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SECURE
Himalaya
Baseline Study on
Financial Inclusion -
Himachal Pradesh

Final Report

August 2019

*Strictly Private and
Confidential*

Executive Summary

Context

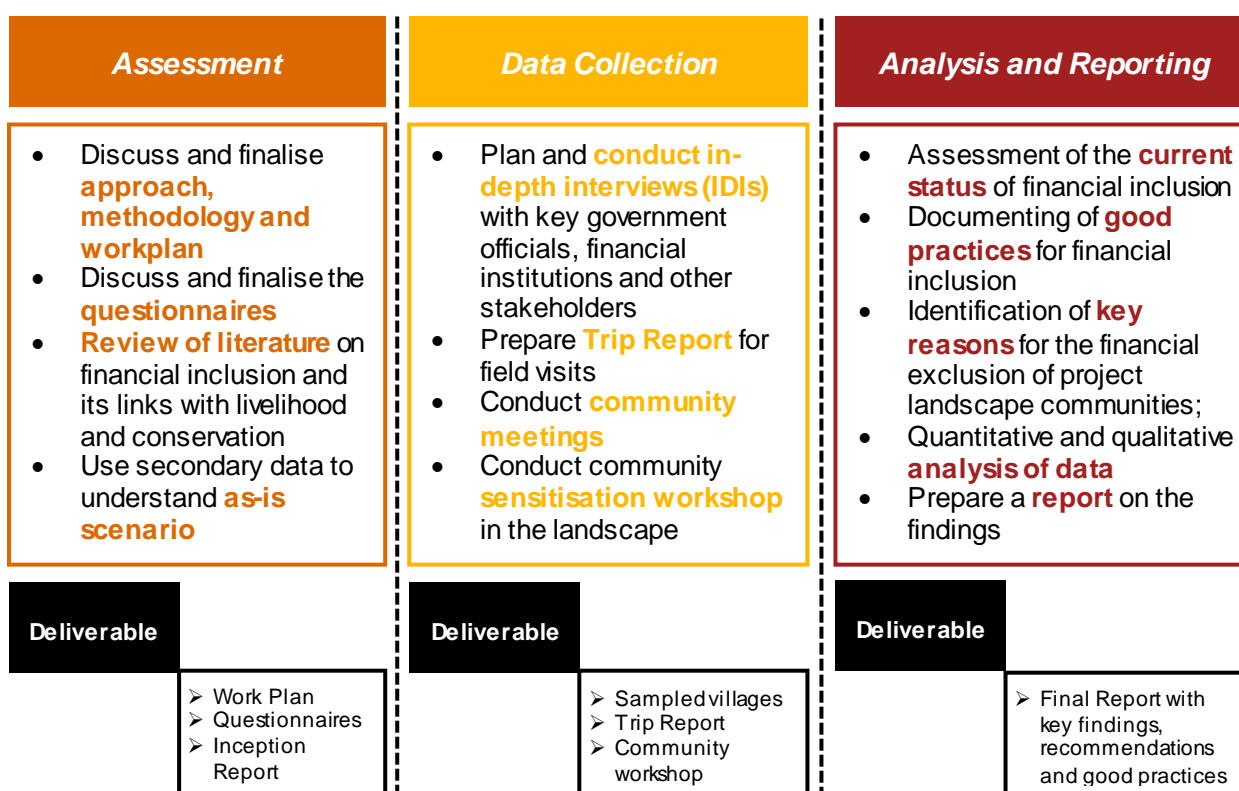
The high range Himalayan ecosystem is of critical importance for biodiversity and ecosystems of global significance that it harbors and forms, and is an important life support system for a large number of remote and agro-pastoral communities that depend on it. The Himalayan ecosystem provides a number of services – a source of freshwater, maintains hydrological functions, reduces erosion and sedimentation downstream, provides food security and maintains hydrological functions, food crops grown in much of the northern area.

The range is home to the Snow leopard, a species that is threatened with extinction. The Snow leopard is an iconic species for the Himalayan ranges and it is irreplaceable in nature, both in terms of value and heritage. The global snow leopard population is estimated to be between 3,900 and 6,400 individuals. The project area encompasses both the Himalayan and Trans-Himalayan ranges, which is home to many other unique and potentially endangered species such as the Himalayan tahr, Himalayan musk deer etc.

The primary objective of the project is to promote the sustainable management of alpine pastures and forests in the high range Himalayan ecosystems that secures conservation of globally significant wildlife, including endangered Snow leopard and their habitats, ensures sustainable livelihoods and community socio-economic benefits.

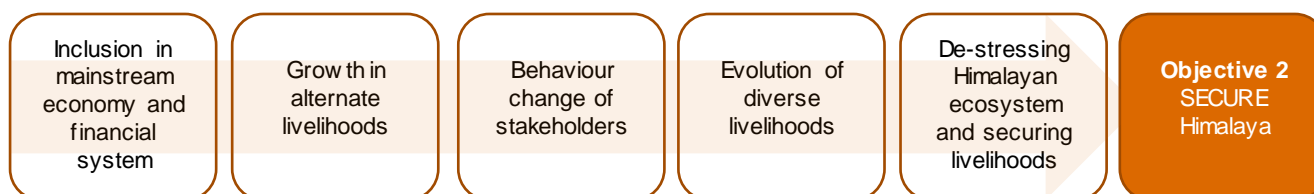
PwC was tasked with “Conducting a Baseline assessment of the state of Financial Inclusion” and provide detailed recommendations towards improving the same in SECURE Himalaya landscapes’, to address ‘Outcome 2’ of the project that envisages ‘Improved and diversified livelihood strategies and improved capacities of community and government institutions for sustainable natural resource management and conservation’.

Approach and methodology



Financial inclusion and SECURE Himalaya

As per the objectives of the assignment, creation of economically enabling environment is a crucial precondition for alternative livelihoods generation, which are in resonance with conservation goals. One of the enablers is ‘financial inclusion’ which helps stakeholders with access to formal credit, formal saving options, multiple types of insurance products and help with federating individual efforts by creation of SHGs, cooperatives and producer groups and provision of market access.



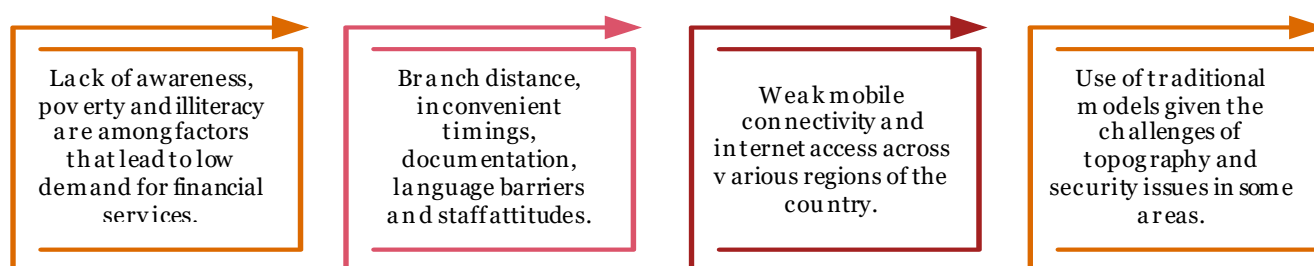
Financial inclusion is a match making conceptual bridge between economic opportunity and the outcome. Access, usage and quality of financial products and services designed to improve welfare of the vulnerable sections of the society have been the primary focus of financial inclusion. The causal pathway for a sustainable ecosystem creation starts with creation of enablers for alternative livelihood through financial inclusion as shown above in the figure above.

Key results

State and district level financial inclusion indicators

- As per 2016 rankings of Inclusix, Himachal Pradesh ranks number 10 on the index for financial inclusion out of the 29 states and seven (7) Union Territories (UTs) with a score of 72.3. Kerala ranks first on the index with a score of 90.9 while Manipur ranks last with a score of 32.0. A score greater than 65.0 corresponds to a ‘high’ level of financial inclusion, whereas a score of 50.1 - 65.0, indicates an ‘above average’ level of financial inclusion.
- However, none of the districts in Himachal Pradesh rank in the top 50 in the CRISIL Inclusix scores. None of them rank in the bottom 50 either. Kinnaur has a high level of financial inclusion, whereas Chamba and Lahaul & Spiti are just above the ‘above-average’ threshold.

Qualitative reasons for financial exclusion



Summary of findings from household survey

We conducted a household survey across the two project landscapes i.e. Lahaul & Spiti and Pangri (Chamba District), across villages namely Chasak, Chasak Bhatori, Dharwas, Killar, Karyas, Kuthal, Purthi, Sach, Sural Bhatori, Sural, and Tindi. The sample size was 100 households to be covered across these villages, however our team covered a total of 117 households. The shortlisting of villages was done in consultation of the respective Divisional Forest Officers and State Level Technical Committee (SLTC).

The key findings of the primary survey have been listed below:

- 85% of the total respondents were male. Since men headed most of the households visited, the respondents of the survey are predominantly men.
- 91% of the respondents were household heads. The PwC team consciously interviewed household heads, because village residents indicated that household heads are most aware of all other members in the family.
- 86% of the respondents belonged to the Scheduled Tribes (ST) category, while the remaining 14% belonged to Scheduled Caste (SC) category.
- A majority (74%) of the households reported agriculture as their primary source of income. Only 1% of the respondents claimed to be involved with some private sector job.
- Basis the responses received during the survey, the average monthly income per household came out to be INR 4,821 and the average monthly expenditure per household came out to be INR 3,644.
- 100% of the respondents were found to be having a bank accounts of their own, whereas 45% are aware of ATM/Debit Cards.
- As for schemes, funds and insurances, 24% of respondents were aware of pensions/provident funds, whereas none of the respondents were aware of shares/bonds/mutual funds. 13% of the respondents were aware of the Kisan Credit Card (KCC) scheme.
- 25% of the respondents use a cheque book, whereas only 5% use mobile banking services. 10% of the respondents have availed the KCC scheme, whereas 20% have a life insurance under PMJDY.
- 100% of the respondents responded affirmatively to using a bank account. One of the possible reasons could be the involvement of people in daily-works under NREGA wherein the amount is directly transferred into bank accounts.
- Over 74% mentioned to have benefited from having a bank account. The major benefit stated by respondents (73% of them) was 'safety of liquid cash', 17% of them stated digital banking facilities to be useful, 34% of them said that they benefitted from the 'interests on deposits received from the bank'.
- A majority of respondents stated that the nearest bank is more than 10 km away, with the average distance being 13 km.
- 56% of the respondents stated that they made transactions at least once a month, 19% of them stated that they transacted once every six months and only 2% claimed that they transact once every week with the bank.
- 14% of the respondents had utilized a loan in their lifespans. In discussions with the respondents, some of them said that they wanted to access Kisan Credit Card (KCC) loans but were not able to.
- 25% of the respondents were aware about the insurance schemes available to them in their vicinity.
- A majority of women (38%) were employed as workers under the MNREG scheme. Others women included children attending schools (40%) and attending domestic duties (14%).
- Apart from this, 0% of the women in the landscape used a mobile wallet, depicting a gender disparity in usage of banking products and services

Theory of change

Our assignment concerns linking financial inclusion to conservation. However, although the linkages between financial inclusion and livelihood promotion are apparent, we need to set out a framework connecting the three domains, namely, financial inclusion, livelihood and conservation of ecosystems.

The whole causal pathway for a sustainable ecosystem creation starts with creation of enablers for alternative livelihood through various interventions, financial inclusion being the most important of them. Additional

interventions in the form of provision of skills, business services, market access, federating and forming self-help groups may be combined with financial inclusion. This enabling environment fosters alternative eco-friendly and ecologically less exploitative livelihood options, which gradually lead to sustainable ecosystem conservation, and therefore secures conservation of globally significant wildlife, including endangered Snow leopard and their habitats, ensures sustainable livelihoods and community socio-economic benefits.

Recommendations

The recommendations made by the PwC team to enhance the level of financial inclusion and therefore assist in achieving outcome 2 of SECURE Himalaya are as follows:

- Popularizing the Banking Correspondent (BC) in the landscapes, and strengthening it by employing young school teachers (considered a position of social respect), employing and training females BCs etc.;
- Encouraging post office banking as an alternative to conventional banking when access to formal financial institutions is limited;
- Using technology by ensuring internet connectivity via Power Line Communication (PLC), along the lines which are used to transmit electricity;
- Increasing the number of VSAT points and reducing the cost of set up. Also, adding more services under the VSAT umbrella could help various other groups and sectors in the landscape areas;
- New training programmes could be introduced to train the youth on tourism-related opportunities (e.g.: camping, home stay, hotel, cycling, hiking, etc.) under RSETI. A training institute could be proposed to be established in the district of Lahaul & Spiti in consultation with State Bank of India (SBI), the lead bank and other relevant authorities;
- In terms of SHG-bank linkages, the first crucial step would be to close the dormant/uninterested SHGs in the landscape;
- Popularising various government schemes like Pradhan Mantri Jan Dhan Yojana (PMJDY), Pradhan Mantri Suraksha Bima Yojana (PMSBY), Pradhan Mantri Jeevan Jyoti Bima Yojna (PMJJBY) etc.;
- Customised insurance products such as weather index-based insurance for farmers in the landscape; and
- Target driven loans to women, under MUDRA, introduction of differential interest rates for women, to encourage lending by women.

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List of Acronyms

%	Percentage
ATM	Automated Teller Machine
BC	Business Correspondent
BM	Bank Mitra
CAGR	Compound Annual Growth Rate
CDR	Credit-Deposit Ratio
CEVA	Collective Efforts for Voluntary Actions
DBT	Direct Benefit Transfer
DTH	Direct-to-Home
e.g.	Example
ECG	Electro Cardiograph
FLC	Financial Literacy Camp
FPO	Farmer Producer Organisation
GDDP	Gross District Domestic Product
Ha	Hectare
HH	Household
HP	Himachal Pradesh
HPPCL	Himachal Pradesh Power Corporation Limited
HPSCB	Himachal Pradesh State Cooperative Bank
ID	Identity
IEEE	Institute of Electrical and Electronics Engineers
IMF	International Monetary Fund
INR	Indian Rupees
IUCN	International Union for Conservation of Nature
JCCB	Jogindra Central Cooperative Bank
JLG	Joint Liability Group
KCC	Kisan Credit Card
KCCB	Kangra Central Cooperative Bank
Km	Kilometer
MAP	Medicinal and Aromatic Plants
MFI	Micro-finance Institution
MFIN	Microfinance Institutions Network
MoEFCC	Ministry of Environment, Forest and Climate Change
MoRD	Ministry of Rural Development
MSME	Micro, Small and Medium Enterprises
MT	Metric Tonne
MUDRA	Micro Units Development Refinance Agency
NABARD	National Bank for Agriculture and Rural Development
NEFT	National Electronic Funds Transfer
NGO	Non-Government Organisation
NREGA	National Rural Employment Generation Act
NRLM	National Rural Livelihood Mission
NSSO	National Sample Survey Office
NULM	National Urban Livelihoods Mission
OECD	Organisation for Economic Cooperation and Development
PAN	Permanent Account Number
PG	Production Group
PLC	Power Line Communication

PLP	Potential Linked Credit Plan
PMEGP	Prime Ministers' Employment Generation Programme
PMJDY	Pradhan Mantri Jan Dhan Yojana
PMJJBY	Pradhan Mantri Jeevan Jyoti Bima Yojana
PNB	Punjab National Bank
PSB	Public Sector Bank
QR	Quick Response
RBI	Reserve Bank of India
RFID	Radio Frequency Identification
RRB	Regional Rural Bank
Rs.	Rupees
RSETI	Rural Self Employment Training Institute
RTGS	Real Time Gross Settlement
RWBCIS	Restructured Weather based Crop Insurance
SBI	State Bank of India
SC	Scheduled Caste
SECURE	Securing Livelihoods, Conservation, Sustainable Use and Restoration of High Range Himalayan Ecosystems
SHG	Self-help Group
SIDBI	Small Industries and Development Bank of India
SLBC	State Level Bankers' Committee
SLTC	State Level Technical Committee
ST	Scheduled Tribe
TRAI	Telecom Regulatory Authority of India
UNCDF	United Nations
UNDP	United Nations Development Programme
UNV	United Nations Volunteer
UT	Union Territory
VoIP	Voice Over Internet Protocol
VSAT	Very Small Aperture Terminal
WB	World Bank

1. Introduction

The Ministry of Environment, Forest and Climate Change (MoEFCC), Government of India, along with UNDP is implementing SECURE Himalaya (Securing Livelihoods, Conservation, Sustainable Use and Restoration of High Range Himalayan Ecosystems) in the state of Himachal Pradesh. This final report pertains to part of the assignment of “Conducting a Baseline assessment of state of Financial Inclusion” and provide detailed recommendations towards improving the same in SECURE Himalaya landscape.

1.1. Objective and scope of assignment

The scope of work for our assignment was as follows:



Figure 1: Broad scope of the assignment

- Assess the **current status of Financial Inclusion** in the project landscapes through primary and secondary data collection including its impacts upon overall rural economy and livelihoods
- Diagnose key issues and identify **population segments particularly vulnerable to financial exclusion with special focus on women**
- Interact with local community, industry and government stakeholders to **identify key challenges and solutions, and raise awareness**
- Prepare a **Convergence Strategy** to enhance financial inclusion in the project landscapes

1.2. Financial inclusion and SECURE Himalaya

As per the objectives of the assignment, creation of economically enabling environment is a crucial precondition for alternative livelihoods generation, which are in resonance with conservation goals. One of the enablers is ‘financial inclusion’ which help stakeholders with access to formal credit, formal saving options, multiple types of insurance products and help with federating individual efforts by creation of SHGs, cooperatives and producer groups and provision of market access.

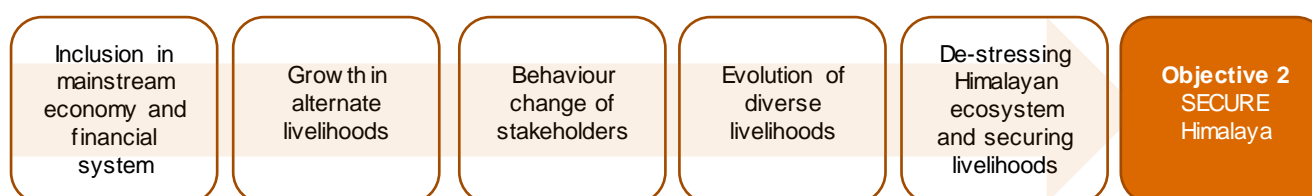


Figure 2: Financial inclusion and SECURE Himalaya's objective

Financial inclusion is a match making conceptual bridge between economic opportunity and the outcome. Access, usage and quality of financial products and services designed to improve welfare of the vulnerable sections of the society have been the primary focus of financial inclusion. The causal pathway for a sustainable ecosystem creation starts with creation of enablers for alternative livelihood through financial inclusion as shown above in **Figure 2**.

1.3. Approach and methodology

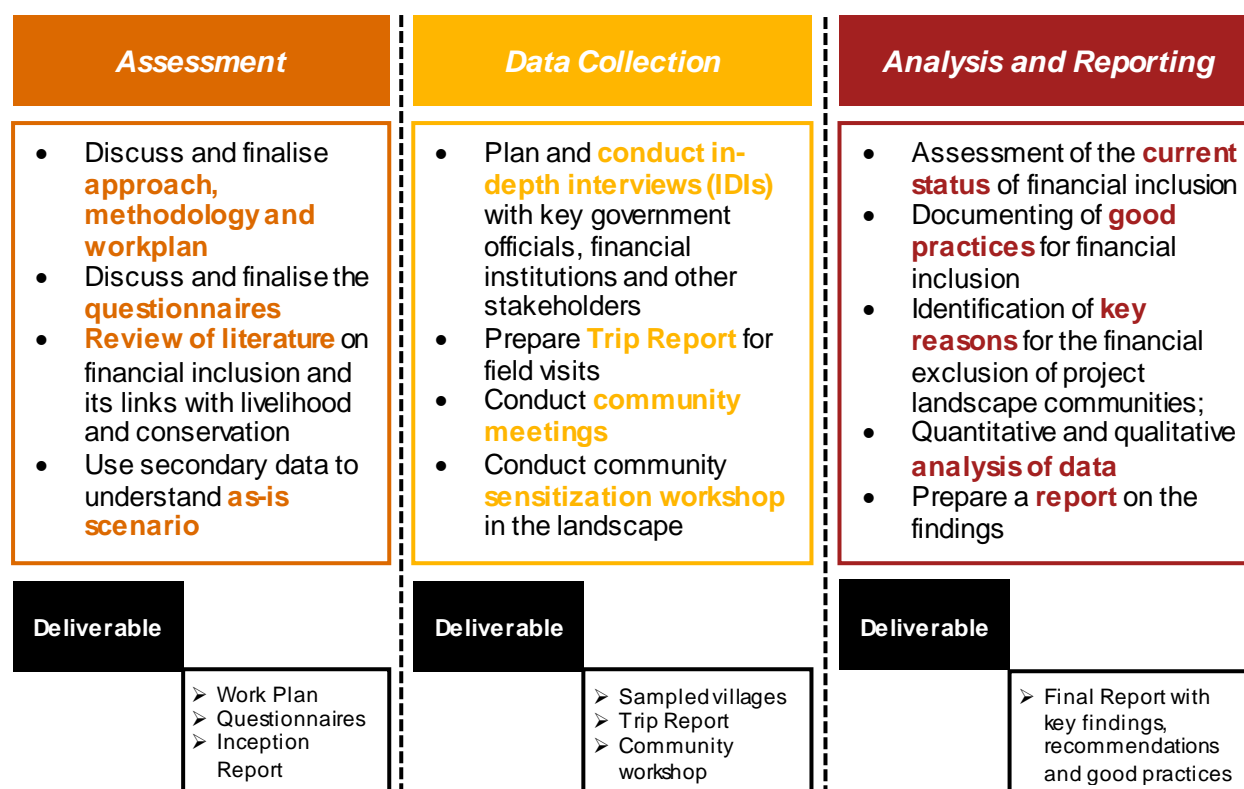


Figure 3: Overall approach and methodology of the project

The following steps, based on the approach in **Figure 3**, were pursued to deliver the assignment:

Task I: Secondary Research

Key Activities

- Research on **good practices used around the globe in areas of community-based finance, microfinance, micro-insurance and digital banking** that can provide insights on emerging models and best practices to improve financial inclusion;
- Research on various **financial exclusion parameters used by agencies around the world like World Bank, G20, OECD and IMF** with a focus on financial exclusion of women;
- Assess the status of financial inclusion in project landscape areas using **various secondary data sources like RBI, NABARD, Census 2011 and various other microfinance and financial inclusion related surveys**.
- Analysis of **various credit advancement schemes of the government** to the weaker sections of the community residing in project landscape areas

Methodology

- Desk review of secondary data from **RBI (No. of bank branches, credit penetration, deposit penetration), NABARD (All India Rural Financial Inclusion Survey), Census 2011, MFIN Micrometer, Finclusion, CRISIL Inclusix**, etc.
- Review of financial inclusion indicators from globally available databases like **IMF Financial Access Survey, WB Global Findex, WB Enterprise Survey, WB Financial Capability Survey, WB Global Consumer Protection Survey and OECD National Financial Inclusion and Literacy Survey**.

