

Draft ToR for Thematic study on ‘Financial inclusion Interventions, Challenges and Lessons under NERLP’

1. Background

NERLP is a World Bank funded rural poverty reduction project of the Ministry of Development of North Eastern Region (DoNER). The project seeks to empower rural poor and improve livelihoods of about three lakh households in 1645 villages (58 blocks) across eleven districts of four project states, namely, Mizoram, Nagaland, Sikkim, and Tripura. The districts are Aizawl and Lunglei in Mizoram, Peren and Tuensang in Nagaland, South, and West Districts in Sikkim and West Tripura, Khowai, Sipahijala, Unokoti and North Tripura

The objective of the project is *“to improve rural livelihoods especially that of women, unemployed youth and the most disadvantaged, in four North Eastern States”*. It aims at improving communities’ access to credit and other financial services by forming more than 26,000 SHGs and 1200 VOs, sustainably increasing incomes of the poor by forming 500 producer groups/producer organizations, improving natural resource management by local communities and converging with government programs by forming 1,645 Community Development Groups (CDGs), addressing unemployment by skilling 20,000 youth, and engaging in fruitful partnerships with expert organizations to focus on cluster development through value chains development and natural resource management.

2. Project Components

The project has five components, namely, social empowerment, economic empowerment, partnership development and project management. The project components focus on improving livelihoods of the most disadvantaged people in the targeted areas by building community based organizations and developing partnership with Government and other institutions for knowledge, skill, credit, insurance, extension and market.

- **Social Empowerment:** This initiative seeks to empower rural communities by creating sustainable community institutions; improving inclusiveness and ensuring equity in social, gender and environment.
- **Economic Empowerment:** Increase livelihoods through diversification of income and employment opportunities by supporting SHG and SHG Federation with investment support; supporting Community Development Group for Community Development Plan; supporting Producer Organization for business activities based on value chain and supporting youth for skill development training and placement.
- **Partnership Development:** Development of partnership with various service providers including technical support institutions, public and private sector organizations, financial institutions, etc., with the aim of dovetailing further resources required for the success of the project.
- **Project Management:** This component includes governance, implementation, coordination, learning and quality enhancement efforts.
- **Livelihood Model & Value Chain Developments:** Demonstration of successful livelihood models, value chain development in both farm sector and non-farm sector.

This thematic study is intended to focus on the Economic Empowerment component. Specifically, the study will focus on SHG and SHG Village Federation Investment Support and Producer Organization Investment Support. The study will also look at Financial Support Linkages in the Partnerships Component of NERLP. The study is expected to capture the strategic approach, effectiveness and impact of the project interventions on financial inclusion, derive lessons and suggest measures towards deepening and sustainability.

3. Progress made on Financial Inclusion Intervention

- a. As of now, the project has promoted 28,079 SHGs of which 26,558 (95%) SHGs have opened their bank accounts. This is the first step towards bank credit linkage.
- b. As on 31 March 2018, 1447 SHGs were credit linked with the banks for a total credit amount Rs.1281.71 lakh. The average loan amount per SHG from Bank is Rs.0.88 Lakh. The details are placed in annexure 1 & 2.

4. Issues and challenges faced by NERLP

The project has encountered the following challenges in implementation of financial inclusion interventions leading to roadblocks to achieving the project's outcome indicators for the percentage of bank linked SHGs which is currently lower than planned.

- a) Inability to create more credit demand among SHG members, which has led to high amounts of idle funds in the SHG/Federation corpus and further generating low credit linkage proposals from SHGs
- b) High processing time taken by Banks to open a SHG Savings Bank account and to provide credit linkage and above all lack of cooperation from Bankers
- c) Lack of awareness among bankers about NERLP, and their perceptions of low demand and absorption capacities of the poor for credit, their poor credit culture and repayment histories
- d) Project has no provision of releasing interest subsidy on or above 7% to Banks for SHG-Credit linkage subject to timely repayment;

5. Study Objectives

The objective of the study is to gain an understanding of the (i) core financial inclusion strategies undertaken by the project; (ii) implementation arrangements of these strategies, insights and experiences; (iii) Bank and SHG member-side perceptions, opportunities and constraints for availing of credit (iv) major intended and unintended outcomes; and (v) key lessons for design and implementation to help decide the future course of action to improve and optimize the levels of financial inclusion - credit and savings - of the target beneficiaries.

