE INSTITUTIONS LIKE GIC, LIC ICICI LOMBARD

### IMPLEMENTED IN :-

- SEWA – (Self Employed Women's Association)  
SEWA Insurance managed by SEWA members covers:
- Rainfall insurance
- Tie up with hospitals for cash less health insurance services
- Asset loss

THERE IS NEED TO DEVELOP INSURANCE PRODUCTS SPECIALLY DESIGNED TO ADDRESS THE RISKS.

## Issues need to be focussed for sustainability

- Legal frame-work/ Regulatory issues.
- Providing affordable credit.
- Women Empowerment (Decision making, Time Management, Self Esteem)
- Capacity building of NGOs.
- Responding to the livelihood needs of the potential clientele (HR aspects)
- Developing products to suit their requirement/ needs – Ongoing Innovations.
- Promoting MFIs, SHG Federations.
- Developing infrastructure conducive to economic growth.
- Addressing individual/ group risk – developing insurance products



## Issues need to be focussed for sustainability Contd...

- **Saving products – in built micro-pension.**
- **Door-steps banking – Confidence building.**
- **Easier models of Rating of MFIs.**
- **Creating awareness – Financial and Health Literacy**
- **Eradication of Social Evils.**
- **Convergence of services offered by all stakeholders.**
- **Regional imbalance**
- **Large number of SHGs not credit linked.**
- **Banks to develop long term policy initiatives.**

# INNOVATIVE FINANCING FOR SUSTAINABILITY

## Issues need to be focussed for sustainability

### Contd...

- Use of IT – Biometric Technology, Rural / Mobile ATMs.
- Promoting Business Facilitators/ Business Correspondents (Special incentive for addressing issue of Regional Imbalances)
- Establishment of National Micro-Finance Information Bureau (NMIB)

# INNOVATIVE FINANCING FOR SUSTAINABILITY

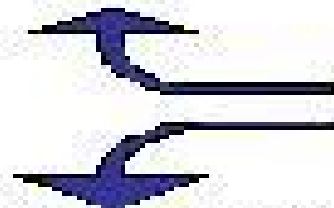
## PURA CONCEPT: BANK OF INDIA'S INITIATIVES



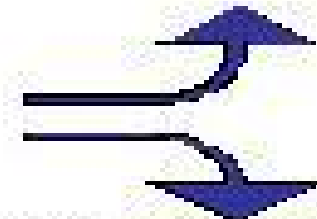
**PHYSICAL CONNECTIVITY**



**ELECTRONIC CONNECTIVITY**



**ECONOMIC CONNECTIVITY**



**KNOWLEDGE CONNECTIVITY**



# INNOVATIVE FINANCING FOR SUSTAINABILITY



Village Approach Road



Village Bus Stop



Rural Public Library & Computer Centre

Rural Literacy drive for School drop-out girls



River side Ghat for Rural folk

# INNOVATIVE FINANCING FOR SUSTAINABILITY

## IN CONCLUSION :

**TASK IS GIGANTIC BUT NOT IMPOSSIBLE –  
WHAT IS REQUIRED – MISSIONARY ZEAL  
THOUGHT FOR ALL OF US.**

**“WHAT WILL HAPPEN IF NEW OPPORTUNITIES ARE NOT  
CREATED IN RURAL INDIA”.**

**COUNTRY WILL PROSPER ONLY WHEN RURAL INDIA PROSPERS  
– MAHATMA GANDHI – FATHER OF THE NATION**

**MICRO FINANCE IS ONE STOP SOLUTION - WE ALL SHOULD  
MAKE IT SUSTAINABLE WITH ONGOING INNOVATIONS.**

THANK YOU