*Box 1: Sampling methodology for primary survey***Sampling Methodology**

- ✓ **'Purposive sampling design'** has been used for the study
- ✓ **100 households** have been interviewed from **different communities/villages**
- ✓ **In-depth interviews** have been conducted with **government officials, NGOs, financial institutions, and insurance companies**
- ✓ The **sample size for supply-side stakeholders** varied depending on **availability in landscape region(s)**
- ✓ Further, we **selected 10 villages across the landscape for the HH survey (10 HHs from each village)**

*Task II: Primary Data Collection***Project kick-off**

- We organised a call with SECURE Himalaya implementation team and other relevant stakeholders to develop an understanding of the project landscape areas and the various interventions being carried out under the project

Finalise study design

- We used project documentation to get list of districts and tehsils for project landscape;
- Further, we got a list of the villages in each landscape, cross-verified by Forest Department and respective UNVs;
- Accordingly, we developed a detailed sample distribution plan in consultation with Forest Department and respective UNVs

Finalise questionnaire and data collection

- Conducting pilot of the questionnaire;
- Fine tuning of questionnaires post feedback from pilot;
- Mobilisation and training of enumerators;
- Administering the survey questionnaire;
- Collecting and collating the data

Data cleaning and analysis

- Clean the data collected by checking for missing values and running other consistency checks;
- Analyse the data collected and report the findings

Task III: Community Sensitisation Workshop on Financial Inclusion

- **Workshop was attended by over 170 participants from the community** (details given in **Appendix B**)
- Activities undertaken in the workshop:
 - Assessing the impact of financial inclusion in livelihood promotion and conservation
 - Sensitize and create awareness in the workshop on the importance of financial inclusion
 - Engage participants in a moderated discussion on various financial and livelihood constraints
 - Conduct scheme enrollment camp for workshop participants in consultation with relevant supply side stakeholders
 - Incorporate inputs from the workshop into overall financial inclusion strategy for the region

Task IV: Diagnosis and Report Writing

- Diagnosis will involve the following
 - **An assessment of the current status of financial inclusion** in the project landscape areas;
 - A **suitable definition of financial inclusion** taking into the account the project landscape districts;
 - Documenting and overview of **good practices for financial inclusion**;
 - Identification of **key reasons for the financial exclusion** of project landscape communities;
- Assessment of:
 - the status of financial inclusion
 - insurance services in project landscape areas
 - potential to improve living standards of families residing in project landscape areas
- The final report will incorporate the above diagnostics and will **suggest a comprehensive strategy to enhance financial inclusion in the project landscape regions**

1.4. Structure of the report

The objective of this final report is to provide baseline assessment of financial inclusion in the project landscape and recommend strategies to improve the state of financial inclusion. The following chapters successively dwell into the understanding developed regarding the baseline scenario of financial inclusion.

Chapter 1 introduces the report and provides a brief overview of the assignment objectives, how the overarching project – SECURE Himalaya relates to Financial Inclusion. The chapter also provides a summary of the approach and methodology followed to carry out the assignment.

Chapter 2 of the report provides a conceptual understanding of financial inclusion. Subsequent sub-sections present literature review from various sources followed by a brief overview of different definitions. This includes definitions to be followed in landscape context, and the frameworks involved for measuring baseline of financial inclusion brought together post-literature review.

Chapter 3 of the report gives a brief profile of the landscape. A brief on macroeconomic overview of the landscape districts and some key indicators to set the background for study of state of financial inclusion is touched upon in this chapter.

Chapter 4 of the report seeks to identify key findings and challenges in the project landscape related to the state of financial inclusion. First some key points emerging from global methodologies like World Bank Financial Access Survey, Government of India population census, CRISIL-Inclusix, RBI working papers, best practices and emerging models of financial inclusion, community based finance, microfinance, micro-insurance and mobile and digital banking. Finally, descriptive statistics from household survey and insights from key informant interviews are used to compile the key findings and challenges presented in this chapter.

Chapter 5 has tried to establish linkages between financial inclusion and conservation aspects. It talks about financial inclusion as an enabler of alternate livelihoods and how alternate livelihoods can in turn help in conservation objectives. This essentially sums up to linking financial inclusion to conservation and contribution of this assignment towards Objective 2 of SECURE Himalaya.

Chapter 6 concludes with a key recommendations and strategic insights that might help to improve the state of financial inclusion in the landscape. The chapter tries to bridge the gap on strategic dimensions, then addresses issues over access, awareness and usage, gender aspects, financial inclusion, livelihoods and conservation, strategies for financial institutions and way forward.

Reference material supporting the methodologies and analysis has been covered in the Appendix A.

2. Overview of financial inclusion

This chapter of the report provides understanding of the concept of financial inclusion. Subsequent sub-sections present literature review from various sources followed by the frameworks involved for measuring baseline of financial inclusion brought together post-literature review.

2.1. Understanding financial inclusion

Financial inclusion is an enabler of economic empowerment on demand side, providing financially inclusive economic agent with access to credit at reasonable terms in order to start/expand livelihood, providing instruments to mitigate multi-dimensional vulnerabilities and opening up options to save/invest economic surplus. On the supply side, it opens up new business opportunities for providers of financial products and services, who by serving greater masses are able to exploit economies of scales necessary for their sustenance simultaneously delivering value to the society. In such a scenario, government evolves as an important stakeholder. Creation of conducive policy and regulatory environment helps the government achieve its objectives of welfare by a two-prong mechanism.

The first and direct mechanism is given a financially inclusive economy government is able to run other welfare interventions in a more effective and efficient manner by minimising leakages and time lags during implementation. The second mechanism is by providing conducive environment for financial inclusion to thrive; government indirectly empowers the agents of the economy (especially weaker and vulnerable groups) to reposition themselves in the competing free markets.

This helps opening up opportunities of well-being for them beyond the restrictive impact that regular welfare interventions may provide, which can in other ways be seen as an actual economic capacity building exercise. Thus, financial inclusion as a means can address just, equity and efficiency dimensions of well-being especially for economically vulnerable or weaker sections of the society. As per Arunachalam¹, the paradigm of financial inclusion is depicted in **Table 1**.

Table 1: Paradigm of financial inclusion

Aspect	What financial inclusion means?	When financial exclusion could occur?
<i>Product</i>	<ul style="list-style-type: none"> Range of product and services <ul style="list-style-type: none"> Access to sound, pragmatic and transparent advice on financial services; Access to bank accounts and savings mechanisms – Access to affordable and flexible credit for consumption purposes; Access to affordable and flexible livelihood financing; Access to risk mitigation services like health, weather, asset and life insurance etc.; Access to vulnerability reducing and economic capacity enhancing financial services like Warehouse Receipt financing, Value Chain financing etc.; Access to other financial services like micro-pensions Flexible and customized products with high quality services; Access to products helps develop secured livelihoods 	<ul style="list-style-type: none"> Exclusion could occur when products are not convenient, inflexible, not customized and are of low quality
<i>Price</i>	<ul style="list-style-type: none"> Affordable and competitive products and mechanisms; Effective cost of product is neither usurious nor perceived as very high; 	<ul style="list-style-type: none"> Exclusion could occur when products are unaffordable

¹ Arunachalam, R. S. (2008). Scoping paper on financial inclusion. UNDP

Aspect	What financial inclusion means?	When financial exclusion could occur?
	<ul style="list-style-type: none"> Inefficiencies are not passed on 	
<i>Awareness</i>	<ul style="list-style-type: none"> The product needs to be proactively promoted; All terms and conditions must be explained in detail and transparently; Focus on customer service, education and protection 	<ul style="list-style-type: none"> Exclusion could occur when clients are not aware
<i>Delivery</i>	<ul style="list-style-type: none"> Simple and convenient process of delivery; Accessible in remote areas; Lower transaction cost for clients; Minimal documentation and other requirements 	<ul style="list-style-type: none"> Exclusion could occur when clients cannot be reached easily and at low transaction cost
<i>People and attitudes</i>	<ul style="list-style-type: none"> Staff care for the client's welfare always; Staff deal with clients in a timely, patient and concerned manner; Staff are specially trained to deal with the poor 	<ul style="list-style-type: none"> Exclusion could occur when staff delivering services are not well-suited to their role

2.2. Framework for measuring financial inclusion

Two important frameworks have been shortlisted for classifying the family of indicators, they have been presented in the following **Figure 4** below.

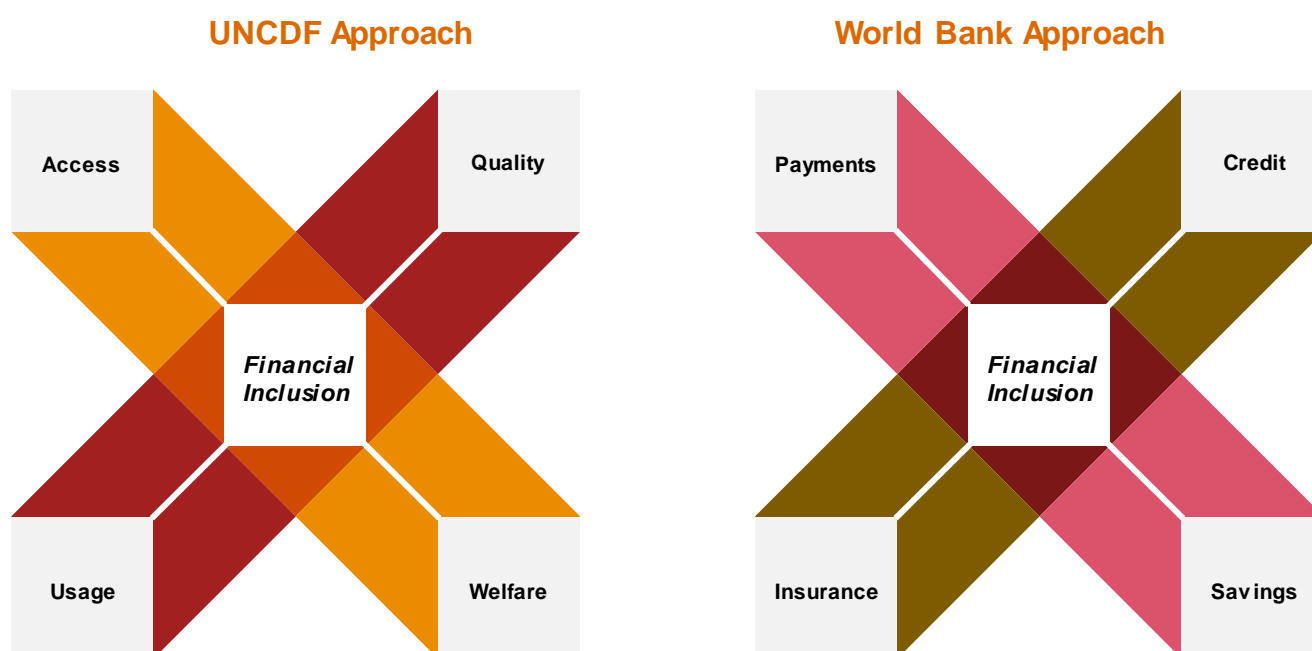


Figure 4: UNCDF and World Bank approach to financial inclusion

UNCDF Definition: According to the United Nations Capital Development Fund (UNCDF), financial inclusion means that individuals and enterprises can access and use a range of appropriate and responsibly provided financial services offered in a well-regulated environment, with an aim of enhancement of overall well-being of the economic agents.

The World Bank Definition: According to the World Bank, financial inclusion means that individuals and businesses have access to useful and affordable financial products and services that meet their needs – transactions, payments, savings, credit and insurance – delivered in a responsible and sustainable way.

3. Profile of the project landscapes

The landscapes covered under SECURE Himalaya in Himachal Pradesh are Kinnaur, Lahaul & Spiti and Pangi (Chamba District). While Kinnaur has been chosen only for monitoring purpose, the core interventions are being designed for Lahaul & Spiti and Pangi. The Lahaul – Pangi Conservation Landscape lies between the Dhauladhar – Pir Panjal and Zaskar ranges in Himachal Pradesh in the upper catchment of Chandrabhaga (Chenab) forming a transition zone between the Greater and Trans-Himalaya. This landscape is contiguous with Doda and Zaskar region of Jammu and Kashmir in the North and spread over an area of nearly 8,000 km². The landscape is mostly tough, mountainous, dotted with a number of valleys. Biogeographically, Pangi region falls in the transition zone of the Himalaya and the Trans-Himalaya. Pangi is a remote, rugged and poorly developed tribal area. One of the reasons for its remoteness is rugged topography cut into deep gorge by river Chenab that flows initially in the western and subsequently north-westerly direction. Much of the landscape lies in the rain shadow zone of Pir Panjal, having scanty rainfall (<800 mm) and relatively high snowfall. The geography has been shown in **Figure 5**.

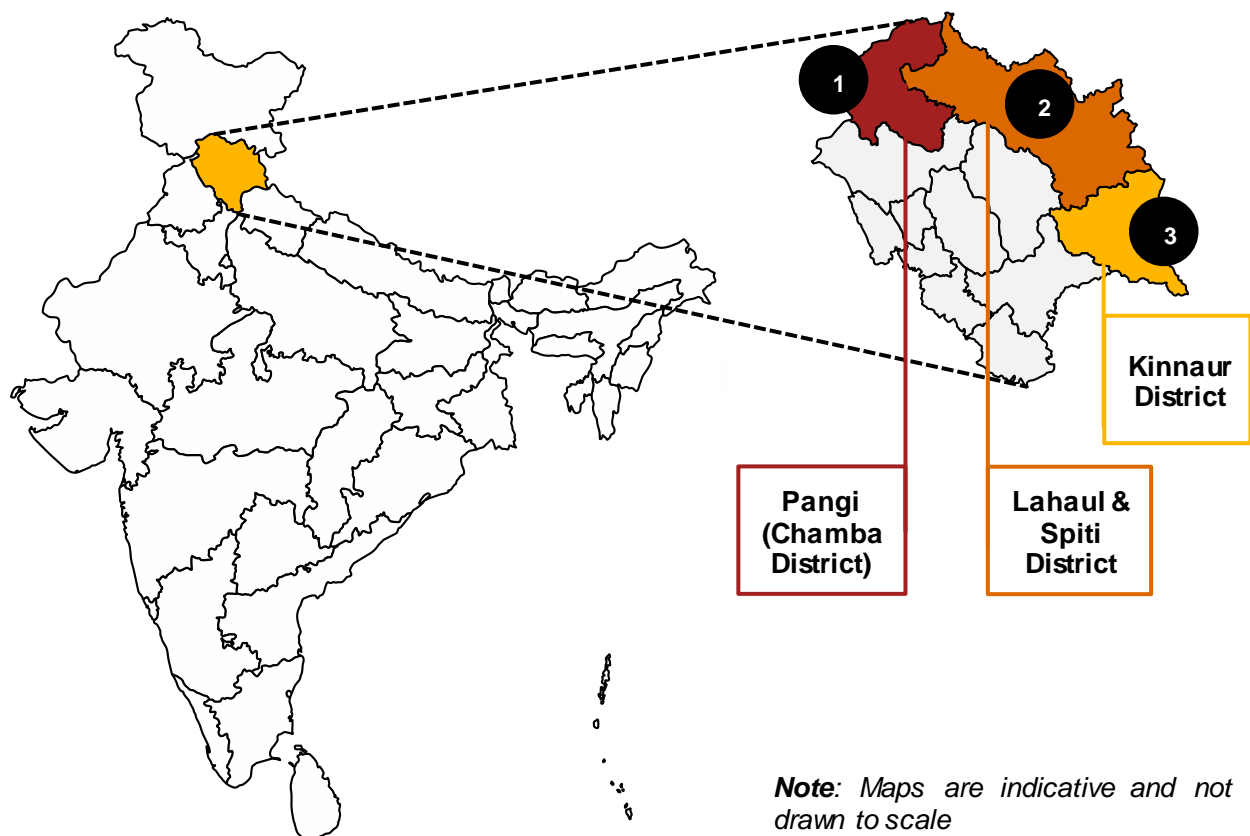


Figure 5: Location of the project landscapes

A brief on macroeconomic overview of the landscape districts and some key insights from secondary desk research conducted towards the objectives of the assignment have been given in the sub-sections below.

3.1. Macroeconomic overview

The overall Objective 2 of SECURE Himalaya is “Improved and diversified livelihood strategies and improved capacities of community and government institutions for sustainable natural resource management and conservation”; as per assignment, this has to be complimented by “Conducting a Baseline assessment of state of Financial Inclusion and provide detailed recommendations towards improving the same in SECURE Himalaya landscape”.

It is important to contextualise the overall study of financial inclusion with the backdrop of macroeconomic indicators and other secondary data sources which are readily available. In subsequent sections, the attempt is to draw the context using the same before moving on to description of key findings in the next chapter.

3.1.1. Sectoral contribution to GDDP

The figure below presents the district-wise contribution of primary, secondary, and tertiary sector to the GDDP as per the data of 2015-16². As can be seen, the share of agriculture (Primary Sector) in Chamba District is comparatively larger as compared to the Secondary and Tertiary Sector. Also, it is important to note that the Tertiary Sector occupies a major chunk in both Chamba and Lahaul & Spiti district. A possible reason could be the high influx of tourists in both these regions.

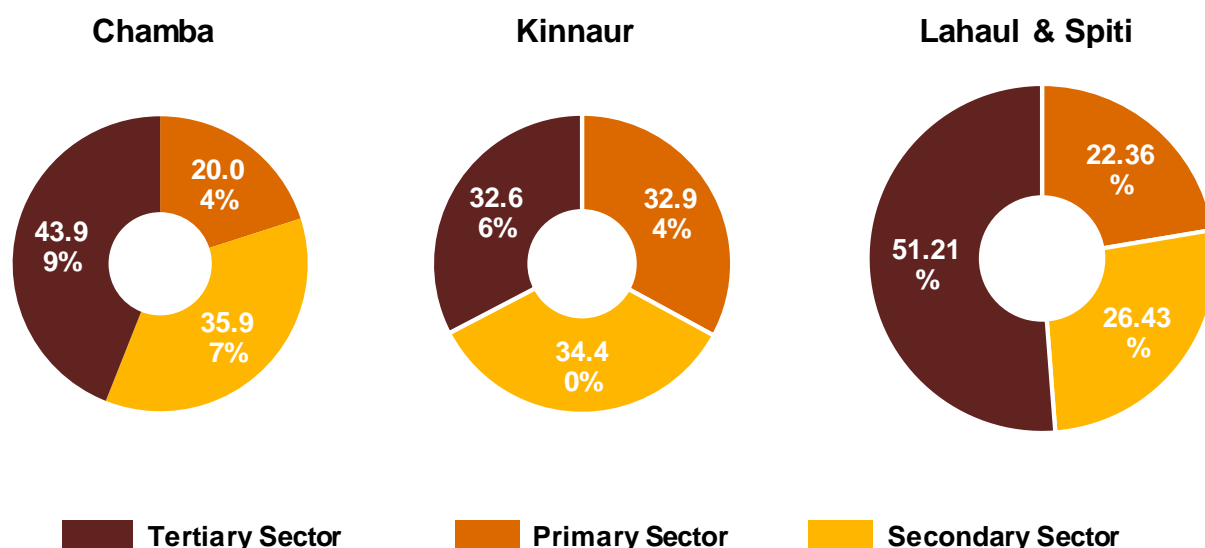


Figure 6: Sectoral share in GDDP (2015-16)

3.1.2. Sectoral composition of income estimates across districts

As an economy grows, the relative importance of contribution of agriculture sector declines and those of manufacturing and services increase. The structural composition of the economy at the district level is a subject of considerable importance for planning purposes. Thus, by exploring the changes in sectoral composition of income over time in Himachal Pradesh, we can analyse the pattern of structural change associated with economic growth.

The variations in economic performance, particularly in the Primary Sector vary across all the districts of the State. The compound annual rate of growth of district income estimates during 2011-12 to 2015-16 for the districts Chamba (7.72), Lahaul & Spiti (9.02) is less than the State average (11.15). Kinnaur (12.48) recorded a growth rate in district income higher than the State average.

Table 2: Sectoral composition of income estimates across districts (2015-16)

S.No.	District	Primary	Secondary	Tertiary	Total	Rank
1.	Bilaspur	15.90	13.23	14.39	14.56	1
2.	Chamba	-0.47	5.18	15.82	7.72	12
3.	Hamirpur	15.37	8.78	14.71	13.68	2
4.	Kangra	8.03	8.61	15.55	12.77	4
5.	Kinnaur	16.11	9.53	12.42	12.48	5
6.	Kullu	10.74	8.85	13.78	11.60	6

² http://himachalservices.nic.in/economics/pdf/distt_dp_2015-16.pdf

S.No.	District	Primary	Secondary	Tertiary	Total	Rank
7.	Lahaul & Spiti	0.35	14.28	12.72	9.62	11
8.	Mandi	9.22	9.47	15.28	12.83	3
9.	Shimla	7.94	8.95	12.42	10.37	9
10.	Sirmaur	-5.20	13.79	14.27	10.53	8
11.	Solan	5.52	9.39	14.54	9.99	10
12.	Una	6.46	6.11	15.34	10.56	7
Himachal Pradesh		7.28	9.41	14.51	11.15	

Income generated by the Primary Sector in district Chamba (-0.47%) and Lahaul & Spiti (0.35%) was lower than the State's compound annual rate of growth (7.28%). It is observed that in these districts there is huge shift from primary sector to secondary and tertiary sector. In the secondary sector, the highest CAGR was recorded in district Lahaul & Spiti (14.28%) whereas highest compound annual rate of growth for the Tertiary Sector was registered in Chamba district (15.82%). These data points depict the importance of Tertiary Sector in the landscape district. **Figure 7** shows the rural population across the project districts as per the Census Handbook of 2011. Kinnaur and Lahaul & Spiti had 100% rural population whereas Chamba reported to have 93.04% rural population.

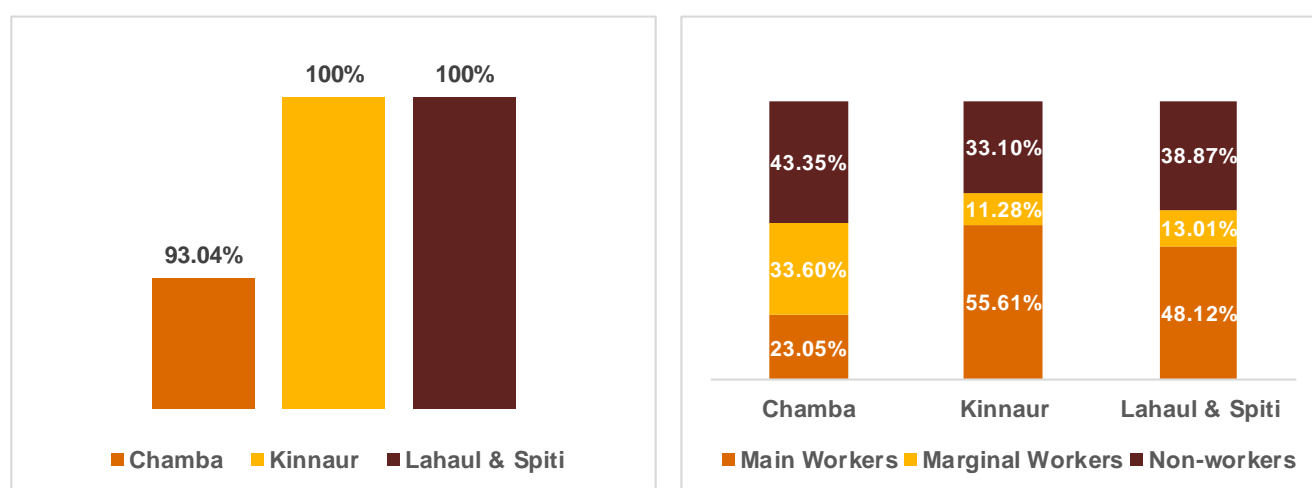


Figure 7: Rural population and worker classification across project districts (Census 2011)

With 43.35% of non-workers in the district, it is interesting to note that Chamba had people ~6% of urban population. **Figure 7** shows the type of workers as identified during the Census 2011. The respective occupations of these workers have been given in **Figure 8**. Majority of the workers in the three districts worked as cultivators whereas household industries were minimal during that period.

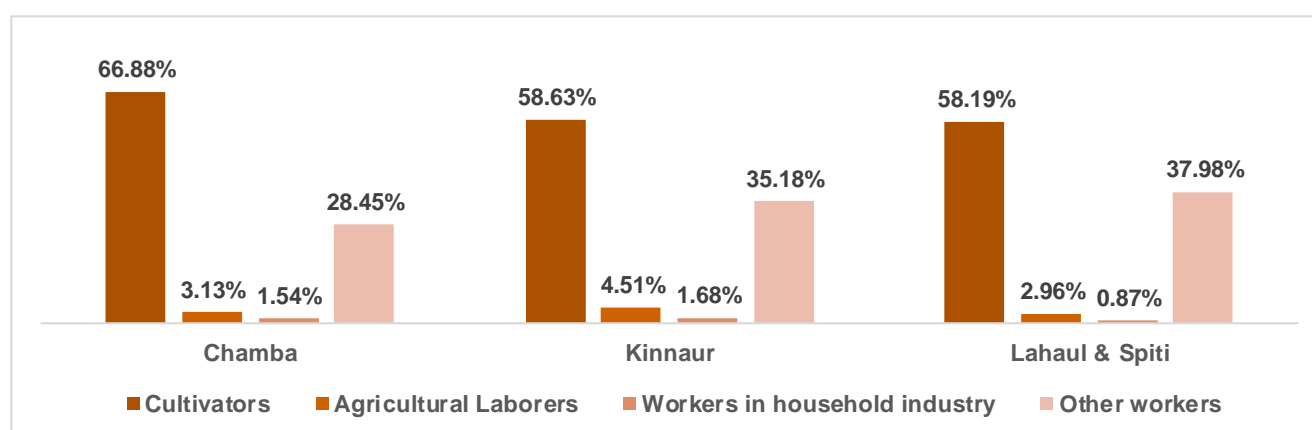


Figure 8: Occupation of workers across districts (Census 2011)

4. Key findings

This chapter of the report seeks to identify key findings and challenges in the project landscape related to the state of financial inclusion. Descriptive statistics from household survey and insights from key informant interviews are used to compile the key findings and challenges presented in this chapter.