The specific objectives of the Proposed Thematic Study for NEDFI, Guwahati are:

- 1) Describe how FI (savings and credit) is built into the project design. What was the FI strategy in NERLP?
- 2) Review and analyse the role of the NERLP in enhancing the capacities and quality of SHGs and Federations for financial inclusion; compare NERLP

institutions with previously existing SHGs in these project areas and similar SHGs overseen by the SRLMs in the four states covered under NERLP

- 3) Review how and to what extent is *Panchasutra* being followed by communities. What are the concerns and suggestions for improvements? Are there refresher training needs? Describe the roles/services of CRPs (book keepers etc.) involved.
- 4) Document the number and type of FI trainings provided to staff (SPSU, DPSU etc), exposure visits, awareness raising visits/meetings for commercial bankers. Trainings and handholding of SHG/VDCs groups/members.
- 5) Analyse the issues and challenges being faced by SHGs and Federations with respect to credit linkage and their own financial intermediation; from demand and supply side
- 6) Assess the different sources of credit to SHG members and their current usage; did they have access to sufficient credit from non-NERLP sources? Are their credit needs met by NERLP and other sources? Can they absorb more credit through the project and through credit linkage or are they leveraged enough?
- 7) Understand the perception of Commercial Banks/ Financial Institutions regarding credit delivery services to SHGs. What is their interest levels and concerns and what would increase their interest in lending to SHGs?
- 8) Identify the critical inputs required (financial and non-financial) that make an SHG and Federation sustainable and function well beyond project period
- 9) Review policies/regulations that were either changed or modified to enhance the FI business environment e.g. GoI circulars on SHG-Bank Linkage regarding Cash Credit Limit. How did NERLP influence the policy space on FI in the north east (e.g., coordination with RBI or NRLM program)
- 10) Assess the institutional performance of state and districts in FI; document the strategy and implementation activities; What operational challenges were encountered at RPMU/ DPMU, e.g. periods of inadequate staffing for the FI activities due to staff rotation/resignations.
- 11) What are the best practices and lessons learnt in implementation?

5. Scope of the Assignment with Methodology

The assignment will cover the following key steps:

a. Desk review of SHGs and Federations

The selected team of consultants of NEDFI will review the database of SHGs and Federations available. RPMU will facilitate classifying them by geographic and other basis. They will also review the documentation to understand the process flow of SHG formation to credit linkage from Banks.

b. Selection of Sample of respondents

The consulting team will select a sample of SHGs, Federations, RPMU-DPMU staffs and Bankers, covering Branch Managers, Lead District Manager (LDM) and District Development Manager (DDM) of respective districts, DLBC/SLBC Convenor and SRLM Official as key stakeholders such that different project

geographies (11 districts spread over 4 states) are adequately represented and results obtained from this study is representative of the entire portfolio. The sample will be finalized in consultation with NERLP and the World Bank.

c. Field review of Selected Key Stakeholders

1. The team will prepare a list of questions for Focused Group Discussion/Personal Interviews for each set of stakeholders to be covered. These lists will be finalized in consultation with NERLP and the World Bank.
2. The consulting team will physically visit and interview the identified respondents.
3. The team will also review the documentation of the sample SHGs/ Federations and adopted process mechanisms at all levels from village, block, district to RPMU level. It will interact with all relevant stakeholders such as SHG Facilitators, Federation Book-Keepers, Community Service Providers (CSPs), deployed Bank Sakhis and Bank Facilitators, Area Coordinators, Community Finance Coordinators based at block-level, Block Project Coordinators, District Coordinator-Micro Finance, District Project Manager, District Accounts Officer and concerned staff from Micro Finance vertical at the RPMU.
4. At the district level it will review the role of District Coordinator-Micro Finance and the process by which s/he assisted the SHGs in facilitating SHG credit linkage from Banks.
5. Assess the views of Bank Managers at Branch level, other Financial Institutions covering MFIs – Small Finance Banks and concerned LDMs and DDMs with respect to demand-supply of credit requirement to Project promoted SHGs and find out ways for improving the credit linkage mechanism for meeting out the requirement of timely availability of credit.

Respondent type	Numbers
No. of SHGs and SHG, federations,	At least 3 federations per district and 2-3 SHGs per Federations
RPMU, DPMU and BPMU Staff	FI thematic managers and domain heads
Bank Managers at Branch level, other Financial Institutions covering MFIs – Small Finance Banks	All lead banks in each state
DLBC/SLBC and SRLM officials	At least 2 per state
Community cadres (Book-Keepers, Community Service Providers (CSPs), deployed Bank Sakhis and Bank Facilitators, Area Coordinators, Community Finance Coordinators)	3-5 per district

d. Methodology of Study

Primary data will be collected from selected blocks in all four states. The agency could meet the financing institutions (Banks, MFIs and SFBs), Project Officials, PFT partners and members of the community. The team will conduct FGDs with members of SHGs, VOs and interviews with individual beneficiaries, CRPs and project personnel at RPMU and DPMUs and collect qualitative information. The team will analyse the findings and prepare a draft report and presentation to the Project Officials and the World Bank for their comments and finalise the report.

e. Preparation of NERLP performance report and suggest ways as road-map for effective credit linkage

The team will prepare a draft version of the “Financial Inclusion Intervention Performance Report”. The report will suggest strategies to improve the quality of SHGs and capacities of Federations in effective delivery of financial interventions in the project.

6. Duration of the Assignment and Consulting Team of Agency

Four months from the time of the proposed agency signing the contract to final submission of report as follows:

- Field visits including travel time for survey and interactions – 12 weeks
- Analysis and report writing – 4 weeks

Going by the above timeline, it is estimated that the study will be completed in 4 months.