4.1. Summary of insights from secondary sources

We have summarized various parameters from global methodologies such as the World Bank's Findex, International Monetary Fund's Financial Access Survey as well as domestic data sources NSSO Results, CRISIL-Inclusix, and RBI Working Papers. These help us understand the status of financial inclusion in India and Himachal Pradesh using various indicators. The findings will also assist us in understanding what the reasons are for 'financial exclusion'.

Most of our secondary findings have been derived at state and district level due to restricted availability of the granular level data. NABARD's Potential Linked Credit Plan (PLP), 2019-20 for all landscape districts has been instrumental in setting the context of primary analysis by providing secondary data. Some insights have also been derived from Sixth Economic Census.

4.1.1. Key points emerging from global methodologies

4.1.1.1. National-level financial inclusion indicators³

India has a long history of government efforts to promote financial inclusion and, while some progress has been made about half of the adults had bank accounts pre-Pradhan Mantri Jan Dhan Yojana (PMJDY)⁴.

PMJDY is a scheme launched in 2014 by the government of India. PMJDY envisaged universal access to banking facilities with at least one basic banking account for every household, financial literacy, access to credit, insurance and pension. Under PMJDY, the number of accounts opened under this scheme came in at 125,473,289 accounts, as on 31st January 2015⁵.

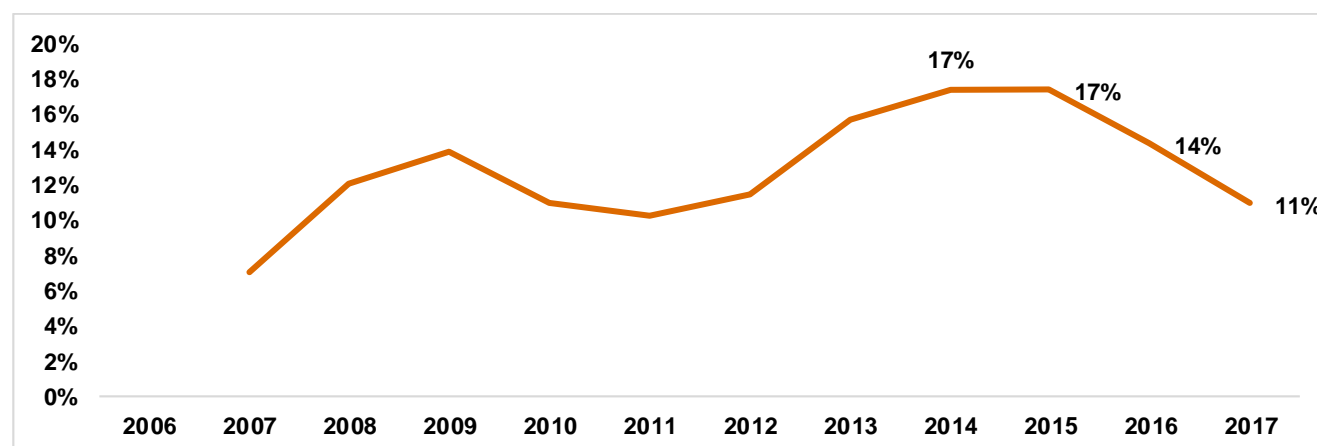


Figure 9: Annual growth of deposit accounts in commercial banks in India

³ Source: On 28 September 2018, the International Monetary Fund (IMF) released the results of the ninth annual Financial Access Survey (FAS). The FAS collects annual data on indicators tracking access to and use of financial products, such as deposit accounts, loans, and insurance policies. <https://www.imf.org/en/News/Articles/2018/09/28/pr18366-imf-releases-the-2018-financial-access-survey>

⁴ <https://www.cgap.org/research/publication/indias-push-financial-inclusion>

⁵ PMJDY Phase-1 data as on date (31-05-2015)

Approximately 1.8 billion deposit accounts with commercial banks existed in India in 2017. The growth rates of deposit accounts can be seen in **Figure 9**. A spike of 17.38% growth for both 2014 and 2015 might be due to the implementation of PMJDY.

The number of debit cards in India in 2017 came in at approximately 1.8 billion as compared to 1.6 million to the previous year. Under the PMJDY scheme, residents in the country can opt for a free of cost 'RUPAY' debit card, this might be a driver behind the high growth in 2014 and 2015, as shown in **Figure 10**.

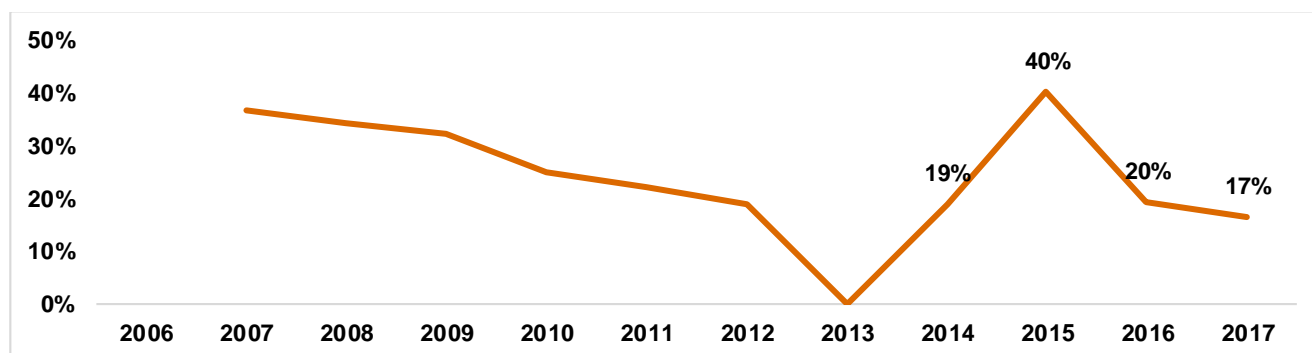


Figure 10: Annual growth in number of debit cards

Branches of commercial banks in India came in at 142,207 in 2017 as compared to 133,491 in 2016. The growth rates of commercial banks in India in 2017 was 6.53%, as shown in **Figure 11**.

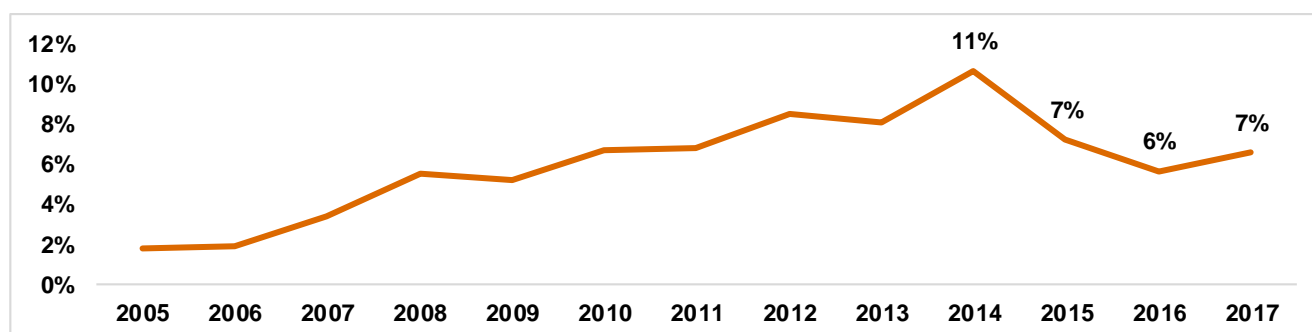


Figure 11: Annual growth of commercial bank branches

The number of mobile money accounts per 1,000 adults has increased considerably from 4.44 adults in 2013 to 445.22 adults in 2017, as shown in **Figure 12**.

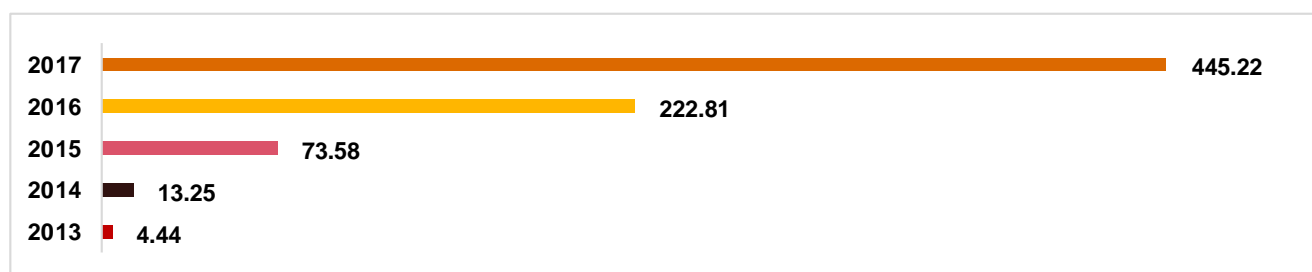


Figure 12: Number of registered mobile money accounts (per 1,000 adults)

The significant increase in mobile money accounts in India in 2016 to 222.81 adults per thousand, as opposed to 73.58 in the previous year, might be explained by demonetization.

Under demonetization, the Government of India announced that all 500 rupee and 1,000 rupee notes of the Mahatma Gandhi series will be discontinued from 8th November 2016, erstwhile announcing an issuance of new 500 rupee and 2,000 rupee notes. In this period, there was a shortage of liquidity for residents of the country and were therefore incentivized to utilize digital/mobile modes of payment to transact.

4.1.1.2. State and district level financial inclusion indicators⁶

As per the Inclusix 2016 rankings, Himachal Pradesh ranks number 10 on the index for financial inclusion out of the 29 states and seven (7) Union Territories (UTs) with a score of 72.3. Kerala ranks first on the index with a score of 90.9 while Manipur ranks last with a score of 32.0. A score greater than 65.0 corresponds to a 'high' level of financial inclusion, whereas a score of 50.1 - 65.0, indicates an 'above average' level of financial inclusion. Himachal Pradesh's performance in four key dimensions used to create the composite index is shown in **Table 3**.

Table 3: Level of financial inclusion in Himachal Pradesh

Parameter	Level of financial inclusion
Branch penetration	High
Credit penetration	Below average
Deposit penetration	High
Insurance penetration	High

However, none of the districts in Himachal Pradesh rank in the top 50 in the CRISIL Inclusix scores. None of them rank in the bottom 50 either. The ranking of the districts (out of 666 districts) in the project scope, namely Chamba, Kinnaur and Lahaul & Spiti are given in **Table 4**.

Table 4: Inclusix ranks and scores of landscape districts

State	District	Score in 2016	Rank
Himachal Pradesh	Chamba	55.5	286
Himachal Pradesh	Kinnaur	74.4	127
Himachal Pradesh	Lahaul & Spiti	65.8	191

Kinnaur has a high level of financial inclusion, whereas Chamba and Lahaul & Spiti are just above the 'above-average' threshold.

4.1.1.3. Key points of financial inclusion

In the Findex 2017, respondents stated reasons for not having a bank account as shown in **Figure 13**.

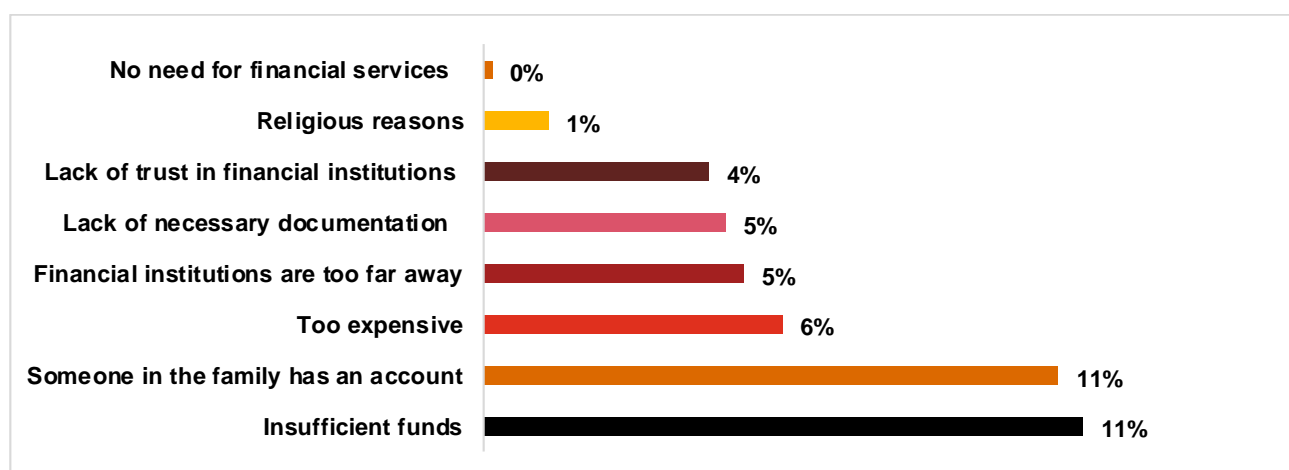


Figure 13: Reasons stated for not having a bank account (age 15+)

⁶ Source: The CRISIL Inclusix, February 2018

11.39% of the respondents stated that they did not have a bank account because of insufficient funds, 10.93% stated it was because someone in their family already had a bank account. Interestingly, 1.24% of respondents stated that they did not have a bank account due to religious reasons.

4.1.1.4. Qualitative reasons for financial exclusion

A few reasons for financial exclusion in India have been summarized in **Figure 14**.

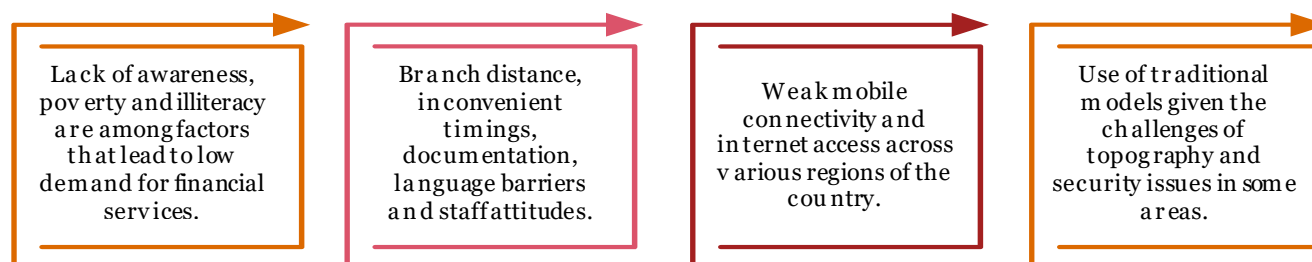


Figure 14: Reasons for financial exclusion

These are the reasons quoted in various public reports and documents i.e. Report of the Committee on Medium-term Path on Financial Inclusion, 2015 and CRISIL Inclusix 2018.

4.1.2. Insights from key landscape documents

As can be seen in **Figure 15**, Himachal Pradesh as a state leads India in terms of percentage of households availing banking services and percentage of women headed households that avail banking services. Membership of at least one household member in Micro-finance Institutions (MFIs) is less than the national average and the state is 100% at par in terms of presence of general insurance offices at district level.

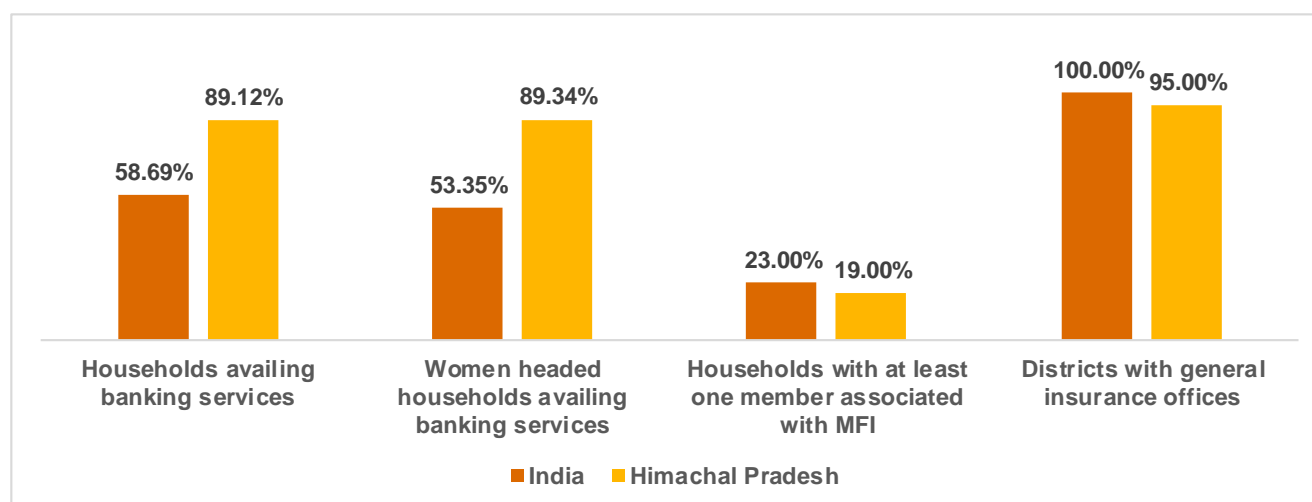


Figure 15: Household insights on financial inclusion at the state level

Further, granularity of analysis at district level is provided by NABARD in Potential Linked Plans (PLP) reports and in the Agenda documents quarterly published by State Level Bankers' Committee (SLBC), Himachal Pradesh.

The figure below shows the number of bank branches of public sector, regional rural, private and cooperative bank across Chamba, Kinnaur and Lahaul & Spiti district. **With 23 bank branches, Lahaul & Spiti is the district with comparatively the minimum number of branches (as on December 2018).**

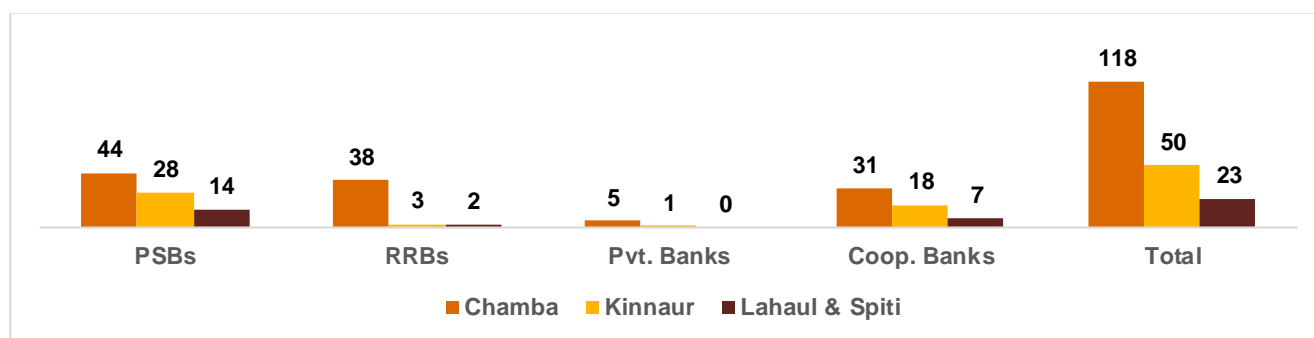


Figure 16: No. of bank branches across districts as per SLBC data (December 2018)

As can be observed in **Figure 17**, project districts namely Chamba and Lahaul & Spiti have persistently critically low CDR below 40%. Coordinated efforts between stakeholders may bring improvement in the CDR ratio.

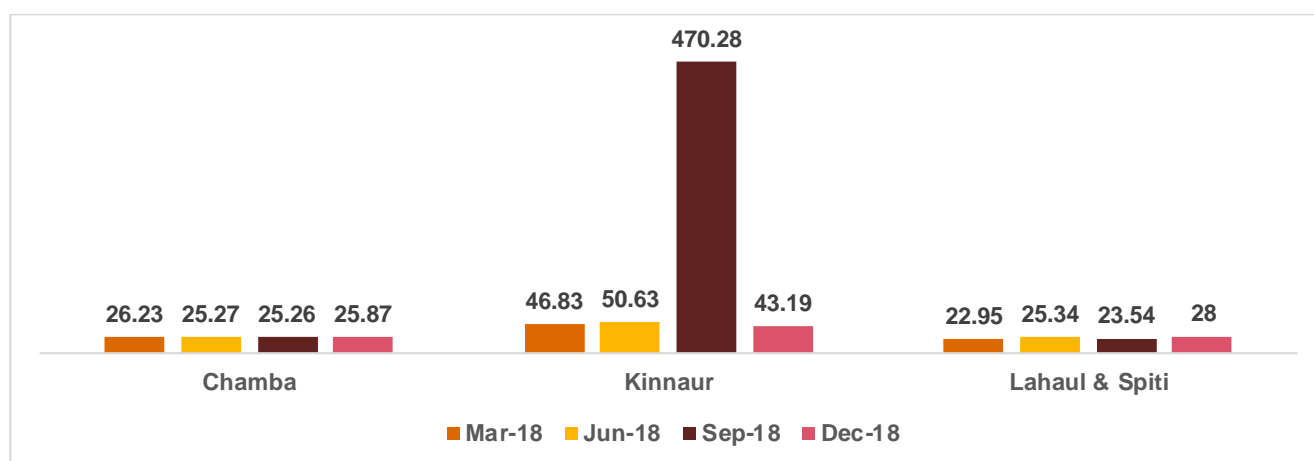


Figure 17: District-wise CDR as per SLBC data (December 2018)

Credit expansion by banks in the preferred sectors/activities mentioned below may improve the position of CDR to a certain extent. A few suggestive measures could be:

- Bank to focus on increased flow in agriculture sector preferably in allied activities especially in Dairy and Dairy Products, Poultry, Food Processing units, etc.
- Banks to ensure achievement of allocated targets fixed under the various Government sponsored schemes i.e. PMEGP, NULM, NRLM with special thrust on MSME sector unclosing financing under MUDRA scheme and Stand-up India scheme. The recently launched Mukhya Mantri Swablamban Yojana in MSME sector will facilitate improvement in the CDR.

All the bank across the state have been allocated 3,243 Gram Panchayats as sub-service areas for operationalizing business correspondent agents. Banks have deployed over 1,325 active Bank Mitra (BMs) as of 31st December 2018 however, none of these exist in the SECURE Himalaya landscapes due to a variety of reasons. For smooth functioning of BCs, a connectivity problem has regularly been reported by the field functionaries. The block-wise quality of BC connectivity has been given in the table below (as reported by SLBC).

Table 5: Quality of BC connectivity in the project districts as per SLBC (December 2018)

S.No.	Name of district	Block Name	Quality
1.	Chamba	Chamba	Good
		Bharmour	Average
		Bhatyath	Average

S.No.	Name of district	Block Name	Quality
		Bh anjraroo (Tissa)	Good
		Salooni	Good
		Killar (Pangi)	Poor
2.	Kinnaur	Nichar	Poor
		Kalpa	Poor
		Pooh	Poor
3.	Lahaul & Spiti	Keylong	Poor
		Kaza	Poor
		Udaipur	Poor

From the table above, it is evident that there are areas where low/average/poor connectivity has been reported which is causing hindrance in carrying out transactions by BCs which is hampering the sole concept of BC model. Secondly, as per our primary discussion with various stakeholders, road connectivity and scattered population have been cited to be some of the other reasons for poor presence of BCs.

4.1.3. Financial Awareness and Literacy Campaign in Himachal Pradesh

Financial Literacy Centre (FLC) is a dedicated institutional set up for Financial Literacy Campaign organised by Lead bank (PNB/SBI/UCO Bank), RRBs and Cooperative sector banks in the State. In addition to FLCs, at each district in the State, bank branches in rural areas are organising financial literacy camps as per RBI guidelines on regular basis. These FLCs and Rural Bank branches have organised Financial Literacy and awareness camps on regular basis at district/block/panchayat level focusing on the various target groups.