A 3-member study team comprising one Senior technical specialist and 2 Junior Technical Specialist is envisaged. The proposed study team members should have expertise in financial inclusion and micro-finance and also have prior experience in conducting qualitative studies with respect to Community Based Micro-Finance Institutions and well versed with financial inclusion interventions.

Consultant	Number	Skills Required	Qualifications	Time (Man Months)
Senior technical specialist	1	10+ years' experience in the financial inclusion space working on community-oriented projects Prior experience with similar studies particularly in the North East Local language skills	Master degree in economics, finance and/or management	3 months

		Preferworking experience in these states before Excellent analysis and writing skills		
Junior Technical Specialist	2	6years of work experience minimum Experience in similar FI studies Excellent documentation and analysis skills Local language skills	PG degree in economics, finance and/or management	2 months each

7. Support from the NERLP:

NERLP will provide the following support to the service provider:

- a) Full access to NERLP database on Financial Inclusion interventions;
- b) Full access to documentation of selected size of SHGs and Federations;
- c) Project Related Documents – Operational Guideline on Micro Finance and other related documents;
- d) Facilitate interacting with the identified stakeholders including SHG members, Federation Leaders and deployed concerned project staff from Village to RPMU level;
- e) Organize field visit to selected SHGs and Federations;
- f) Provide a point's person at RPMU to facilitate interaction with the team on a day-to-day basis.

8. Expected Outcome from Study

- The study will help us to know the limitations and shortcoming for promoting and sustaining SHGs/Federation, like opening of bank account, training of SHG/Federation, inculcating saving and inter loaning practice, Bank credit linkage and making SHG viable and self-sustainable for meeting credit requirements.
- The findings of the study will be used as a tool for policy advocacy to bring a conducive environment for promoted SHGs and their federations with respect to timely availability of credit from mainstream financial institutions.

9. Placed at Annexure 1 and 2: Detailed State/ District-wise Progress as on 31st March 2018.

Consolidated Progress of MF Component under NERLP as on 31st March 2018

Physical Achievement under Micro Finance Component under NERLP		
Major Activities	Project Target	Cumulative Progress
(a) SHG Formation	26000	28079
(b) SHGs having SB Account	26000	26558
(c) SHG Federation	1645	1194
Financial Support provided to SHGs		
(a) Seed Capital	27582	26414
(b) Livelihood Funds Tranche-I	27582	24428
(c) Livelihood Funds Tranche-II	27582	21109
(d) Livelihood Funds Tranche-III	20000	12076
(e) SHG Bank Credit Linkage	7800	1447
(f) Amount of SHG Bank Credit Linkage	R. 1281.71 Lakhs	
(g) Average Loan Amount per SHG from Bank	Rs.88, 577 (0.88 Lakh)	

Annexure-1

Progress of SHGs Savings Bank Account and Savings Mobilised as on 31st March 2018

S. No	Name of the district	Total No. of SHGs	Total No. of SHGs having Bank Account As on March 2018	Progress during 2017-18	Total Amount of Savings Mobilised by SHGs Amount Rs. (in lacs) As on March, 2018	Total Amount of Savings Mobilised by the SHGs during 2017-18 Amount Rs.(in lacs)
1	Aizawl	1619	1618	6	260.19	82.21
2	Lunglei	2026	1974	60	148.38	4.29
3	Peren	1034	1033	45	174.81	72.88
4	Tuensang	2178	2101	60	266.76	160.62
5	West Sikkim	1754	1754	44	426.19	1.31
6	South Sikkim	1531	1531	8	410.87	106.22
7	West Tripura	4704	4455	59	1074.39	359.69
8	Sepahijala	3760	3509	1890	388.18	268.29
9	Khowai	2902	2604	1829	249.84	170.08

10	North Tripura	3900	3612	125	548.99	192.83
11	Unakoti	2671	2367	434	334.35	250.56
Total		28079	26558	4560	4282.94	2511.96

Annexure -2

Progress of SHG Credit Linkage with banks as on 31st March 2018

Status of SHG Credit Linkage As on 31st March, 2018						
State	District	Total No of SHGs	SHGs Credit Linked State-wise	No of SHGs credit Linked District-wise	Amount [Rs in lakhs]	No of applications pending with Banks
Mizoram	Aizawl	1619	125	85	132.10	208
	Lunglei	2026		40	28.90	95
Nagaland	Peren	1034	134	130	125.75	9
	Tuensang	2178		4	3.20	55
Sikkim	West Sikkim	1754	1087	597	349.10	203
	South Sikkim	1531		490	539.76	58
Tripura	West Tripura	4704	101	32	33.50	77
	Sepahijala	3760		0	0.00	11
	Khowai	2902		4	4.00	39
	North Tripura	3900		53	53.40	48
	Unakoti	2671		12	12.00	103
Total		28079		1447	1281.71	906