At present, 22 Financial Literacy Centers (FLCs) mentioned below are functional with a dedicated Financial Literacy Counsellor at each centre.

Table 6: FLC centres in the State (December 2018)

S.No.	Banks	No. of FLCs	Remarks
1.	Public Sector Bank (PSBs)	12	Lead Bank i.e. PNB, SBI and UCO bank have set up FLCs in their Lead Districts (One FLC in each District)
2.	HP State Cooperative Bank (HPSCB)	6	
3.	Kangra Central Cooperative Bank (KCCB)	3	
4.	Jogindra Central Cooperative Bank (JCCB)	1	
Total		22	

As per the RBI guidelines, each bank branch in rural areas has to conduct at least one camp per month (on the third Friday of each month) after branch business hours, focusing on digital payments with target groups viz. farmers, small entrepreneurs, school children, senior citizens, and SHGs.

4.2. Summary of findings from household survey

The household survey was conducted across two landscapes i.e. **Lahaul & Spiti and Pangi** (Chamba District), across villages namely Chasak, Chasak Bhatori, Dharwas, Killar, Karyas, Kuthal, Purthi, Sach, Sural Bhatori, Sural, and Tindi. The sample size was 100 households to be covered across these villages, however our team covered a total of 117 households. The shortlisting of villages was done in consultation of the respective Divisional Forest Officers and State Level Technical Committee (SLTC).

The PwC team facilitated the entire survey process and engaged in various discussions with village headmen, other village residents on various issues that they face regarding access to financial products and services to attempt to understand the situation on the ground. To assess the demand and supply-side, PwC team also conducted in-depth interviews and discussions with banks, insurance companies and various other stakeholders present in the landscape areas.

4.2.1. Details and characteristics of household respondents

85% of the total respondents were male and 15% were female. Since men headed most of the households visited, the respondents of the survey are predominantly men, as shown in **Figure 18**.

91% of the respondents were household heads. The PwC team consciously interviewed household heads, because village residents indicated that household heads are most aware of all other members in the family.

The social category of households is given in **Figure 19**, **86% of the respondents belonged to the Scheduled Tribes (ST) category, while the remaining 14% belonged to Scheduled Caste (SC) category.** Respondents of one village often came from a similar social background. For example, all respondents in Tindi belonged to the ST category, whereas majority respondents in Sural Bhatori belonged to the SC category.

Distribution of households as per major economic activity has been given in **Figure 20**. **A majority (74%) of the households reported agriculture as their main economic activity.** Only 1% of the respondents claimed to be involved with some private sector job, might be because of the geographical constraints in the region, as observed by the team.

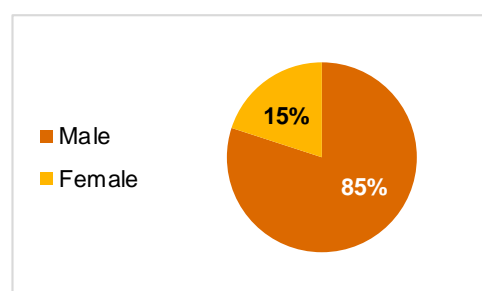


Figure 18: Characteristics of respondents

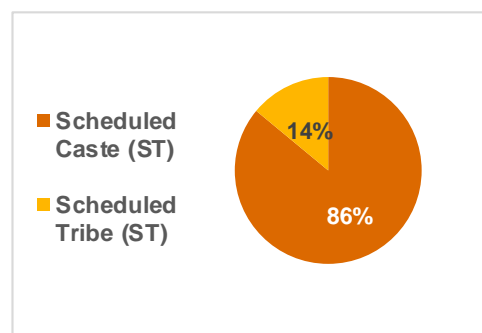


Figure 19: Social category of respondents

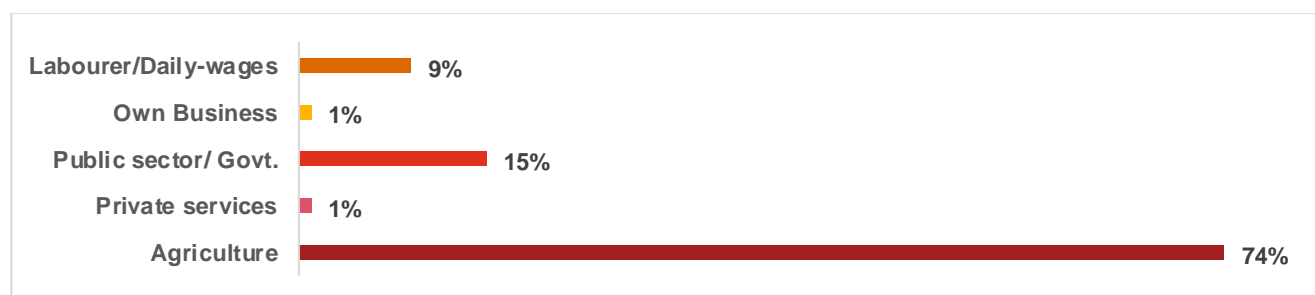


Figure 20: Primary source of income of respondent households

100% of the respondents own the house they live in. The mean size of the agricultural land owned is 0.75 acres, while standard deviation of the sample is 0.68 acres. **This shows inequality in terms of the land ownership of the respondents.** Since agriculture is also the main economic activity of most respondents, an inequality in agricultural land size, might reflect that there is income inequality.

The household questionnaire also contained a question regarding identification documents present with the respondents. The breakup of this can be seen in **Table 7**.

Table 7: Percentage of respondents mapped to different types of official identification

Aadhar card	Voters ID	Ration card	PAN card	Driving license	Passport	NREGA card
100%	95%	99%	33%	3%	0%	90%

Respondents from time to time were not comfortable disclosing their income. However, basis the responses received during the survey, the **average monthly income per household came out to be INR 4,821**. Another question regarding monthly average expenditure was asked to the respondents and the **average monthly expenditure per household came out to be INR 3,644**, as shown in **Figure 21**.

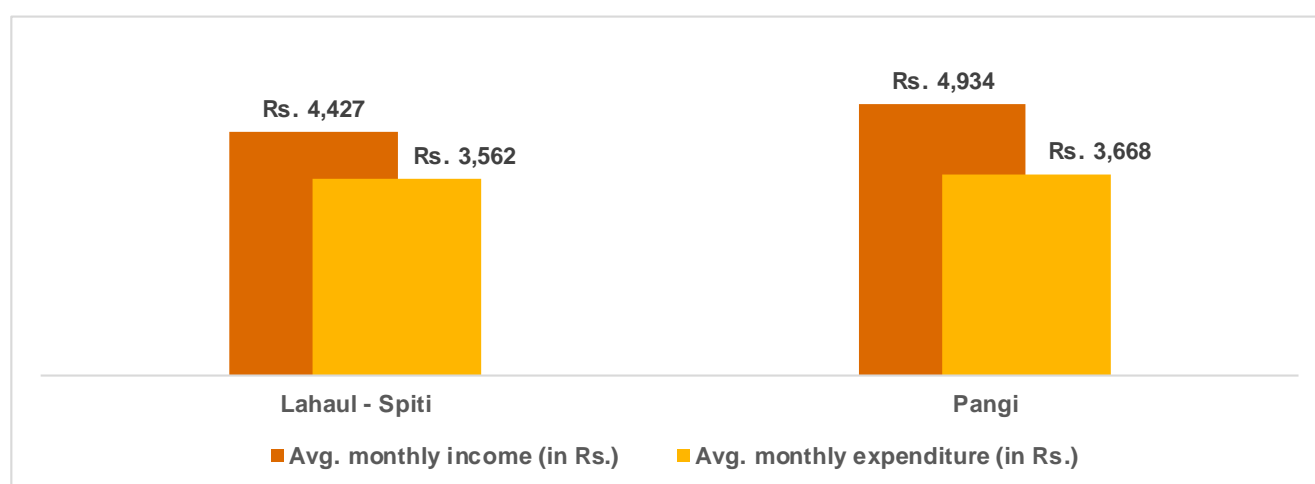


Figure 21: Average monthly income and expenditure reported by respondents

4.2.2. Awareness of various financial products and services

100% of the respondents are aware of bank accounts in the landscapes, whereas 45% are aware of ATM/ Debit Cards. The awareness of various financial products and services is given in **Figure 22**. 15% of the respondents were aware of credit/ loan from the bank, whereas, only 9% were aware of transfer mechanisms like Mobile, Internet Banking/NEFT/RTGS etc.

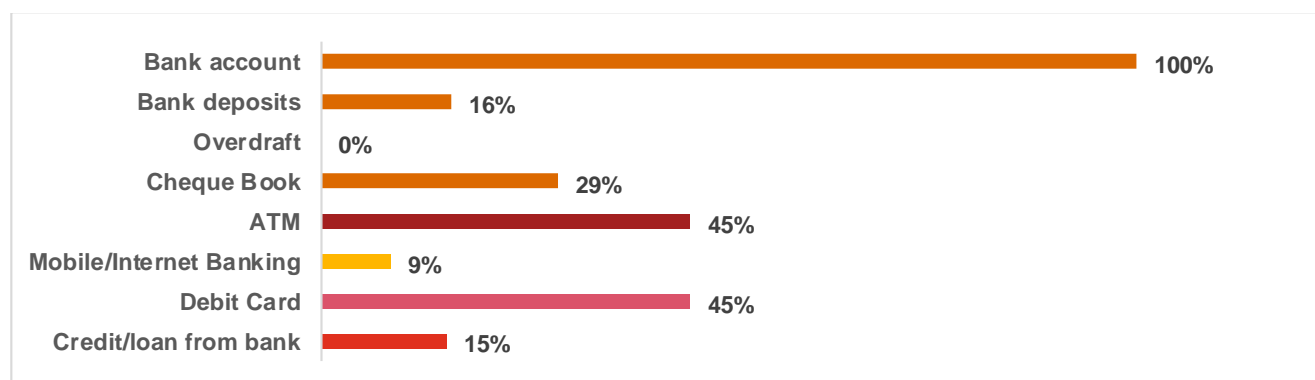


Figure 22: Financial products and services awareness

As for schemes, funds and insurances, 24% of respondents were aware of pensions/provident funds, whereas none of the respondents were aware of shares/bonds/mutual funds. 13% of the respondents were aware of the Kisan Credit Card (KCC) scheme, as shown in **Figure 23**.

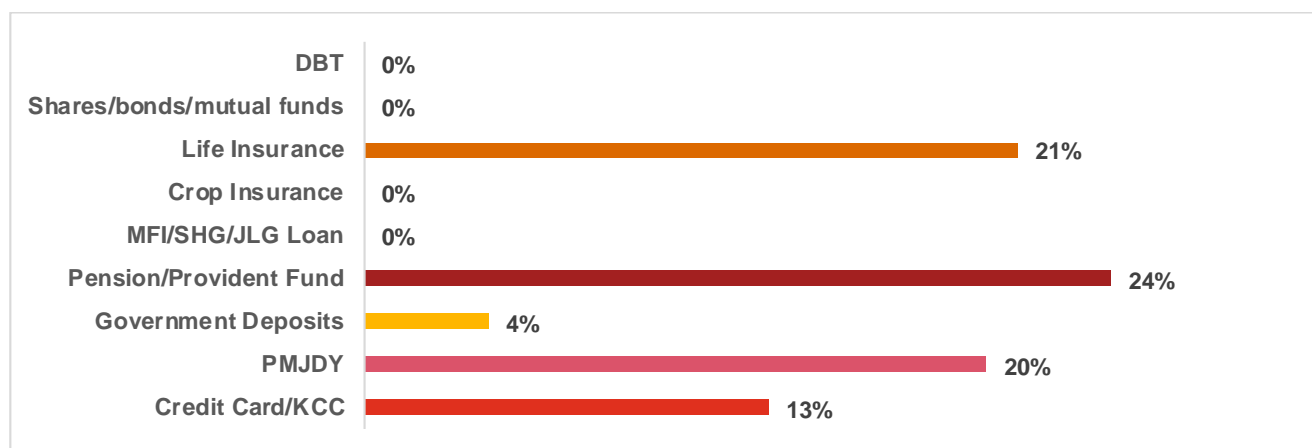


Figure 23: Awareness of various schemes, funds and insurance

4.2.3. Usage of various financial products and schemes

100% of the respondents use bank accounts in the landscapes, whereas 13% have bank deposits, as shown in **Figure 24**. The usage of various financial products and services is given in **Figure 25**.



Figure 24: Usage of bank accounts and deposits

25% of the respondents use a cheque book, whereas only 5% use mobile banking services. The usage of various schemes, funds and insurance is shown in **Figure 26**. 10% of the respondents have availed the KCC scheme, whereas only 20% have a life insurance. Interestingly, 0% of the respondents invested in shares/bonds/mutual funds, DBT, and Crop Insurance.

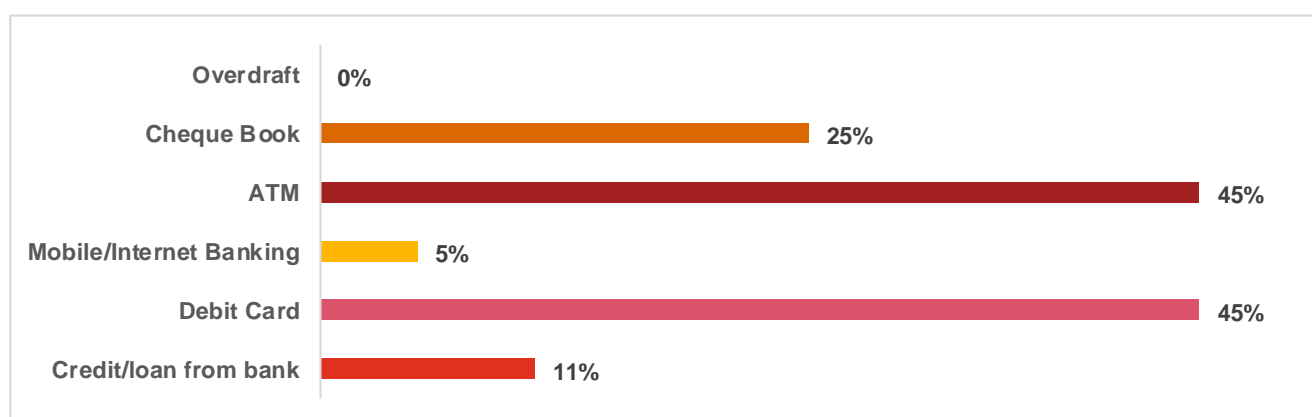


Figure 25: Financial products and services usage

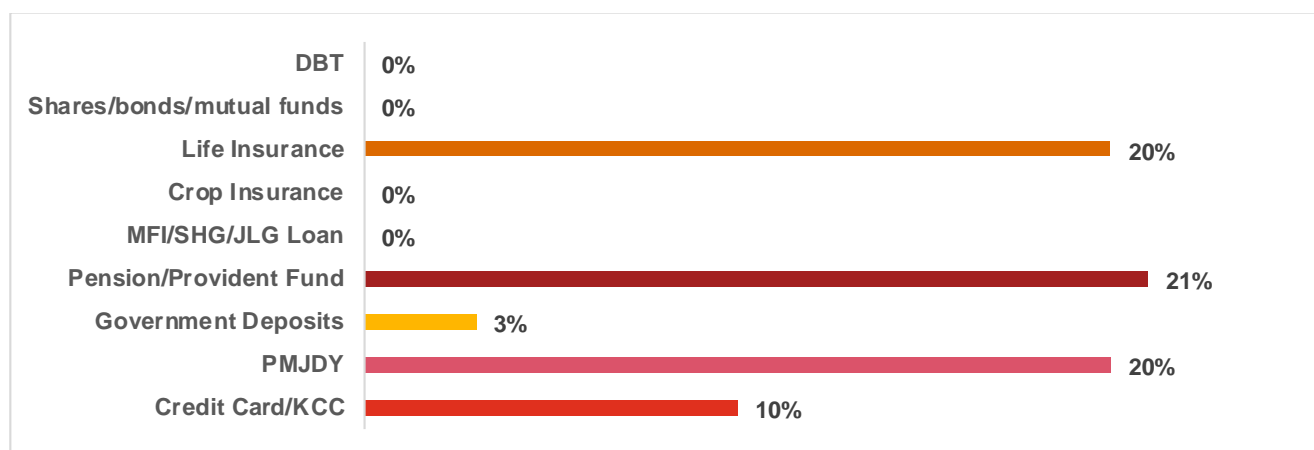


Figure 26: Usage of various schemes, funds and insurance

4.2.4. Bank accounts and usage

100% of the respondents responded affirmatively to using a bank account. One of the possible reasons could be the involvement of people in daily-works under NREGA wherein the amount is directly transferred into bank accounts. With regards to the benefits of having a bank account, over 74% mentioned to have benefited from having a bank account. The major benefit stated by respondents (73% of them) was ‘safety of liquid cash’, 17% of them stated digital banking facilities to be useful, 34% of them said that they benefitted from the ‘interests on deposits received from the bank’.

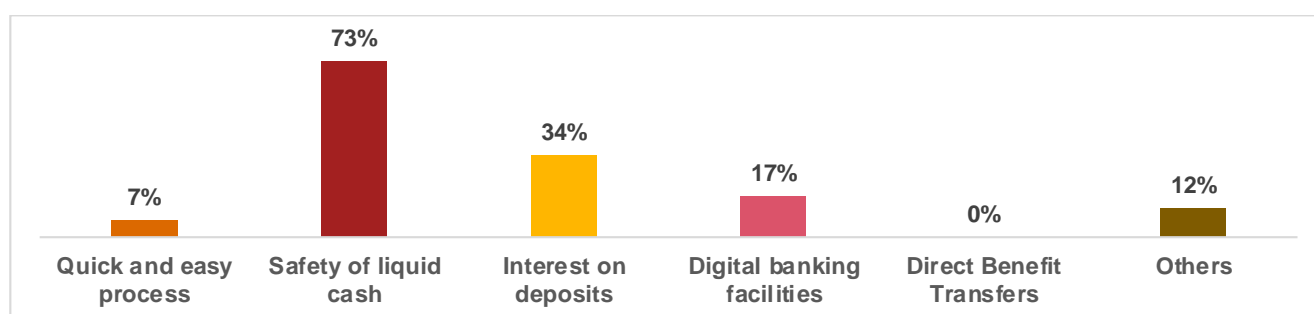


Figure 27: Perceived benefits of having a bank account

Proximity to banks is shown in **Figure 28**. **A majority of respondents stated that the nearest bank is more than 10 km away, with the average distance being 13 km.** This might be one of the major reasons for low usage of various financial products and services in the region. **79% of the respondents stated that they utilize local transport to commute to the bank and 55% said that they travel by foot.**



Figure 28: Proximity to bank accounts and mode of transportation

Another crucial parameter to assess financial inclusion is the frequency of transactions. **56% of the respondents stated that they made transactions at least once a month**, 19% of them stated that they transacted once every six months and only 2% claimed that they transact once every week with the bank. Residents of villages such as Dharwas, Sural and Sural Bhatori reported that they would transact more frequently with the bank, if they did not have to travel to Killar (approx. 31 km away), using local transport. To visit the bank, residents of these villages have to sacrifice their full day, as local transportation is limited.

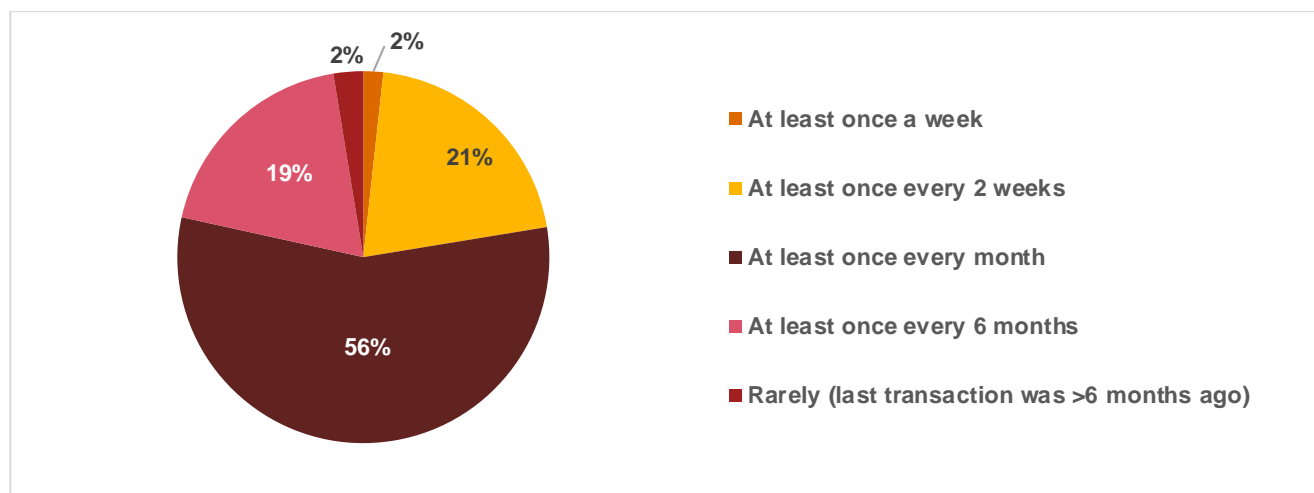


Figure 29: Frequency of banking transactions

65% of respondents stated that they do not transact frequently with the bank because of a limited requirement of services, whereas 33% stated 'distance to bank' and only 3% stated 'household income being too low' as one of the reasons.

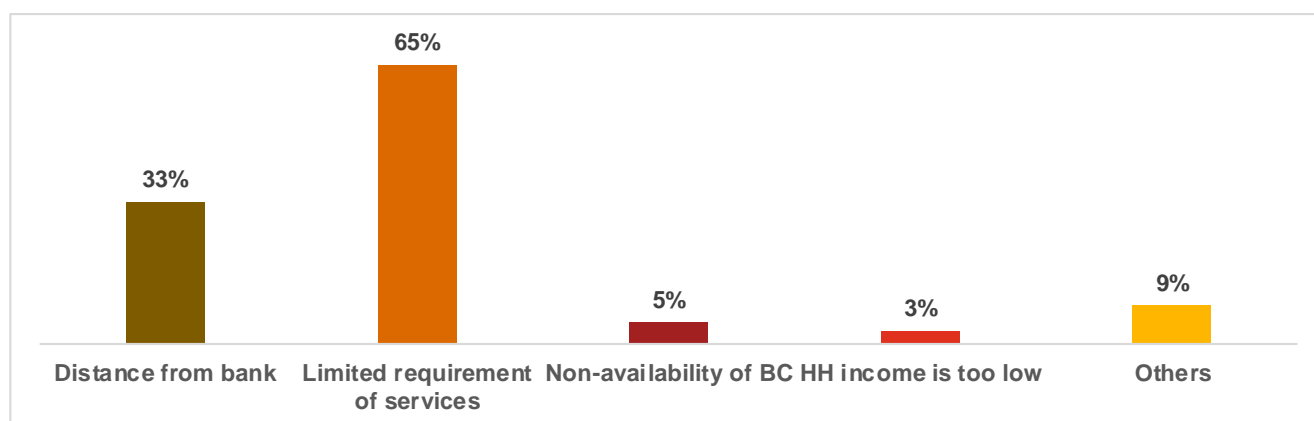


Figure 30: Reasons for low frequency of banking transactions

4.2.5. Credit

14% of the respondents had utilized a loan in their lifespans. In discussions with the respondents, some of them said that they wanted to access Kisan Credit Card (KCC) loans but were not able to. This is mainly because bank managers informed them that only the landowner can access KCC loans.

However, when speaking to NABARD, they pointed out that this is not a mandatory requirement.

81% of the respondents who have currently taken credit, took it from a bank and the remaining 19% had borrowed money from their friends/relatives, as shown in **Figure 31**. After discussion with the village residents, it was learnt that the concept of moneylenders in sampled villages was virtually non-existent, with residents normally relying on formal sources of credit or friends/relatives. Even in case of borrowing from friends/relatives, money is given free of any interest.

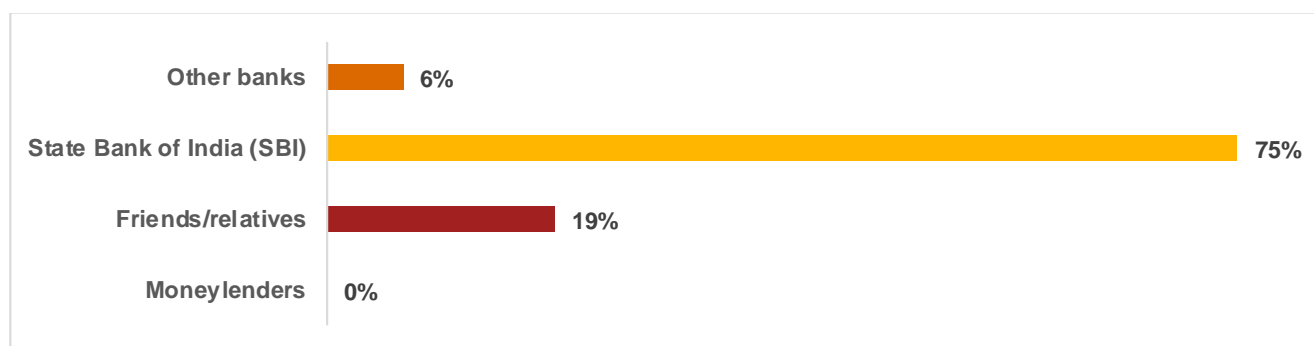


Figure 31: Sources of credit

In terms of the purpose of loan, 75% of the respondents who had taken credit, had done so for agricultural purposes, mainly Kisan Credit Card (KCC) loans, whereas 6% had taken it for business purposes and the remaining 19% of them had taken loans for hospital, education and other personal expenses.

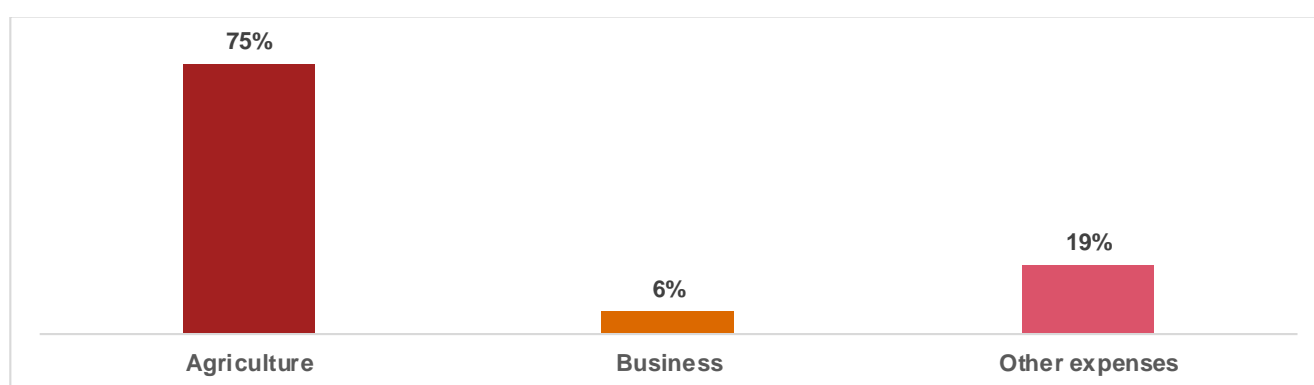


Figure 32: Purpose of loan

The reasons stated by the respondents, for not borrowing from the bank are stated in **Table 8**.

Table 8: Reported reasons for not borrowing from banks

Reason	Respondent %
Don't feel the need	61%
Lack of collateral	10%
Don't know the process	44%
Bank rejected my proposal	1%
Interest rates are very high	4%
Others	14%

4.2.6. Insurance

25% of the respondents were aware about the insurance schemes available to them in their vicinity as shown in **Figure 33**.

Out of the respondents aware of these schemes, 79% of the respondents had opted for any insurance scheme in the landscapes. The respondents who have opted for insurance, generally opted for life insurance, and insurance for agricultural purposes. There is a component of personal, accidental insurance, asset insurance and crop insurance within Kisan Credit Card (KCC), the usage of insurance therefore might be slightly understated. Another reason could be the life insurance provided under Pradhan Mantri Jan Dhan Yojana (PMJDY).

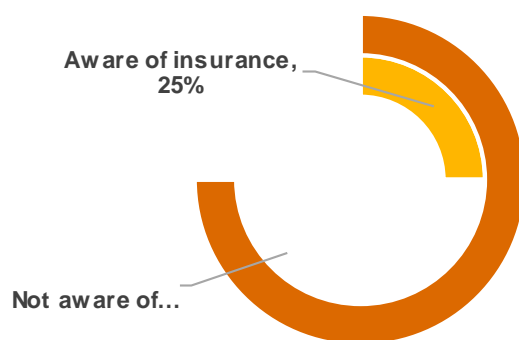


Figure 33: Awareness of insurance schemes on offer

4.2.7. Transactions and digital banking

Almost 100% of respondents have done cash deposits and cash withdrawals in a bank, whereas only 5% have done NEFT/RTGS. One of the probable reasons could be the lack of network/internet connectivity in the landscape areas.

The different types of digital and mobile transactions done by respondents has been shown in Figure 34.

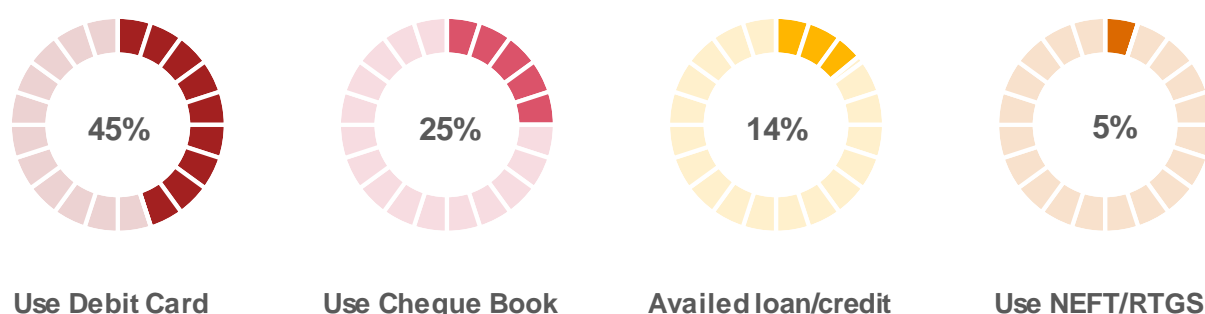


Figure 34: Usage of digital and mobile banking by respondents

A large majority of the respondents have not used any listed digital/mobile banking services in the sampled villages. 45% of the respondents mentioned to have ever used a debit/ATM card, 25% still use cheque books, whereas only 14% have ever availed any form of loan/credit. The reason for non-usage of digital modes is shown in Figure 35.

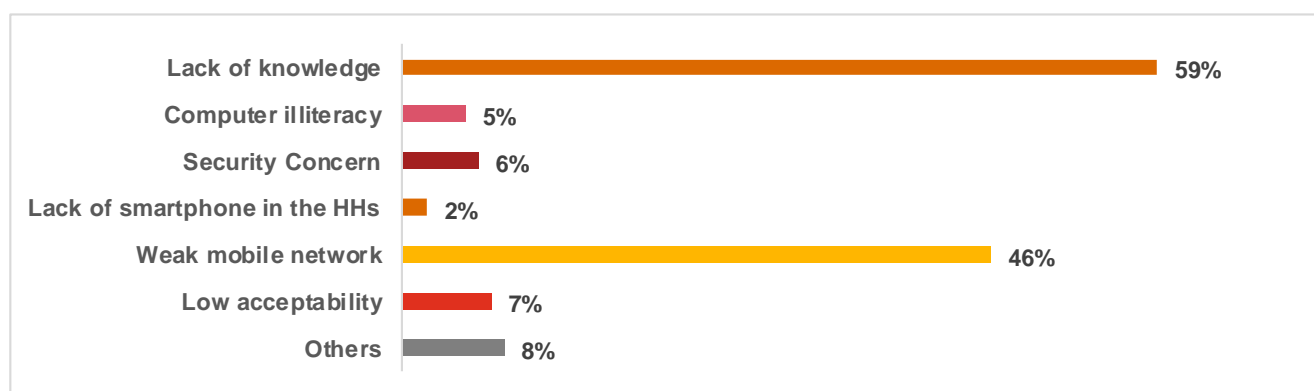


Figure 35: Reasons for non-usage of digital modes of transaction

4.2.8. Perceived benefits of financial inclusion

A section in the household questionnaire was devoted to capture the perceived benefits that respondents felt they received, from being financially included.

53% of the respondents said that they perceived a benefit from having a bank account. Many respondents, who reported that their savings had increased due to possessing a bank account, also reported that this was not due to the interests on savings provided by the bank, but rather; a behavioral tendency to spend less when they put their money in the bank.

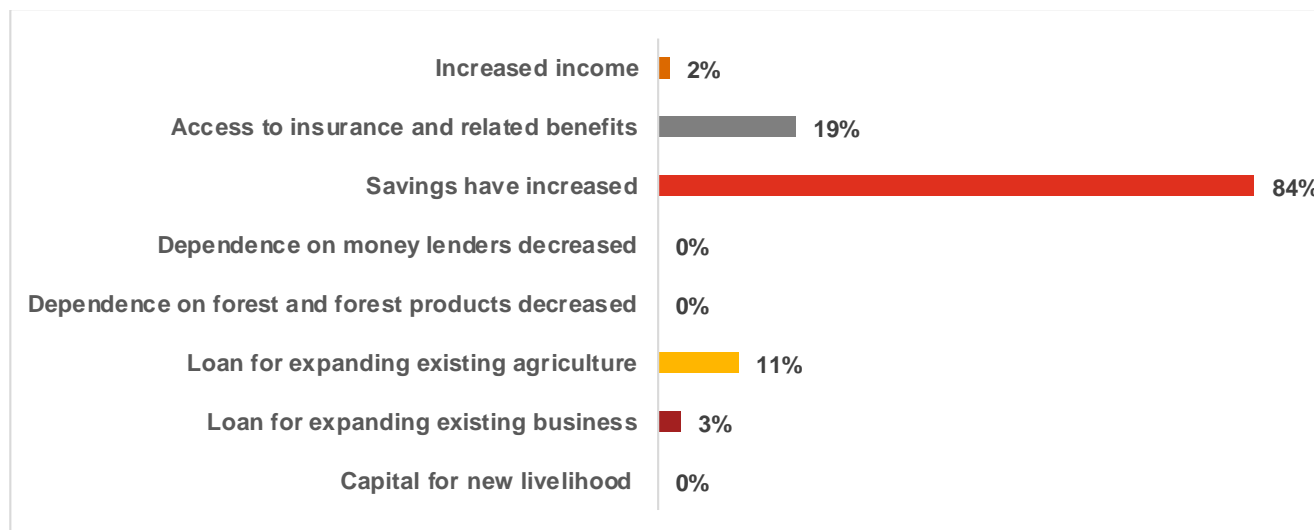


Figure 36: Perceived benefits of financial inclusion

The primary insight that moneylenders are not present in the landscape is further strengthened by the fact that 0% of the respondents believe that their dependence on moneylenders has decreased due to possessing a bank account.

4.2.9. Women in the sampled villages

In the section, member-wise usual principal activity status and degree of inclusion into formal financial system, we were able to capture a dataset of various indicators to get a sense of the status of women in terms of educational and working status in the landscape.

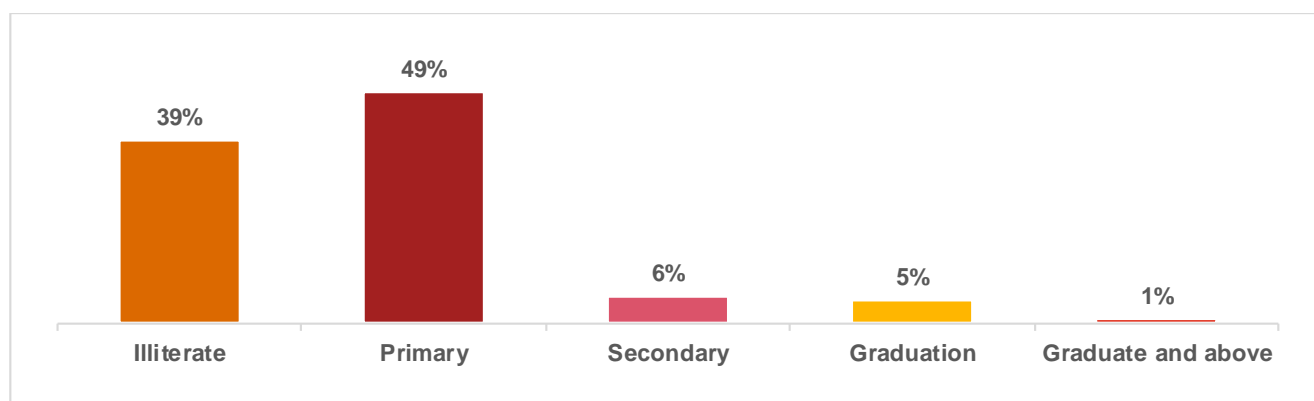


Figure 37: Literacy levels of women in the sampled villages

39% of the women in the dataset were illiterate and 49% of them attended primary school, whereas only 5% of them were graduates.

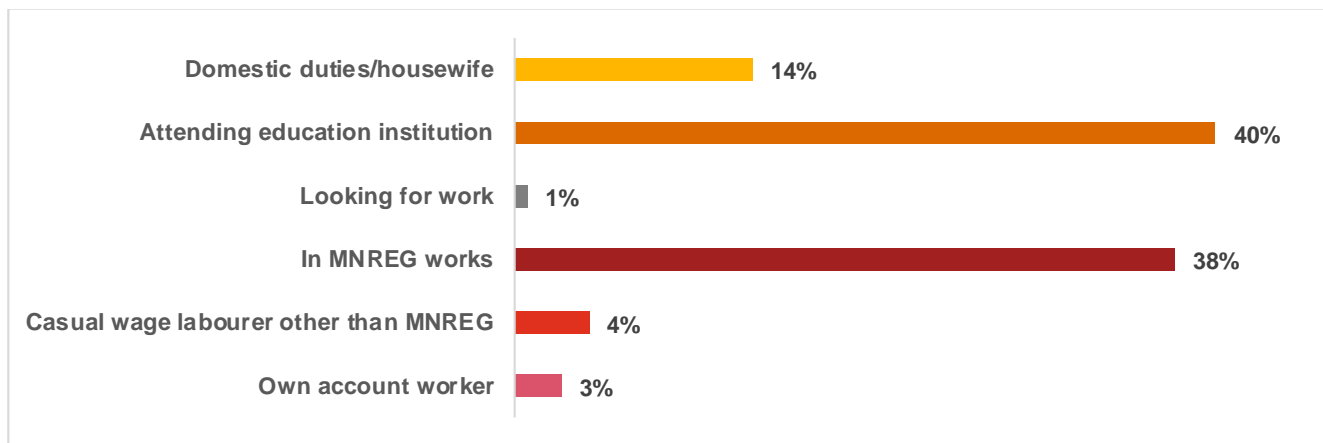


Figure 38: Working status of women in the sampled villages

A majority of women (38%) were employed as workers under the NREG scheme. Others included children attending schools (40%) and attending domestic duties (14%). Apart from this, **0% of the women in the landscape used a mobile wallet, depicting a gender disparity in usage of banking products and services.**

5. Financial inclusion and conservation efforts

Outcome 2 of the project envisages “improved and diversified livelihood strategies and improved capacities of community and government institutions for sustainable natural resource management and conservation”. This outcome is essentially the ‘inclusion’ part of financial inclusion. Discussions in the following subsections try to contextualize this within the project framework.

5.1. Linking financial inclusion to livelihoods

Economic well-being in context of financial inclusion is defined as having present and future financial security. Present financial security includes the ability of individuals, families, and communities to consistently meet their basic needs (including food, housing, utilities, health care, transportation, education, child care, clothing, and paid taxes), and have control over their day-to-day finances. It also includes the ability to make economic choices and feel a sense of security, satisfaction, and personal fulfillment with one’s personal finances and employment pursuits. Future financial security includes the ability to absorb financial shocks, meet financial goals, build financial assets, and maintain adequate income throughout the life span. Inclusion of landscape residents into formal financial system ensures better platform to respond to opportunities presented by markets.

A system is a set of things working together as parts of a mechanism or an interconnecting network, a complex whole. For any existing economic system, an external intervention is desirable only when the joint utility of the agents in the economic system; derived by the outcomes of interaction between economic system and provided intervention; is greater than the utility of the agents in the pre-intervention state of the system. This is illustrated in the equation stated below.

Box 2: Utilitarian framework equation of livelihoods and financial inclusion

$$U(f, l) > U(f) + U(l)$$

U(f): Utility framework of being financially included in the formal financial system

U(l): Utility of pursuing livelihood options

U(f, l): Utility of being financially included in the formal financial system and pursuing livelihood option

It shall be noted at this point that financial inclusion is enabler of livelihoods but at the same time, the long term success of a system sustaining state of financial inclusivity also depends on health of the financial institutions that provide supply of various financial products and services to enable livelihoods. Hence, relation between livelihoods and financial inclusion is a two way relation from financial inclusion to livelihoods and vice versa.

It can be seen from the aforementioned box item that livelihoods and financial inclusion share a two-way relation, in a system, defined by competitive markets for goods, fixed owners of capital and capital as one of important means of production. The linkage between livelihood options and financial products/services is achieved using the following three cases:

- When livelihood option to financial products/services feedback effect exists;
- When financial products/services to livelihood option feedback exists;
- When livelihood option and financial products/services both affect each other.

Box 3: Livelihoods and financial inclusion: a two-way entanglement

Livelihoods and financial inclusion: a two-way entanglement

David Ricardo, British *political-economist*, presented some seminal ideas on labor theory of value in his book **Principles of Political Economy and Taxation (1817)**. According to him, the value (price) of goods produced and sold in competitive market conditions is related with the proportion of the labor cost required to produce them. For short intervals of time the prices may depend on supply and demand of goods under examination but in long run the prices of goods produced tend to be proportional to the labor cost incurred to produce those goods. In Ricardian times, as per Ricardo's theory of distribution, the national produce can be divided into three categories: wages for laborers, returns to owners of capital and rent costs to landlords. With industrialization and technological evolution of society this can be seen as wages and rents for owners of means of production. Here capital itself has evolved into a form of means of production in itself.

In a competitive market, where owners and providers of capital are fixed, and capital is an important means of production itself, the returns to owners of the capital is inevitable. However, capital in itself is not sufficient to produce the goods/services, though it is for sure provides catalysis to labor to make output competitive in competitive markets. Hence, the sustenance of financial institutions (owners of capital) requires that rents of capital need to be realised on timely basis, from the output produced by economic activities. Thus, capital in itself enables livelihoods/ economic activities. The economic agent labor, assesses the market, uses right mix of labor, capital and means of production to earn surplus (profits), a portion of which, when paid back as rents to owners of capital (financial institutions) ensures their sustenance and future availability of capital at rent for future economic activity.

5.2. Linking livelihoods to conservation

Landscape residents rely on products, services and land as natural resources to fulfill their livelihood activities. The demand for natural resources from Himalayan and trans-Himalayan ecosystem beyond the assimilative capacity of ecosystem results in contemporaneous complementarity and conflict between livelihoods and conservation.

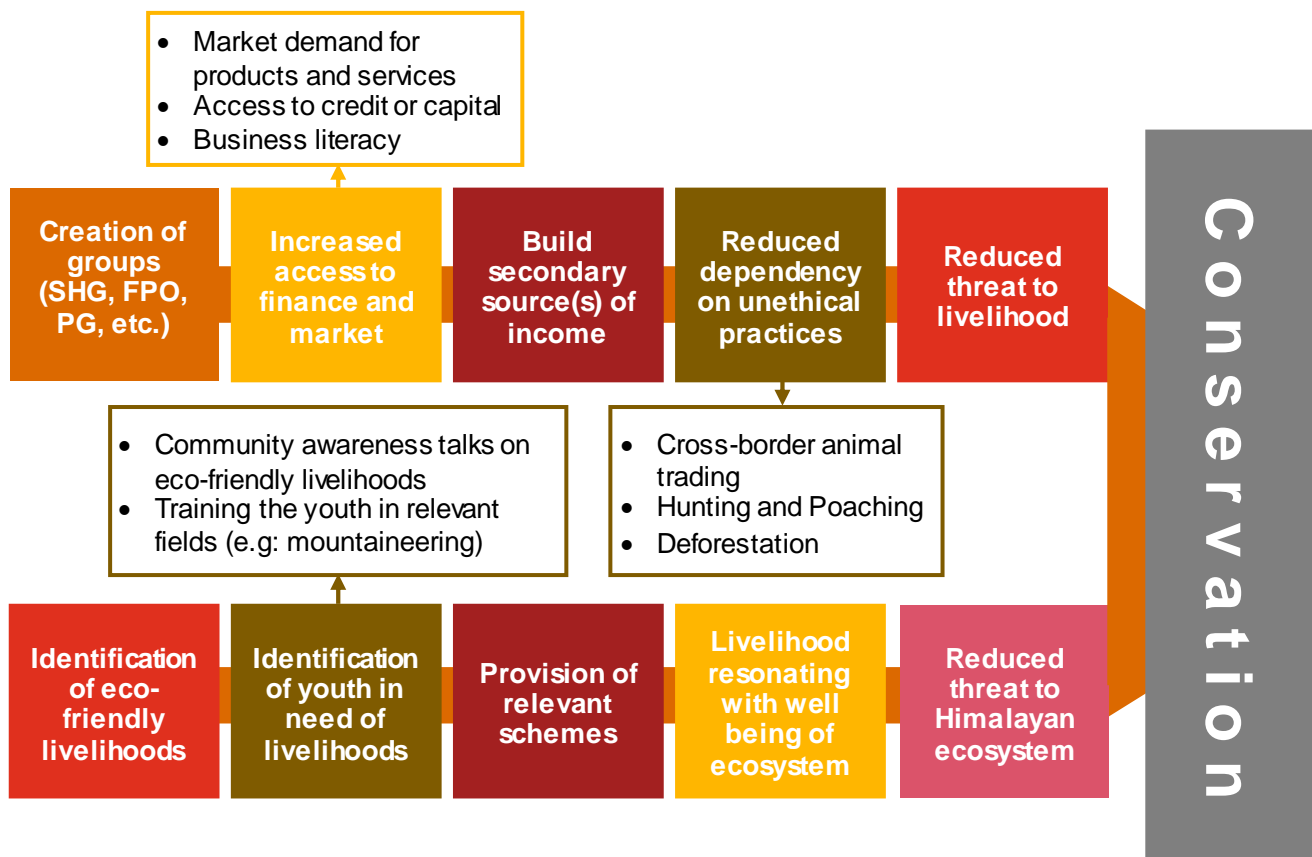


Figure 39: A trail from livelihoods to conservation

In order to enhance livelihood opportunities through financial inclusion, a few alternate options can be explored. One way of accessing finance and markets is through integrating similar interests and creating Self-help Groups (SHGs), Cooperatives, Farmer Producer Organisations (FPOs), and Producer Groups (PGs) in the landscape. These could facilitate secondary source(s) of income and reduce dependency on unethical practices, as shown in **Figure 39**. Some of the key activities to enable alternate livelihood options for the communities/ individuals in the landscape could be:

- **Identify existing livelihood/ business activities** prevalent in the landscape/region
- **Generate demand through community meetings and information dissemination activities** in and around your village
- **Approach development agencies/NGOs working in the region for capacity building and training** (For example: NABARD and SIDBI)
- **Organise community exposure visits to neighbouring regions** to study successful models in consultation with Forest Department or NABARD, SIDBI, etc.

IUCN framework for livelihood and conservation conflict visualization for any landscape has been shown in **Figure 40**.

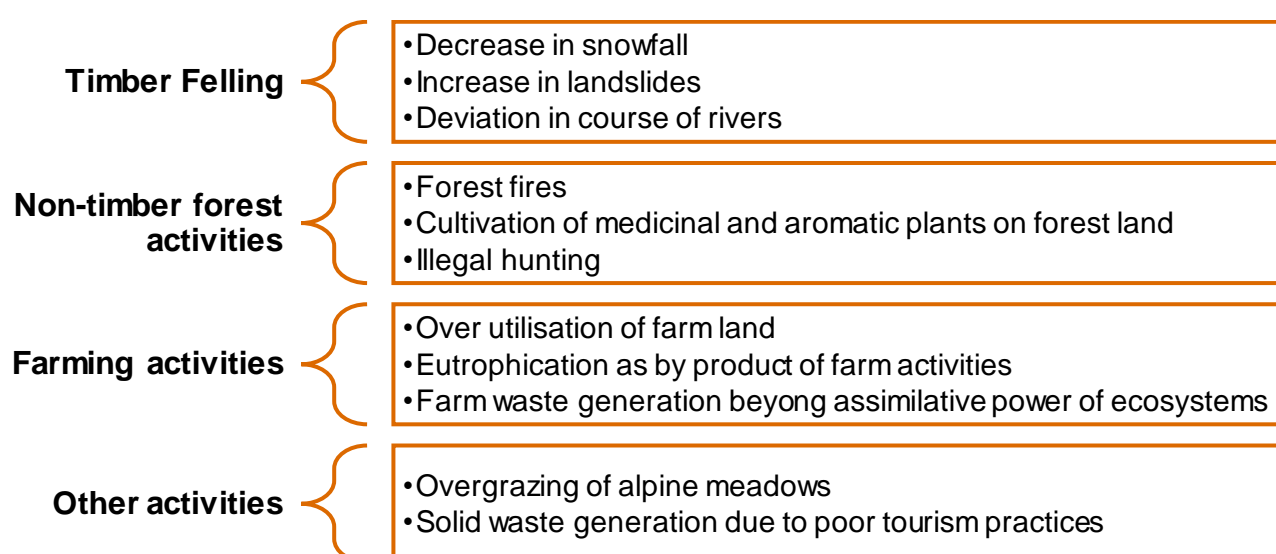


Figure 40: IUCN framework to map livelihoods to conservation aspects in landscape context

5.3. Theory of change

Salafsky & Wollenburg⁷ gave the framework for linking livelihoods and conservation. The previous literature review on financial inclusion along with Salafsky's contribution has been developed into an independent framework to establish key nodes which links financial inclusion, livelihoods and conservation efforts. This has been shown in **Figure 41** below.

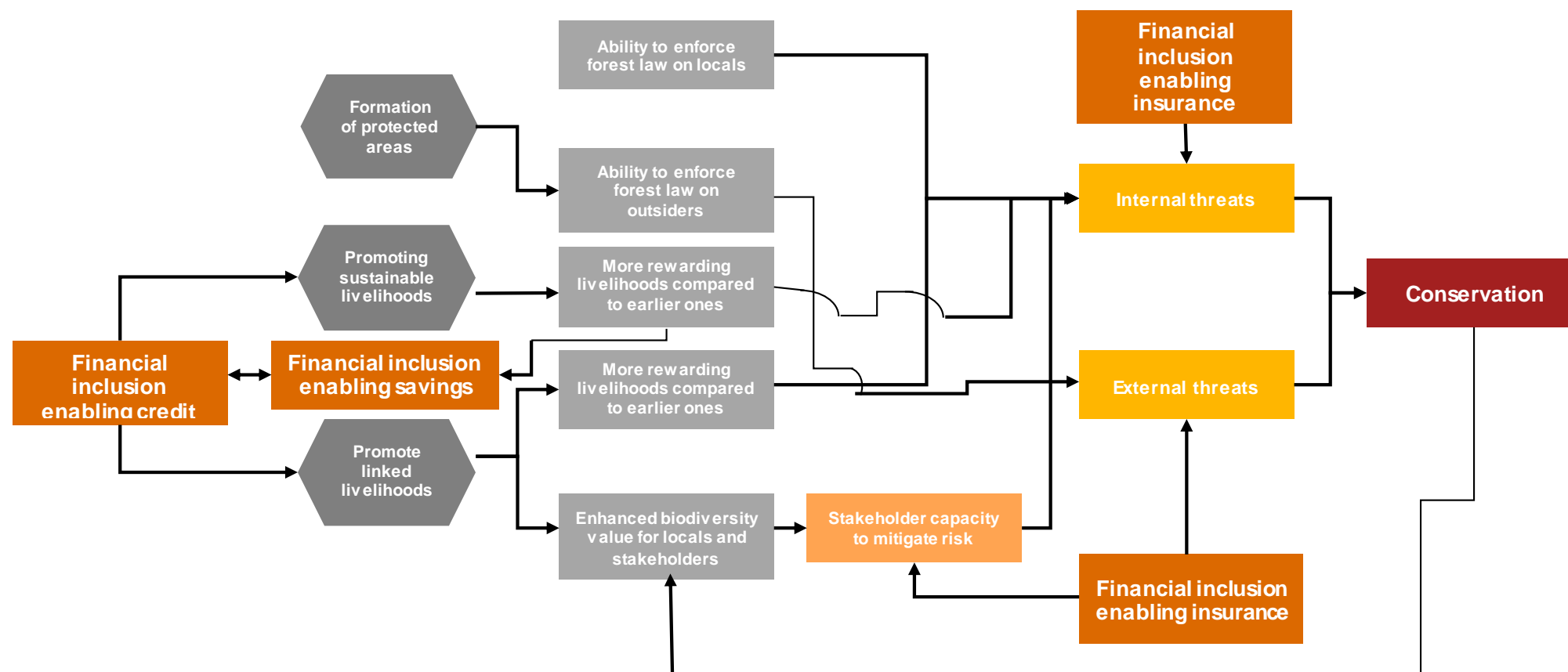


Figure 41: Theory of change

⁷ Salafsky, N., & Wollenburg, E. (2000). Linking Livelihoods and Conservation: A Conceptual. World Development, 1421-1438

5.4. Case studies

Additional basic information was collected on livelihoods of the respondents during the primary survey. As it has been observed, the discussion of financial inclusion is incomplete without discussion of the contextual livelihoods. This part of the report briefly dwells into a glimpse of major value chains as livelihoods in the landscape and their possible contribution towards conservation.

5.4.1. Tourism as livelihood and conservation

The concept of home stays and its success in the state of Himachal Pradesh has popularized it as an important value chain component of tourism. Other allied activities such as opening up of restaurants, tourist guides with knowledge of taxonomy and trekking hold huge potential in the landscape. Interaction with respondents willing to join the tourism value chains shows lack of ability to weight market demand for homestays and economic assessment of the opportunities related to tourism and allied activities as awareness is purely driven by knowledge of success stories.

The full potential of tourism value chain remains unrealized due to problem of information asymmetry of opportunities. The scope of the opportunities through public dissemination of detail project reports of tourism department can lead to realization of full potential of tourism as a livelihood.

Box 4: Tourism as livelihood and conservation

Tourism as livelihood and conservation

Easily, the most important aspect towards promoting tourism would be building infrastructure. However, due to the difficult terrain of the region and limited time to work in a year (as all activities get suspended during snow fall, which lasts for approximately 6 months), the infrastructure cannot improve drastically in a short period of time. However, steps have to be taken starting now in order to improve the connectivity to these areas over time.

It has been observed over the years that a high influx of tourists though positively influences the economic conditions but takes a toll on the natural beauty of the region. To protect such a potential loss in this landscape, a 'Tourist Tax' could be levied from tourists visiting the area. The money collected from this tax should solely focus on protecting the natural habitats of the region and ensuring their sustainable future. The state of Meghalaya is a good example of this.

5.4.2. Value chain of MAP's and conservation

In project landscapes across Himachal Pradesh, it was observed that Himalayan ecosystem presents an opportunity in terms of naturally occurring or cultivable Medicinal and Aromatic Plants (MAPs). Majority of the households are involved in the process of collection and sale of MAP's at some scale. Licensing of sale MAP's by forest department has provided legitimate legal foundation for people to take up this activity. The two issues related to MAPs value chains are sustainability and price fluctuations.

Box 5: Livelihood from Medicinal and Aromatic Plants (MAPs)

About 2,500 MT of medicinal plants worth INR 10 crore are collected/harvested from the State forests every year. The State nurtures more than 3,500 species of flowering plants out of which 800 species are estimated to be used for medicinal purposes. Out of these 800 species, 165 are commercially traded. The trading is primarily in the form of raw material. Due to lack of organized processing infrastructure, the State loses on the potential returns from this sector. In the light of increasing demand for raw material, the medicinal plants sector holds a vast potential to augment rural livelihoods. Banks may introduce appropriate credit and insurance products to encourage commercial cultivation and processing of MAP.

The Government of India, Ministry of Ayush, has approved national AYUSH Mission amounting to INR 75.54 lakh. Under this, cultivation of medicinal plants will be undertaken by farmers in 7 ha area. Two small nurseries, one drying shed, one storage godown in public sector and one community based storage godown will also be established.

The rate of replenishment of MAP's is mostly unknown even if we consider the rate of MAP's collection from forest department records as the rate of depletion, further studies are required to make sustainability of the vegetation itself ensured. The second problem with pursuing this value chain is prices realized by collectors of MAP's are highly cyclical.

Collectors of MAP's are in the lowest level of value chain and due to magnification of supply demand vulnerabilities with decreasing scales of production at lower stage of value chain, high fluctuations in prices are faced by the landscape residents. Creating market accessibility for MAP's would facilitate landscape residents to involve more in MAP's and exploit the full benefit out of the same.

6. Recommendations

Financial inclusiveness is one of the most important enablers for achieving conservation objectives of SECURE Himalaya. The Theory of Change as presented in the previous chapter provides causal pathway in establishing financial inclusion as an important intervention shaping livelihoods. Access to formal credit, formal saving options, multiple types of insurance products and help with federating individual efforts by creation of SHGs, cooperatives and producer groups and provision of market access.

This chapter provides recommendations to the baseline assessment that can help in improving the state of financial inclusion and develop a comprehensive strategy for its sustenance. The recommendations are based on UNCDF's financial inclusion assessment framework.

6.1. Bridging the gap: Strategic Dimensions

First subsection conveys possible strategies/recommendations to overcome gaps, on various dimensions of financial inclusion like access, awareness, usage and gender dynamics across various types of financial products/services that would be classified under the heads of credit, savings and insurance.

6.1.1. Access

Access is one of the major barriers in terms of geographical challenges as revealed from the study. Most of the respondents reported no banks in villages. Also due to sparse population spread and scales of economic activities pursued by the landscape residents, the operational cost of banks poses a challenge in establishing the bank branches. Lack of cellular network connectivity and other digital connectivity issues for banks are major setbacks as identified in the landscape. To improve access related issues, following are being presented.

6.1.1.1. Banking correspondents

No banking correspondent model was found operational in the surveyed villages. This drives the recommendation of operation of banking correspondent models in the landscape with following detailing:

- The BC model needs to be popularised among the landscape residents. Our primary interaction revealed that people are less reliant on BCs, thus a complete rebranding of the BCs is required that would increase the confidence and build trust of the people;
- To strengthen the BC model in the landscape, individuals should be sufficiently incentivised by the banks. Besides that, women participation as BCs may be encouraged and appropriate training should be imparted that would address the gender divergence of financial inclusion;
- Possibility of young school teachers as BCs can be considered since they represent a socially respected position in the society and can also provide a platform for awareness of financial products and services;
- BCs may provide promotion of diverse basket of offerings of banking and insurance products and services that can increase business opportunities for financial institutions in the landscape;
- The transactional limit through BCs should not pose a challenge for the villagers who may like to transact higher amount since their produce of cash crops involve higher amount of monetary transaction. Both Lahaul & Spiti and Pangi are rich with cash crops where higher amount of transactions in cash is a necessity.

6.1.1.2. Post offices

Indian postal services are considered to be the largest postal network in the world and has attracted partnerships even with national and multinational e-commerce websites for delivery solutions. From a financial inclusion perspective, this can help the landscape in the following ways:

- Post offices are payment banks and are present in the remote villages as found in our primary survey. Opening of accounts in post offices would benefit the residents to access their accounts;
- Also, Direct Benefit Transfer (DBT) facility can also be availed through post offices, remittance services can be helpful once they are availed through post offices;
- Also, post offices offer doorstep banking that can improve the overall financial inclusion status of the landscape;
- Promotion of any new scheme requires awareness generation in local dialects/languages, which can be done through post offices that would help improving the financial inclusion of the landscape;
- India Post Payments Bank QR card provides a unique, secure and convenient way to access your account without the hassle of remembering your account number. This facilitates technology driven products to be used by the landscape residents making them financially more inclusive.

6.1.1.3. Technological solutions

It is revealed in the primary interaction with the households that the take-off of digital financial products and services is really low due to lack of cellular connectivity and internet facilities. Since internet can actually facilitate the penetration of financial inclusion into the landscape, the following is being proposed as a possible solution.

Internet connectivity can be ensured in the landscape through Power Line Communication (PLC). PLC is a method in which internet signals can be carried along the connection which is used to transmit electricity (Alternating Current supply) to the landscape. Additional installation of power electronic devices (filters) are used at both ends where internet signals need to be convoluted along with power line. The internet can be transmitted in following ways:



Figure 42: Modes of internet transmission

The communication infrastructure can be installed on the top of power network with agreement among Himachal Pradesh Power Corporation Limited (HPPCL), Telecom Regulatory Authority of India (TRAI) and any public or private sector player for providing internet connection. The necessary infrastructure can be provided from Universal Service Obligation Fund (USOF) of TRAI, which has been providing funds to establish towers in the remote landscape regions. Institute of Electrical and Electronics Engineers (IEEE) 1901 and IEEE 1905 standards are the most common device specifications used for accomplishing such solutions.

6.1.1.4. Use of VSAT (Very Small Aperture Terminals) to promote use of banking services in remote locations

Lessons from primary data

Due to the lack of internet services in the landscape areas, the region suffers from low rate of banking transactions. The number of bank branches available are limited. Unlike the Pangivalley, Lahaul & Spiti is comparatively well populated and connected with bank branches in Keylong, Udaipur, Kaza, Tabo, Bazardanga, Gondhla, and Bimalagarh Sab. However, in case of Pangivalley, Killar is the central hub for all banking operations with three banks present in the region:

- State Bank of India (SBI)
- Himachal Pradesh Gramin Bank

- Himachal Pradesh State Cooperative Bank

As found in our interactions with representatives from banks, the time required in clearing and settling cheques is also high due to the poor network of roads.

In neighbouring villages, where bank branches are not available, people have to travel long distances to transact. On some occasions, they have to spend the entire day, which hampers their productivity and leads them to incur additional expenses. Moreover, the roads are closed for approximately 8 to 9 months (September to May) as they are covered in snow. Hence, the number of transactions during this period takes a considerable dip.

Since infrastructure in these areas is not completely developed, not many banks see an opportunity in opening branches in these areas. Due to their low presence, the awareness level among local people of the basic schemes available to them is also poor. People are unaware about schemes such as KCC, Fasal Bima Yojana, and many others.

Recommendations

It may be assumed that the network of roads and the internet accessibility shall not change during the short-term. Hence, it is important to put systems in place that could work in the existing environment. One of such systems is VSAT.

Very Small Aperture Terminal (VSAT) is a small communication earth system that uses satellite as a means for transmitting and receiving real-time data. VSAT finds its application in many areas, such as Direct-To-Home (DTH) TV, military and naval operations, ATMs, banking operations, etc.

Data speed in VSAT typically range from 56 Kbps to 4 Mbps. VSATs are most commonly used to transmit:

- **Narrowband data:** For the purpose of Point of Sale transactions such as credit cards, polling or radio-frequency identification (RFID) data
- **Broadband data:** For the provision of satellite Internet access to remote locations, Voice over Internet Protocol (VoIP) or video⁸

Step 1 User feeds in a command through the device

Step 2 The command is sent to the satellite via an antenna connected to the device of the user

Step 3 The satellite acts as a middleman and forwards the command to an earth station

Step 4 The earth station receives the command, processes it, and sends the result of the command back to the satellite

Step 5 The satellite receives data from the station this time and forwards this data to the user. This data is first caught by the antenna connected to the user's device

Step 6 The final result is displayed on the user's device

Few VSAT points are in existence in Pangi valley for carrying out banking transactions under the Bank Mitra scheme. Even banks work on the basis of VSAT. Following banking services can be availed via VSAT points:

- Opening of a bank account
- Aadhaar number linking
- Balance enquiry
- Withdrawal and deposits

⁸ <https://www.techopedia.com/definition/5095/very-small-aperture-terminal-vsats>

- Money transfer
- Payments of challans
- Repayment of loan instalments

Individuals who operate VSAT points have to do in partnership with a bank that provides the portal for transacting and gives internet access via a third party service provider. The internet services are provided by connecting the device to an antenna and has to be placed in an open area in order for it to send data to and receive data from satellites without any connection issues.

The availability of such a system should be leveraged well in remote locations. Following recommendations could also be noted:

- **Increasing the number of VSAT points:**

- Currently, only three (3) out of 16 panchayats in Pangti have a VSAT point: Sural, Hundan and Luz. The first step that could be taken is establishing a VSAT point in each of the panchayats. These VSAT points could then be set up in each individual villages, based on the demand. This may help keep the number of banking transactions high even during the winter season when the roads are closed.
- Once a VSAT point has been set up in each village and the number of banking transactions has increased considerably, multiple VSAT points could be set up. Initial support may be required from a government body since the demand of banking transactions may not be high. However, with increase in awareness levels with time, it could become a profitable business for trained individuals.

- **Reducing the cost of set up:**

- Following are the devices required to set up a VSAT point: Laptop/Desktop, Finger print sensing and recognizing device, Modem and Antenna
- The following expenses also have to be incurred to set up a VSAT terminal: Room rent, Electricity connection, and travel expenses (to the chest branch)
- VSAT operators work on a commission basis. However, due to the low volume of transactions, the commission may not be enough to cover all the expenses. Hence, it may be necessary that the banks and the government authorities in unison provide for the devices and expenses, at least at the initial stage, which may be recovered at a later stage.

- **Adding more services under the VSAT umbrella:**

- The types of services currently provided through VSAT points are limited. New services such as filling up of forms for applying to loans and insurance may be added. These may include all types of loans and insurance, or the typical ones, such as crop loan, small business loan, personal loan, crop insurance and life insurance. Non-banking services may also be included, such as filling up of forms for schools, colleges, government jobs and others. Forms for applying to government ID cards, such as Aadhaar, PAN etc. may also be executed from here.
- VSAT terminals could also act as recharge or top-up points. People in the area could recharge their mobile phones, DTH, and pay their utility bills from these points. This shall provide convenience to the local people and additional income to the VSAT operators.
- VSAT can be used for other purposes as well that may help the area to move forward as a whole. For example, there is no provision to enquire about the status of hotels and home stays in these areas. If such information is available and updated regularly, there might be an upward shift in tourism which shall provide employment to many. Another example is that tourists do not have knowledge of the local transport, timings, different ways to reach the destination, places to visit, etc. Availability of such information may encourage more tourists, especially families to come to these areas and add to the income of local people.

- The applications of VSAT are wide. In 2015, Apollo Hospitals was roped in by the government for a project that aimed to connect people residing in remote areas of Himachal Pradesh with specialists of Apollo Hospital sitting in New Delhi and Hyderabad. The telemedicine system consists of customised hardware and software at both the patient and doctor ends with some of the diagnostic equipment like ECG monitors, X-ray machines and pathology microscopes/cameras provided at the patient end. They are connected via a VSAT system and technical assistance is provided by Apollo Hospital⁹.

- **Support from the bank:**

- Setting up a VSAT (for banking) requires it to be linked to a certain bank. To promote its use, the bank could provide additional services to the VSAT operator, the benefits of which could be passed on to the final consumer. For example, the VSAT operator may be provided with banking kits in advance that contain pass books, cheque books, and an ATM-cum-debit card that an individual shall gain access to upon opening a bank account. This shall prevent the current system of the individual account holder necessarily having to visit the bank branch in order to gain access to these facilities.
- Each VSAT operator is required to maintain some cash balance since withdrawals are the most common form of transaction. In the current system, the VSAT operator first transfers money from the individual's account to his/her own account, and then conducts a withdrawal transaction from his/her own account. Thus, the onus of maintaining cash is on the VSAT operator, who has to regularly visit the bank to withdraw cash. Upon opening of multiple VSAT points, the bank could itself send advance money to these operators via designated vans. Alternatively, VSAT operators in a particular area could take turns going to the bank branch in order to minimize costs.
- Based on the past transaction history from a particular VSAT point, the maximum limit of transactions could be updated. This shall incentivize the operators to encourage individuals around them to transact more, leading to a robust transaction history.
- VSAT operators could be trained on the various existing schemes of the banks and the government, and may be passed on the responsibility of organizing FLCs. Since the VSAT operators reside in the area they have set up their VSAT point in, they are considered more reliable and trustworthy.

Box 6: VSAT point in Sural village (Pangivalley)

Sural is one of the three panchayats which has a VSAT point. It is operated by Mr. Ajay, a resident of the village. Ajay had set up the VSAT point in 2017 and has a lifetime license from SBI to operate the VSAT point. Currently, the VSAT terminal can be used to open a bank account, check the balance, deposit, withdraw and transfer money. Ajay uses a laptop to conduct the transactions and has a finger print sensing device that is used to verify the user via Aadhaar biometrics.

Ajay works on a commission basis and this is his secondary source of income. He has set up the VSAT terminal at his home and conducts the transactions anywhere from 8 AM to 8 PM. On an average, 120-150 transactions are executed each month. He gets INR 2,500 for executing 100 transactions. However, if the number of transactions does not reach 100, some amount is deducted. The biggest challenge he cited was the issue of connectivity. The internet service frequently gets interrupted, post which he has to lodge a complaint and it gets functional within 1-2 days. In such cases, he maintains a note of the transactions that people wish to make, notes down their account numbers, and completes the transactions whenever internet services are restored. Thus, the level of trust among people here is high. He also maintains a record of all the transactions during each month. Since VSAT works even during all seasons, he gets regular business through these banking transactions.

⁹ <https://www.hindustantimes.com/punjab/govt-to-expand-telemedicine-services-to-pangi-in-chamba/story-6O2oHAXgWMMwJmujS2NKvL.html>

6.1.2. Awareness and usage

Several gaps have been identified with regard to awareness and usage of financial services and products in the primary survey of households. It is seen that people in the landscape have limited awareness of the financial products and services, possibly a reason for not using the same. Specific cases have been examined below and accordingly appropriate suggestions have been provided.

6.1.2.1. Gaps in insurance

Household level survey has showed that only one-fourth of the respondent pool (25%) is aware of some insurance provider in vicinity. So, enhancing visibility of the insurance service providers and their penetration is the major issue. Based on this, some recommendations have been mapped for each of the types of insurance.

Life Insurance

A good starting point can be popularizing various government insurance programs like:

- Pradhan Mantri Jeevan Jyoti Bima Yojna (PMJJBY) has a life cover of INR 2 lakh against an annual premium of INR 330, which is an affordable amount for landscape residents;
- Pradhan Mantri Suraksha Bima Yojna (PMSBY) can provide a cover of INR 2 lakh for full disability or loss of life and INR 1 lakh for partial disability for a miniscule premium of INR 12 per annum;
- Life cover under Pradhan Mantri Jan Dhan Yojna (PMJDY) is free and premium is borne by government, only caveat being landscape resident must have PMJDY account.
- Once these schemes have a growing demand and certain number of takers in the market, private players can also make their way serving the people in the landscape.

Crop Insurance

Lessons from primary data

- Adoption comes in the form of crop insurance embedded in KCC, claims are settled by third party insurance provider who has tie up with the bank issuing KCC loan hence some respondents also have problem with claiming losses;
- None of the respondents claimed having adopted crop insurance separately;
- There was no respondent who opted for Pradhan Mantri Fasal Bima Yojana (PMFBY);
- No cases of adoption of Restructured Weather Based Crop Insurance Scheme (RWBCIS) were found either;
- The problem of regional risk factors is not addressed in nationalised insurance schemes;
- No provision of incentivizing community level participation in the insurance schemes.

Recommendations

- To account for heterogeneous risk factors specific to landscape level for crop insurance, customized insurance products need to be launched, one such solution is **hybrid parametric insurance**;
- Weather index based insurance can provide safety net against climate change phenomenon but loses out on addressing the individual levels of losses. Aggregate yield/loss data can complement the same and can be obtained from agriculture/horticulture department at block level. A hybrid policy is hence more desirable;
- Implementation barriers may include presence or functionality of Automatic Weather Stations (AWS), but it can be financed by convergence of funds from Rural Infrastructure Development Fund (RIDF), NABARD in collaboration with the State Government;

- To involve communities into such a scheme, it can start as micro-insurance scheme of NABARD or Rural Livelihood Mission or any such agency/department/NGO which works with Self Help Groups (SHGs), as it has reach to grass root level at the landscape level.

Livestock Insurance

Lessons from primary data

- No reporting of livestock insurance in survey;
- Livestock losses by wildlife attack are compensated by Forest Department and the compensation is decided by the animal killed. For examples, amounts of compensation are different for horse, goat, cow, etc.

Recommendations

- Identification of landscapes with higher livestock-wildlife conflict;
- Shortlisting of insurance companies to participate in livestock protection of the landscape;
- Involvement of veterinary practitioners in the landscape for valuation, causality of death verification, tagging the insured animal etc.;
- Shortlisting of type of livestock to be brought under insurance cover;
- Commencement of insurance policy and decision on optimal subsidy on insurance premium;
- Mechanism to accommodate for the change of owner of livestock;
- Settlement of claims through bank transfer

6.1.2.2. Gaps in credit

Lessons from primary data

Observations were collected on credit and credit related behavior of the landscape residents. In certain landscapes here, livelihoods related to black cumin, hazelnut, potato and green peas are prevalent as it has been observed that the landscape residents directly earn in cash when they sell these products. They spend the cash in hand as per their judgement for capital and consumption needs. In addition, it was observed that apart from Kisan Credit Card (KCC), the uptake of other credit subsidy schemes or other forms of regular credits is weak.

Table 9: Reported reasons for not opting for credit from household survey

S.No.	Reasons for not opting for credit from household survey	Underlying issues (on basis discussion with households and financial institutions)
1.	Lack of collateral	<ul style="list-style-type: none"> • Lack of understanding that agricultural land cannot be used as collateral by banks; • Lack of land holding by some families especially from SC/ST families.
2.	Fear of repayment and subsequent confiscation of collateral by bank	<ul style="list-style-type: none"> • Banks have targets to recover loans and hence, it is a stale mate situation for demand and supply side.
3.	Rejection of proposal	<ul style="list-style-type: none"> • Individual departments in government have detailed project report and hence they know maximum possible benefit that can be drawn from a scheme in a given area.

S.No.	Reasons for not opting for credit from household survey	Underlying issues (on basis discussion with households and financial institutions)
4.	Don't feel the need	<ul style="list-style-type: none"> • Respondents are indulged in cash rich livelihoods and hence have enough capital from livelihood itself; • Respondents have asymmetric information regarding opportunities presented to them by markets and hence are unable to start alternate livelihoods and hence do not feel the need for capital.

Recommendations

- Awareness through electronic media/print media through advertisements or awareness campaigns, that can be taken up by NABARD to let people know about issues related to land convertibility, registration of inherited land parcel, etc.;
- Collateral free MUDRA loans to be promoted by various mediums of communication;
- Dissipation of information from individual government departments to landscape residents regarding detailed project reports which will help landscape residents decide upon possible livelihood options and plan their capital requirements accordingly.

6.1.2.3. Rural Self-Employment Training Institute (RSETI)

Rural Self Employment Training Institutes (RSETIs) – an initiative of Ministry of Rural Development (MoRD) to have dedicated infrastructure at district level to impart training and skill upgradation of rural youth geared towards entrepreneurship development. RSETIs are managed by lead banks with active co-operation from the MoRD and Rural Development Department of Govt. of Himachal Pradesh. The trained youth from RSETIs can be linked to banks and can access credit at 20-24% interest under the Prime Ministers' Employment Generation Programme (PMEGP).

Lessons from primary data

- At present, RSETI is being facilitated by State Bank of India (SBI) in Chamba district while it is not present in Lahaul & Spiti. Since inception, 185 training programmes have been conducted, covering 4,328 candidates in Chamba district.
- During the community sensitisation workshop on financial inclusion, it was observed that a good number of people have benefited from various RSETI trainings in the valley and have ventured into their own businesses (e.g.: tailoring, beauty parlour, tent house, restaurants, etc.).

Recommendations

- New training programmes could be introduced to train the youth on tourism-related opportunities (e.g.: camping, home stay, hotel, cycling, hiking, etc.), as per the demand in the valley.
- Measures need to be undertaken to increase awareness on the procedure for availing RSETI training across the landscape.
- A training institute could be established in the district of Lahaul & Spiti in consultation with State Bank of India (SBI), the lead bank and other relevant authorities.

6.1.3. Gender aspects

The credit offtake of women shows a significant lag with respect to the men in the household survey. Also, the access to credit is restricted by the ownership of collateral assets by men in the society.

Recommendations:

- Target driven loans to women i.e. disbursement of a significant proportion of MUDRA loans into accounts held by women (as the scheme gives collateral free loans);
- Introduction of higher levels of revolving funds for all women SHGs in schemes like of NABARD and faster promotion of all women SHGs to higher levels of revolving funds in multi-level revolving fund kind of schemes like of NRLM;
- Fast track promotion of male SHGs to higher levels of revolving funds in schemes like NRLM if proof is shown against consistent deposit of income from business started by NRLM support into wife's account;
- Introduction of differential interest rates to women on other credit subsidy scheme at the cost of equal and opposite increment interest rates charged to male applicants and continuation of this intervention till half of the credit subsidy applicants are females.

6.1.3.1. Strengthening the Self-help Group (SHG) network

Lessons from primary data

The existing SHG network in Pangi and Lahaul & Spiti is majorly dormant. While SHGs exist, most of them are not actively functioning. The most common forms of livelihood are agriculture and activities under the NREGA scheme, which may differ from region to region. It has been found that many SHGs formed under various schemes consist of the same members. Thus, most of the SHGs exist only on paper aimed towards meeting targets. Even then, the targets have not been met entirely. In other parts of India, the SHG model of lending has found success in the past and is being implemented by various banks. The default rate observed has been low. In March 2013, the outstanding credit to SHGs stood at INR 39.3 crore with a default rate of 7.08%, while in September 2018, the outstanding credit climbed to INR 73,191 crore with a default rate of 2.7%. Himachal Pradesh, however, has not been able to reap the benefits of SHGs, as evident in the data shown in **Table 10**.

Table 10: SHG bank linkage and credit mobilisation as per SLBC data (December 2018)

District	SHG Bank Linkage		Financial (in INR crore)	
	Target	Achievement	Credit Target	Credit Mobilized
Chamba	560	459	6	1.6
Kinnaur	100	60	1.2	0.28
Lahaul & Spiti	80	7	0.9	0
Himachal Pradesh	5,400	3,538	60	26.98

Market Linkages: SHG members may not have an expertise in branding, marketing and ultimately selling their products. Lack of infrastructure makes the matter worse. Due to no internet access, they cannot advertise their products online. On the other hand, poor network of roads, which are open for only less than half a year, do not allow them to frequent other markets and sell in trade shows or other markets with convenience. Thus, SHGs do not have enough impetus to focus on traditional handicraft items that may be of good quality and do not have the required demand or distribution channels. Without these constraints, it is expected that agriculture will remain the major source of employment for individuals.

Recommendations

- **Closing the dormant/uninterested SHGs and training:**
 - SHGs that comprise of the same members may be closed off and exist only under one scheme. It is necessary to govern them initially and guide them on what measures could possibly be taken for better

performance of the groups. Such an initiative could be taken along with NABARD, who can suggest alternative form of activities to the SHGs (e.g.: Tribal Development Fund).

- Individuals not part of an SHG should be made aware of the benefits of forming one, such as immediate source of funds for borrowings, better repayment rates due to peer pressure, easier transition to formal sources of borrowing and multiple government schemes that provide both financial and non-financial incentives. Again, this could be implemented with the help of either NABARD or an NGO.

- **Market Linkages:**

- Establishing distribution channels for local made products is a tough component. However, it may be an integral step towards promoting the formation and active functioning of SHGs, which may require support from many agencies. One of the possible channels is marketing of products online by establishing a VSAT connection that sells indigenous products, which may include naturally occurring substances such as medicinal plants, locally grown produce such as black cumin, hazelnut, herbal tea, and handmade products such as socks, gloves, scarves etc. With such a scenario, it may also happen that few of the products become a Geographical Indicator (GI) of the region.
- With the collaboration of private and public agencies, the local products may also find regular vendors. For example, vendors of a tea company may source herbal tea (*Gunru*) produce directly from Chamba and sell it at a premium. A fixed percentage of income may be given back to the producers as royalties.
- Since these tribal belts comprise of areas that are currently located far off from the cities and have low population levels, it is necessary to protect them from possible future damages of urbanization, which include decreasing forest cover and higher pollution levels. Thus, an aspect of environment could be possibly included while selling products that guarantees a small proportion of the income towards safeguarding such areas. This may increase the tourism through increased awareness and at the same time, protect these areas.

- **Increasing production during winters:**

- It may be possible that individuals may not be ready to shift towards these alternative forms of livelihoods immediately, and may prefer sticking to the traditional income sources of agriculture. However, the winter season witnesses no activity in agriculture due to extreme snowfall. All activities are halted for approximately 6 months. Individuals could be incentivized to focus on making and processing their local products during this season. This may find acceptance from the community as well since this is a step towards increasing their current income levels.

Box 7: The story of Pangti Hills

Collective Efforts for Voluntary Action (CEVA) is an NGO that is based in the Pangti valley. It works with the communities of Himalayan region to improve their access to basic health, education, employment, agriculture, food security and environment. It works extensively with women SHGs. It has set up an online portal named 'Pangti Hills' that sells the local products produced by SHGs and farmer groups. It is creating an impact by:

- Generating income through value addition of the local produce
- Encouraging pure, organic and natural products to enhance the quality of life
- Providing sustainable livelihoods and strengthening tribal communities, especially tribal women and farmers

It currently has various products listed on its e-commerce platform, namely hazelnut, black cumin, Himalayan buckwheat flour, Himalayan red honey, Himalayan white honey, Himalayan walnut, hair oil, saffron etc. Currently, it has on board 30 SHGs, 4,000 farmers and 87 tribal products on its platform.

6.1.4. Linking financial inclusion, livelihood and conservation

Financial inclusion is an important enabler for alternate livelihoods which finally leads to economic wellbeing of the landscape residents as well as the conservation of the Himalayan landscape. For metamorphosis of the Theory of Change, please see **Figure 41**.

The role of different types of financing has been motivated in **Figure 43** below.

Finance Type	Objectives	Relevance	Targeted Barriers	CONSERVATION
Grant: UNDP	Conservational Outcomes	Capacity building and mobilization of resources	Solves information asymmetry and immobile resources	
Preserving: NABARD, SLRM, CEVA, etc.	Welfare while making people self-reliant	Kick-off capital for economic activity	Experience with capital formation and economic activities	
Return seeking: Banks, MFIs, etc.	Returns on capital provided	Scaled up access to capital	Makes seek better opportunities and returns from markets	

Figure 43: Different types of financing and their relevance in meeting objectives of project outcomes

6.1.5. Strategies for financial inclusion

In the previous subsection, intervention measures have been suggested for financial institutions. In this subsection, strategic tool for decision making in terms of credit outlay has been recommended. It was observed that credit market in the landscape under analysis has significant component of intervention. Lending based on priority sector regulations and subsidy on loans means that lending rates offered by the financial institution are not a reflection of true risk return profile of the livelihood options against which lending was made.

Table 11: Mapping economic activity and lending dimensions to – a tool for banks in imperfect credit market

Relevant heads of economic activity	Corresponding livelihood activity	Available credit instruments
Agriculture and livestock	Apple, potato, green pea, kidney bean (rajma) cultivation	<ul style="list-style-type: none"> Pradhan Mantri Fasal Bima Yojana (PMFBY) National Rural Livelihood Mission (NRLM) and National Urban Livelihood Mission Central Sector scheme for setting up of ACABCs by Agricultural Graduates Mission (NULM)
	Rearing of sheep and goat	<ul style="list-style-type: none"> National Livestock Mission- Entrepreneurship Development & Employment Generation Dairy Entrepreneurship Development Scheme Interest Subsidy & Margin Money Scheme of KVIB
Forestry and logging	Timber processing	<ul style="list-style-type: none"> Swarozgar Credit Card

Relevant heads of economic activity	Corresponding livelihood activity	Available credit instruments
Manufacturing	Carding, spinning and weaving	<ul style="list-style-type: none"> Prime Minister's Employment Generation Programme (PMEGP) Administered by the Ministry of MSME
Construction	Building up cold storages, which will provide producer farmers with inventory storage capacity, time buffer for bargaining with traders and resulting resilience against cyclical fluctuations of prices and enhanced bargaining power of farmers	<ul style="list-style-type: none"> Prime Minister's Employment Generation Programme (PMEGP) Administered by the Ministry of MSME
Trade, hotel and tourism	Construction and maintenance of hotels and home stays	<ul style="list-style-type: none"> Himachal Pradesh Home Stay Scheme 2008
Transport and other means	Buying new vehicles for commercial (tourism) purpose	<ul style="list-style-type: none"> Car Loan from State Bank of India (SBI), HP State Cooperative Bank, etc. Bank Loan under PMEGP

Note: This is an indicative list of livelihood activities and by no means exhaustive, the purpose of table is demonstrate how credit instruments are pivotal for rise in income of economic agents in the landscape region.

6.2. Enablers for Financial Inclusion

The various opportunities mentioned above can be classified into three categories based on the type of issue they would address.

- **People Enablers** - to address issues related issues like financial awareness and capacity.
- **Process Enablers** – to address challenges like issues related to outreach and infrastructure.
- **Technology Enablers** – to address issues related to technology like network connectivity.

These enablers have been further classified based on importance and ease of implementation to help prioritize the issues to be addressed.

Based on importance, the enablers are classified as '**must have**' and '**good to have**'. 'Must haves' are important without which it is difficult to have financial inclusion. Though financial inclusion is possible without 'good to haves', they are important facilitators towards financial inclusion.

Based on **ease of implementation**, the enablers are classified as 'can be done' and 'difficult to do'. 'Can be done' enablers can be implemented easily in the short to medium term. However, 'difficult to do' enablers would require a long term for implementation.

Table 12: Enablers for financial inclusion

Enabler		Importance	Ease of Implementation
People	Creation of a financial literacy infrastructure	Must have	Can be done
	Capacity building programs for select financial institutions	Must have	Can be done
	Developing local resources for financial literacy and awareness, and support financial inclusion	Must have	Can be done

Enabler		Importance	Ease of Implementation
Process	Providing line of Credit Facilities	Good to have	Can be done
	Increase VSAT infrastructure in the landscape	Good to have	Can be done
	Improving Roads/ Other Physical Infrastructure	Must have	Difficult to do
	Incentivizing opening of branches and ATMs in small villages	Good to have	Can be done
	Promoting BC model backed by local village resources/ PRI members	Must have	Can be done
	Promoting MFIs in underserved villages	Good to have	Can be done
	Developing guidelines for facilitating processes in consultation with the Regulator	Good to have	Can be done
Technology	Improving Network Connectivity	Must have	Difficult to do
	Developing infrastructure for RTGS and enabling EBT for government schemes	Good to have	Can be done
	Promoting offline mobile van banking models	Must have	Can be done

As can be inferred from the above table, people enablers are the most important and can be implemented in the short to medium term. Addressing physical infrastructure and network connectivity issues, though important for financial inclusion, are a long-term process involving time and money. Considering the difficult terrain in Himachal Pradesh and sparsely populated villages, it is also important to have mobile vans catering to these villages as bank branches would be unviable.

6.3. Way forward

The long-term journey towards financial inclusion in the landscape should pass through some important strategic nodes. This would help the policy makers to optimally utilize the resources at their disposal by providing a sense of prioritization among set of recommendations that cover multidimensional aspects of the problem. Thus, we explain a long run roadmap for possible improvement in the state of financial inclusion in the landscape, in **Figure 44**.

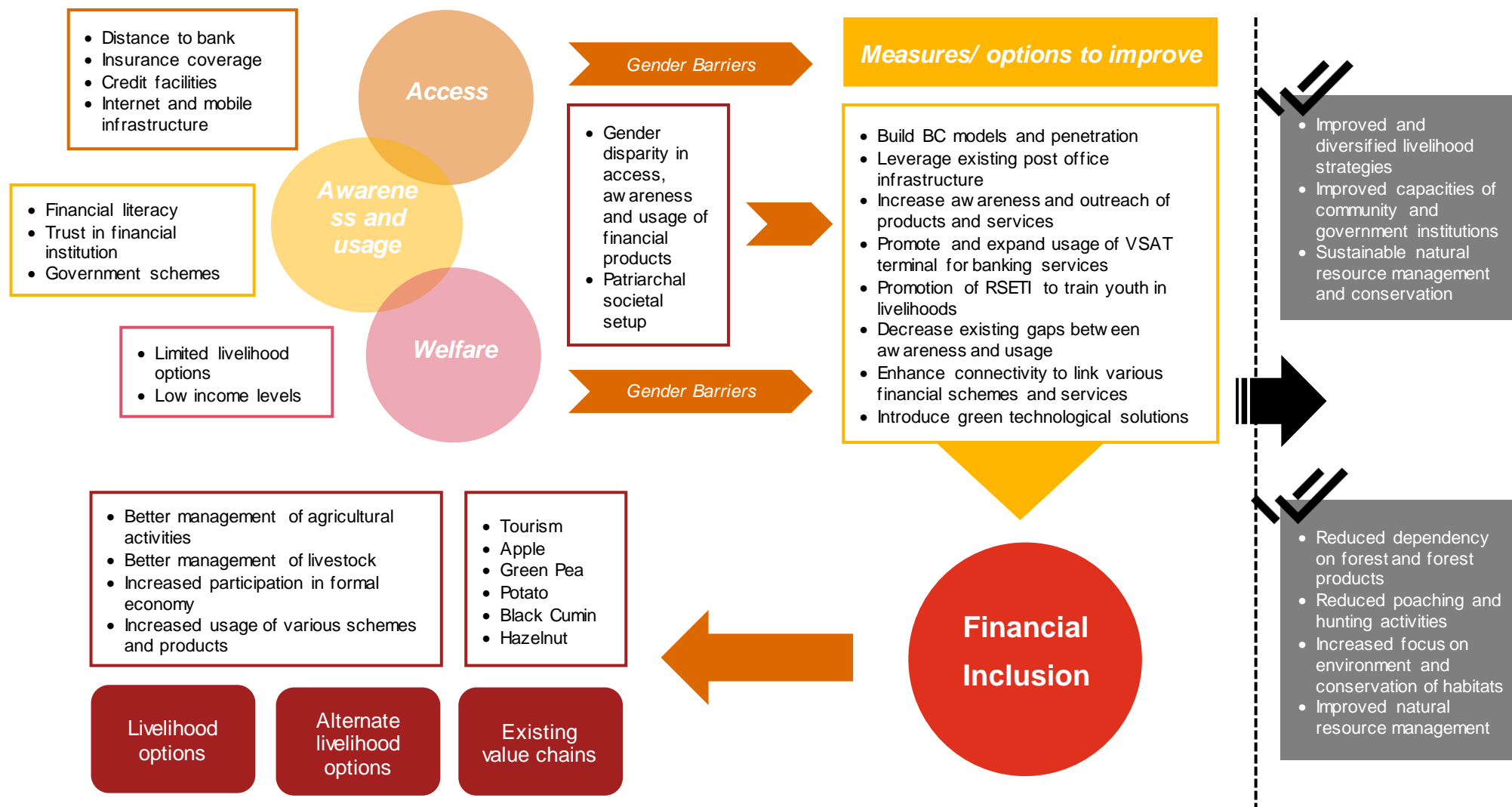


Figure 44: Way forward

Appendix A. - Detailed framework and approach

A.1. Compilation of good practices

Table 13: A literature review of good practices across globe relevant to engagement context

S.No.	Practice	Description
1.	<i>Shasthyo Shuroksha Karmasuchi (SSK), a health insurance scheme</i> Country: Bangladesh Category: Micro insurance	Under SSK, the government provides 'health cards' to one lakh poor households. The cardholders and their family members can access free healthcare for fifty common diseases, including common cold, flu etc. The government provided Tk 1,000 as the annual premium for each household that can utilize healthcare services costing up to Tk 50,000 per year The uniqueness of the program is the provisioning of no-cost healthcare for the masses (Green Delta Insurance, 2017)
2.	<i>M-Pesa, a mobile phone based microfinancing service</i> Country: Prominent in Kenya, but further implemented in Tanzania, Afghanistan, South Africa, India, Eastern Europe Category: Microfinance Mobile and digital banking	Popular mobile payment service, M-PESA, is operated by a private telecommunications provider and has reached nationwide appeal independently of the traditional banking sector. M-Pesa is a mobile phone-based money transfer, financing and microfinancing service, launched in 2007 by Vodafone for Safaricom and Vodacom (Global Financial Development Report, 2014) Combining sim card and phone account into a bank account, it allows paying for utilities rent etc. Rather than downloading an app, the platform allows to send money to the receiver like a text message
3.	<i>Deprived Sector Lending</i> Country: Nepal Category: Microfinance	Under this policy enforced by the Government of Nepal, commercial banks are liable to lend up to 3% of their total loan outstanding to the low income strata, with special attention to socially deprived, women, the population belonging to the lower castes, blind and deaf, small farmers, landless laborers etc. (Impact of Deprived Sector Credit Policy on Micro Financing, 2010) Deprived sector lending promotes equality by provisioning credit to vulnerable groups, and weaker sections of society
4.	<i>Red Solidaria Microseguros Rural (RedSol), group insurance scheme</i> Country: Mexico Category: Community-based finance, Micro-insurance	The Mexican Association of Credit Unions of the Social Sector (AMUCSS) has launched an intermediary insurance: RedSol, which manages the program of provisioning of micro-insurance to small farmers, who form groups to avail an insurance scheme. The farmers are not excluded from the formal banking system, but rather, have small land holdings, which are not eligible for formal banking insurance schemes in individuality Mexican agriculture provides most of the food consumed in the country. However, due to the arid climatic conditions that prevail in the country, low rainfall and occurrence of droughts are common, the insurance scheme assures farmers payoffs amid extreme uncertainty (Microworld, 2013)
5.	<i>Sight deposit accounts</i> Country: Chile Category: Microfinance	Banco del Estado de Chile (the only public bank in Chile) implements CuentaRUT, a sight deposit account, which has facilitated financial access for low-income households in Chile. Accounts are opened with minimum fuss, free of charge and all major types of payments can be processed using this account as the medium (Garralda & Tissot, 2017) A sight deposit account doesn't require a minimum income or banking history, neither does it have opening or maintenance costs (Arraño & Juan Pablo Cova, 2017)
6.	<i>SHG-Bank linkage programme (SBLP)</i> Country: India	Under SBLP, 10-20 individuals are organized in SHGs by NGOs, commonly known as Self Help Promoting Institutions (SHPI). The SHGs are also encouraged to take up livelihood activities, for which skill trainings provided by certain NGOs. The members of the SHG are encouraged to save and

S.No.	Practice	Description
	<i>Category: Community-based finance, Micro-finance</i>	internally lend the savings to members during times of need. SHPIs also provide knowledge on managing books of accounts This is a mechanism through which financial products/services are provided to vulnerable/low-income groups who lack access to basic formal banking (Status of Microfinance in India, 2016-17)
7.	<i>Emergency loans</i> <i>Country: Bangladesh</i> <i>Category: Micro-finance</i> <i>Mobile and digital banking</i>	Swosti, a mobile-application provides emergency funds across the country. The application aims to alleviate poverty by leveraging NGOs and the world wide web (Swosti, 2019) Provisioning of emergency bank loans can lower farm distress, particularly on occasions when climatic conditions are unpredictable
8.	<i>Negros Women for Tomorrow Foundation (NMTF), a Microfinance Institution (MFI)</i> <i>Country: Philippines</i> <i>Category: Micro-finance</i>	NMTF is a MFI that provides savings products, loans and other services to low-income women micro-entrepreneurs, farmers, fishers, and small to medium enterprises in the Philippines (Oikocredit, n.d.) The uniqueness aspect of the programme lies in the specific targeting of women, to promote entrepreneurial ascendancy
9.	<i>Bangko Sentral ng Pilipinas – Economic and Financial Learning Program (BSP-EFLP)</i> <i>Country: Philippines</i> <i>Category: financial literacy</i>	The Economic and Financial Learning Program (EFLP) is a flagship program of the BSP (central bank of Philippines), which is targeted to the general public (mainly the unbanked) to inform them about key leanings, particularly concerning economic information and financial education (The use of remittances and financial inclusion, 2015) Targeting of the unbanked enhances the level of financial inclusion and therefore leads to more participation in the formal banking system
10.	<i>Index-based livestock insurance</i> <i>Country: Kenya</i> <i>Category: Micro-insurance</i>	A pilot project that was started in 2010, The International Livestock Research Institute (ILRI) with the support of International Labour Office (ILO) has carried out a project on index-based livestock insurance. The project covers activities under communication, training and extension, and insurance operations and delivery channels. It also piloted an insurance product that provides compensation in the event of drought-related livestock losses in the Marsabit District of Northern Kenya (Developing the Rural Economy through Financial Inclusion: The Role of Access to Finance) Index insurance is a relatively new but innovative approach to insurance provision that pays out benefits on the basis of a predetermined index (e.g. rainfall level) for loss of assets and investments, primarily working capital, resulting from weather and catastrophic events. Because index insurance doesn't necessarily require the traditional services of insurance claims assessors, it allows for the claims settlement processes to be quicker and more objective (Index Insurance Forum, n.d.)
11.	<i>Kisan Credit Card (KCC), low-interest credit for farmers</i> <i>Country: India</i> <i>Category: Micro-finance</i>	The Kisan Credit Card (KCC) scheme, introduced in 1998-99, to enable farmers to purchase agricultural inputs and draw cash for their production needs. The scheme aims at providing adequate and timely credit for the comprehensive credit requirements of farmers under single window for their cultivation and other needs, at a subsidized rate (by the government) of 2% (FICCI, 2009) The scheme allows farmers to have access to a buffer of funds throughout the year, making it easier to pay for basic utilities till the agricultural activities carried out by them, bears fruit
12.	<i>Kiva, crowdfunding for entrepreneurs in need</i> <i>Country: Eight countries in five continents</i> <i>Category: Micro-finance</i>	Kiva allows lenders to crowdfund micro-loans requested by borrowers (usually entrepreneurs in developing countries), giving entrepreneurs a global platform to request for funds. (Kiva, 2019) Kiva does not take a cut of loans and covers operational costs through optional donations
13.	<i>Grameen Bank, a bank for the poor</i> <i>Country: Bangladesh</i>	The Grameen bank model is based on groups of five potential borrowers who meet frequently with Grameen Bank field managers. Two out of the five members are granted loans for a probation period. If repaid, the other three members are granted loans (Kiva, 2019)

S.No.	Practice	Description
	<i>Category:</i> Community based finance, Micro-finance	The unique aspect of this programme lies in the fact that two individuals take the responsibility of paying off the credit for a given period, and in turn sponsor other individuals to do (Britannica, n.d.)
14.	<i>Savings goals for savings accounts</i> <i>Country:</i> Ghana <i>Category:</i> Micro-finance	Saving is hard, especially for the poorer section of society. Mumudu Rural Bank (MRB) invented a new type of savings account that helps clients save by focusing attention on their savings goals The evaluation seeks to understand if a purely psychological savings product, which lets customers label funds within an account to direct them towards a specific goal, increases customer savings rate (Poverty Action Lab, n.d.)
15.	<i>Post Office Savings Banks</i> <i>Country:</i> Kenya, South Africa and the United Republic of Tanzania <i>Category:</i> Micro-finance	Banking via the post office. In Kenya, the Kenya Post Office Savings Bank is regulated by Kenya Post Office Savings Bank Act Cap 493B, and therefore the interest income earned by depositors is exempt from tax (Developing the Rural Economy through Financial Inclusion: The Role of Access to Finance) Post office bank account help economic agents access bank accounts in remote places where bank branches are not available
16.	<i>Familias en Acción, a conditional cash transfer programme.</i> <i>Country:</i> Columbia <i>Category:</i> Micro-finance	It provides grants of between US\$5 and US\$17 per month to poor households with children, on the condition that children aged less than 7 attend regular medical check-ups, and that children aged between 7 and 18 attend no less than 80% of school classes during the school year (Jones & Walsh, 2008) The programme incentivizes poor families to provide basic healthcare and education services to their offspring
17.	<i>Aadhaar card, a unique identity proof</i> <i>Country:</i> India <i>Category:</i> Establishing unique identity	The Aadhaar platform was not only being used in the Aadhaar-enabled payment systems to ensure regular transactions and direct benefit transfers from the government to residents of the country (Sriram, 2016) Assuring the unique identification of citizens and residents was an important symbol of re-integration and reconciliation, especially for those with no identity documents (The World Bank, 2018)
18.	<i>Banking Correspondent Model</i> <i>Country:</i> Brazil <i>Category:</i> Micro-finance, mobile and digital banking	Brazil's correspondent banking system enables clients to access a range of services from bank agents. Services include opening bank accounts, obtaining credit cards, and buying shares of mutual funds through agents that receive and forward applications (GPFI, n.d.) The banking correspondent model allows economic agents to access banking services without actually visiting a branch, this is especially helpful in remote, hilly areas
19.	<i>WING, a mobile payment app</i> <i>Country:</i> Cambodia <i>Category:</i> Mobile and digital banking	Launched in January 2009, WING Cambodia is an affordable, accessible, mobile-based money transfer service that targeted the country's unbanked population. It provides cash-in, cash-out, bill payment and person-to-person money transfers. WING users can deposit or withdraw cash at assigned outlets throughout the country and withdraw cash from their accounts at ATM's. Users can also send money to others using a secure PIN number (Open Knowledge World Bank, 2015) Wing is committed to providing financial inclusion to the unbanked and under-banked allowing every Cambodian access to services including local money transfers, bill payments and phone top-ups, online shopping and QR payment, as well as instant international money transfer from more than 200 countries (Wing, 2019)
20.	<i>E-Shakti, digitization of SHGs</i> <i>Country:</i> India <i>Category:</i> Mobile and digital banking	Digitization of Self-help groups (SHGs) using E-Shakti (A project of NABARD on digitization of SHGs) app, to take advantage of available technology to address problems regarding book keeping, capturing credit history of SHG members, generating SHG grading reports based on financial and non-financial records and making them available to all important stakeholders (Status of Microfinance in India, 2016-17) The USP of E-Shakti software is 'one-click' availability of social and financial information of all the members of the self-help groups (Eshakti, n.d.)

A.2. Evolution of financial inclusion in India

Table 14: A brief history of financial inclusion in India, in terms of some important milestones

S.No.	Year	Milestone achieved	Remarks
1.	1956	Nationalization of Imperial Bank of India.	Nationalization of the Imperial Bank represented the culmination of a protracted debate on its role in independent India, due to sheer size and reach of newly nationalized bank, Imperial Bank of India (now onwards to be known as State Bank of India), new avenues to extend credit facilities under various umbrellas was ensured in resonance with a national leadership's vision for development for the country.
2.	1967	Rolling out of policy stating social control over banks	Addressed the problem of bank reach expansion in the country by: <ul style="list-style-type: none"> • Widening the credit and banking facilities in areas hitherto underdeveloped, • For mobilizing deposits, • For the geographical extension of banking, facilities assumed even importance and significance.
3.	1968	National credit council was established	Implementation of the policy stating social control over banks was taken care of.
4.	1969	The concept of Lead Bank and associated schemes were introduced	One bank per district (public/private) was provided the role of increasing the offtake of financial products and services in the area, making people aware about banking system, generating trust so that people start depositing money in banks and materializing the concept of banking into day-to-day life of common citizens of the country.
5.	1971	Introduction of concept of priority sector lending and its norms	With origins in social control of banks, the concept was introduced to empower economically weaker but quintessential sectors from welfare perspective. The broad classifications of sectors decided upon were: <ul style="list-style-type: none"> • Agriculture (Direct & Indirect) • Small Scale Industries (Direct & Indirect) • Small Business/Service Enterprises • Micro Credit • Education Loans • Housing loans
6.	1975	Regional Rural Banks (RRBs) were established	Created with a view of serving primarily the rural areas of India with basic banking and financial services.
7.	1982	National Bank for Agriculture and Rural Development (NABARD) was founded	Came into existence with vision of fostering nation's rural prosperity. Envisaging to promote sustainable and equitable agriculture and rural development through participative financial and non-financial interventions, innovations, technology and institutional development for securing prosperity.
8.	1992	Self Help Group (SHG) linkage program was launched	Initiated by NABARD, to extend the reach of formal financial institutions like banks, under the paradigm that extending financial services to weaker and vulnerable sections of society, is cost efficient if materialized through Self Help Groups.
9.	1998	NABARD undertook the goal for linking 1 million SHGs by 2008	Further corollary of the SHG linkage program launched in 1992.
10.	2000	For micro credit Small Industries Development Bank of India (SIDBI) was established	NABARD was responsible for focused vision towards financially inclusive development of primary sector, for secondary sector SIDBI was formed by Reserve Bank of India, with a vision "to emerge as a single window for meeting the financial and developmental needs of the MSME sector to make it strong, vibrant and globally competitive".
11.	2004	Reserve Bank of India (RBI) set up Khan commission	An internal group on Rural Credit and Microfinance, later on popularized as Khan Committee, prepared guidelines for expansion of the banking outreach through the Business Facilitator and Business Correspondent models with Information and Communication Technology (ICT) support, which revolutionized the spread of financial inclusion in India.

S.No.	Year	Milestone achieved	Remarks
12.	2007	Bill on microfinance regulation was introduced in	Provided statutory framework for development and regulation of Micro-finance industry in the country.
13.	2008	Rangarajan Committee report was instituted by NABARD	Following lines of strategies were devised to bolster the state of financial inclusion: <ul style="list-style-type: none"> Effecting improvements within the existing formal credit delivery mechanism; Suggesting measures for improving credit absorption capacity especially amongst marginal and sub marginal farmers and poor non-cultivator households; Evolution of new models for effective outreach, and Leveraging on technology based solutions.
14.	2009	Raghuram Rajan Committee Report set up by Planning Commission	The Committee on Financial Sector Reforms (henceforth 'the Committee') was tasked with proposing the next generation of reforms for the Indian financial sector. The immediate question, of course, is whether we need a new generation of reforms at all.
15.	2011	Malegam Committee Report by RBI	Studied and addressed issues and concerns of the Micro Finance Sector including interest rates charged by the lenders in this area, complimented with related reforms.
16.	2012	Microfinance Institutions (Development and Regulations) Bill by Finance Department, Government of India	The Bill provides safeguards against misuse of market dominance by MFIs to charge excessive rates. It allows RBI to set upper limits on lending rates and margins. However, there is no provision for consultation with the Competition Commission of India.
17.	2012	Revised Guidelines on Financial Literacy Centers	Accordingly, the revised guidelines for Financial Literacy Centers of lead banks and the operational guidelines for the conduct of camps by FLCs and rural branches of banks have been prepared to be followed by lead banks.
18.	2014	Pradhan Mantri Jan Dhan Yojana (PMJDY), a financial inclusion program was launched by Government of India (GOI).	Pradhan Mantri Jan Dhan Yojana, is financial inclusion program of Government of India, which is applicable to 20 to 65 years age group that aim to expand and make affordable access to financial services such as bank accounts, remittances, credit, insurance and pensions.

A.3. Multi-framework approach to baseline assessment of financial inclusion

To draw the baseline of state of financial inclusion, a multi-framework set of indicators was finalized. Based on availability of the indicators data collection strategy was also finalized. This has been tabulated in **Table 15**.

Table 15: Multi framework approach to baseline assessment of financial inclusion

S.No.	Indicators	Source of data	Multi framework assessment of financial inclusion								
			Framework 1: UNDP				Framework 2: World Bank				Supply-Demand
			Access	Welfare	Usage	Quality	Credit	Savings	Insurance	Payments	
1.	Bank penetration	NABARD and SLBC	✓			✓					Supply
2.	Credit deposit ratio	NABARD	✓		✓	✓	✓	✓			Supply
3.	Institution wise credit extended	NABARD	✓		✓		✓				Supply
4.	Sector wise credit extended	NABARD	✓	✓	✓	✓	✓				Supply
5.	Credit recovery institution wise	NABARD and SLBC	✓				✓				Supply
6.	Livelihood wise credit extension plan	NABARD and SLBC	✓	✓	✓		✓				Supply
7.	Memberwise principal economic status and access to finance details	Household survey	✓		✓		✓				Demand
8.	Awareness and usage of various financial instruments	Household survey	✓		✓		✓	✓	✓	✓	Demand

S.No.	Indicators	Source of data	Multi framework assessment of financial inclusion								
			Framework 1: UNDP				Framework 2: World Bank				Supply-Demand
			Access	Welfare	Usage	Quality	Credit	Savings	Insurance	Payments	
9.	Access to bank and banking habits indicators	Household survey	✓	✓	✓	✓	✓	✓	✓	✓	Demand
10.	Perceived benefits of financial inclusion indicators	Household survey	✓	✓	✓	✓	✓	✓	✓	✓	Demand

A.4. Important schemes/interventions in the landscape regions

A diverse range of interventions engineered around financial inclusion and welfare objectives are being presented in **Table 16**. The objective of the presentation of the table is to understand the different types of instruments and intervention delivery mechanisms that are available currently in the landscape region, understanding the same is important to capture the economic environment prerequisites before dwelling into sketching the baseline assessment of financial inclusion in the landscape.

Table 16: Some relevant interventions/schemes at the central and state level

S.No.	Name of Scheme	Objective of intervention	Implementation agency	Coverage	Assistance details
Credit Subsidy Schemes					
1.	National Rural Livelihood Mission (NRLM) and National Urban Livelihood Mission (NULM)	<ul style="list-style-type: none"> Alleviate rural poverty; Create sustainable livelihood opportunities; NRLM seeks to promote sustainable community based institutions; Facilitate provision of financial services, economic services and other entitlements to the rural poor; and NULM is similar promoting self-employment and micro enterprises 	<ul style="list-style-type: none"> Extended hierarchy from National to State level; District Mission Management Unit (DMMU); District Rural Development Agencies (DRDAs); and Panchayati Raj Institutions (PRI) 	<ul style="list-style-type: none"> 50% of the beneficiaries are SC/STs; 15% are minorities; 3% are persons with disability; Ultimate target of 100% coverage of all households; and Households with at least one deprivation criteria as per Socio-Economic and Caste Census (SECC) 	<ul style="list-style-type: none"> Initial provisioning Revolving Fund (RF) to SHGs of Rs.10,000 - 15,000 as corpus to meet the members' credit needs directly; Start-up funds of INR 50,000 are given to Village Organization (VOs, 1 VO at least 5 SHGs); Five village organizations (VOs) can form a cluster level federation (CLF); and Interest subsidy – 7% for all SHGs for NRLM & NULM
2.	Prime Minister's Employment Generation Programme (PMEGP) Administered by the Ministry of MSME	<ul style="list-style-type: none"> Launched by merging PMRY and REGP; and Aims to generate employment in rural and urban areas by MSME creation 	<ul style="list-style-type: none"> Khadi and Village Industries Commission; Khadi and Village Industries Board; and District Industrial Centers 	<ul style="list-style-type: none"> Individual beneficiaries who have passed 8th grade of schooling education 	<ul style="list-style-type: none"> For business/Service Sector, the loan amount is up to Rs.10 lacs; For industries up to Rs.25 lacs; Subsidy level range from 15% to 25% (of cost of project) for General Entrepreneurs; and 25% to 35% for SC/ST/OBC/Minority/Women, Ex-Servicemen & Physically handicapped, in Urban and Rural areas, respectively

S.No.	Name of Scheme	Objective of intervention	Implementation agency	Coverage	Assistance details
3.	Special Component Plan (SCP)	<ul style="list-style-type: none"> Under the Scheme SC/ST, persons are provided bank loan, margin money and subsidy for different schemes; and Bank loan to BPL identified beneficiaries for income generating activities 	<ul style="list-style-type: none"> Social Welfare Department 	<ul style="list-style-type: none"> Beneficiaries are identified individuals below poverty line 	<ul style="list-style-type: none"> Subsidy - 50% subject to a maximum of Rs. 10,000/-; and Margin money (25% of the total project cost) of unit cost at 4% per annum
4.	Scheme for Liberation and Rehabilitation of Scavengers (SLRS)	<ul style="list-style-type: none"> Providing scavengers some alternative occupation with the help of bank loans; And capital subsidy to liberate them from their livelihood; 	<ul style="list-style-type: none"> Municipal Corporation – Himachal Pradesh 	<ul style="list-style-type: none"> Scavengers 	<ul style="list-style-type: none"> Project cost up to Rs. 50,000/-; Capital subsidy up to of Rs. 10,000/-; and Margin money up to 15% of the project cost at 4% interest per annum.
5.	Swarozgar Credit Card	<ul style="list-style-type: none"> Hassle free loan to people engaged in small business and service activities; and Borrowers to provide with card-cum-passbook for which bank may charge maximum of Rs.50/- only. 	<ul style="list-style-type: none"> Banks 	<ul style="list-style-type: none"> People engaged in small business and service activities 	<ul style="list-style-type: none"> Minimum loan of Rs. 25,000/- in the form of term loan/cash credit facility/combination of both; Banks are free to advance higher amount depending upon the merit of the case
6.	Dairy Entrepreneurship Development Scheme	<ul style="list-style-type: none"> To generate self-employment and value addition in dairy sector 	<ul style="list-style-type: none"> Department of Animal Husbandry & Dairy, Government Of India, National Bank for Agriculture and Rural Development 	<ul style="list-style-type: none"> Farmers, Individuals, Groups of unorganized and organized sector, SHG, Dairy co-operative societies, Panchayati Raj Institutions (PRI) etc. 	<ul style="list-style-type: none"> 25% of capital subsidy; 33.33% for SC/ST Entrepreneurs

S.No.	Name of Scheme	Objective of intervention	Implementation agency	Coverage	Assistance details
7.	Central Sector scheme for setting up of ACABCs by Agricultural Graduates	<ul style="list-style-type: none"> Supplement the government extension support system as also provide gainful employment opportunities to the agricultural graduates. 	<ul style="list-style-type: none"> National Bank for Agriculture and Rural Development & National Institute of Agricultural Extension Management (MANAGE) 	<ul style="list-style-type: none"> Agricultural Graduates (including allied activities) trained by MANAGE on or after 1 April 2004. 	<ul style="list-style-type: none"> Minimum loan of Rs. 25,000/- in the form of term loan/cash credit facility/combination of both; and Banks are free to advance higher amount depending upon the merit of the case
8.	National Livestock Mission - Entrepreneurship Development & Employment Generation	<ul style="list-style-type: none"> Livelihood through livestock sector. Sub components Integrated Development of small Ruminants Poultry Venture Capital Fund Pig development; and Salvaging of male buffaloes 	<ul style="list-style-type: none"> Department of Animal Husbandry & Dairy, Government Of India, National Bank for Agriculture and Rural Development 	<ul style="list-style-type: none"> Individuals, NGOs, public and private sector undertakings, cooperatives 	<ul style="list-style-type: none"> Subsidy – Designated Hilly Districts: (Chamba, Kinnaur, Kullu, Lahaul & Spiti, Shimla, and Kangra) BPL/SC/ST-50%, APL 35%; and Other Areas: BPL/SC/ST-33.33%, APL 25%, Margin: 10%
9.	Interest Subsidy & Margin Money Scheme of KVIB	<ul style="list-style-type: none"> Target Group - All Societies/Institutions registered with Zila Gramodyog Adhikari to start Khadi/ Village Industry with Project cost up to INR. Twenty-five lacs from within 22 board group of industries identified by Gramodyog Board 	<ul style="list-style-type: none"> District Rural Development Agencies 	<ul style="list-style-type: none"> Families' residing in villages with income less than INR 32,000/- p.a. eligible under the scheme; and Maximum cost of house can be INR 50,000/- with INR 40,000/- as loan amount and Rs 10,000/- (maximum) as subsidy. 	<ul style="list-style-type: none"> Interest Subsidy as amissible through Khadi and Village Industries Board

S.No.	Name of Scheme	Objective of intervention	Implementation agency	Coverage	Assistance details
10.	Rural Credit-cum-Subsidy Housing Scheme	<ul style="list-style-type: none"> Subsidy linked Rural Housing Scheme. 	<ul style="list-style-type: none"> District Rural Development Agencies 	<ul style="list-style-type: none"> Families residing in villages with income less than Rs. 32,000/- p.a. eligible under the scheme; and Maximum cost of house can be Rs 50,000/- with Rs.40,000/- as loan amount and Rs.10,000/- (maximum) as subsidy 	<ul style="list-style-type: none"> Loan and Subsidy in the ratio of 75:25
11.	Pradhan Mantri Awas Yojana urban – Credit linked subsidy scheme (CLSS)	<ul style="list-style-type: none"> To provide interest subsidy linked housing scheme to lower and middle income group 	<ul style="list-style-type: none"> State Urban Development Authority 	<ul style="list-style-type: none"> Beneficiaries of Economically Weaker section (EWS) and Low Income Group (LIG) seeking housing loans from Banks, Housing Finance Companies and other such institutions would be eligible. Interest subsidy at the rate of 6.5 % for a tenure of 15 years or during tenure of loan whichever is lower 	<ul style="list-style-type: none"> Interest subsidy at the rate of 6.5 % for a tenure of 15 years or during tenure of loan whichever is lower; and Loans below 6 lakhs only eligible

S.No.	Name of Scheme	Objective of intervention	Implementation agency	Coverage	Assistance details
12.	Mukhya Mantri Madhu Vikas Yojana	The Mukhyamantri Madhu Vikas Yojana is aimed at encouraging farmers to take up beekeeping and production of bee products in the state.	<ul style="list-style-type: none"> • Government of Himachal Pradesh (GoHP) • Department of Horticulture, Govt. of Himachal Pradesh 	Eligible farmers can take up beekeeping and production of bee products in the state	<ul style="list-style-type: none"> • The beekeeper will be given 80% cost amount or Rs 1,600 per bee colony to raise 50 bee colonies. • In each district, a bee-breeder of 300 bee colonies will be given an amount of Rs 3 lakh. • They will be given 50% subsidies on the transportation per year. • A five-day training camp will be organised every year for 25 novice beekeepers
13.	Prakritik Kheti Khushaal Kisan	<ul style="list-style-type: none"> • The Govt. of Himachal Pradesh launched this scheme to promote natural farming in the State. • HP Govt. provides subsidy along with financial assistance to encourage farmers for natural farming. • The natural farming is called as Zero Budget farming as it requires very minimal cost and depends on the natural resources as crops 	<ul style="list-style-type: none"> • Government of Himachal Pradesh (GoHP) • Department of Agriculture, Govt. of Himachal Pradesh 	<ul style="list-style-type: none"> • The scheme is applicable only to the residents of Himachal Pradesh • The scheme is meant only for farmers 	<ul style="list-style-type: none"> • 75% subsidy on drums which are required to make inputs for natural farming • Financial assistance of Rs.50,000 to open natural resources store in village • Training and workshop to create awareness about natural farming for farmers
14.	Mukhya Mantri Khet Sanrakshan Yojana	This scheme started in Himachal Pradesh to provide the safety to the fields from wild animals in the state. The state government of Himachal Pradesh has started this scheme in all the district of the state.	<ul style="list-style-type: none"> • Government of Himachal Pradesh (GoHP) • Department of Agriculture, Govt. of Himachal Pradesh 	<ul style="list-style-type: none"> • The scheme is applicable only to the residents of Himachal Pradesh • The scheme is meant only for farmers • The financial assistance will be given to those farmers only whose livelihood source is agriculture and horticulture sector only. 	Under this scheme, the farmers will be provided 60% financial assistance for solar and regular electric fencing around the farm.

S.No.	Name of Scheme	Objective of intervention	Implementation agency	Coverage	Assistance details
<i>Insurance related schemes</i>					
15.	Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY)	<ul style="list-style-type: none"> Increasing the penetration of life insurance to the poor people who are otherwise not able to avail life insurance policies i.e. social security for all 	<ul style="list-style-type: none"> Life Insurance Corporation and all other life insurers who are willing to offer the product on similar terms with necessary approvals and tie up with banks for this purpose 	<ul style="list-style-type: none"> People in the age group of 18 to 50 years having a bank account who give their consent to join / enable auto-debit 	<ul style="list-style-type: none"> Under PMJJBY scheme, life cover of Rs.2 lakhs is available at a premium of Rs.330 per annum per member and is renewable every year
16.	Pradhan Mantri Suraksha Bima Yojana (PMSBY)	<ul style="list-style-type: none"> Aims to bring the insurance coverage to the uninsured sector. The scheme also serves the goal of financial inclusion by penetrating the insurance to the weaker sections of the society and thus ensuring financial security 	<ul style="list-style-type: none"> The scheme is being offered by Public Sector General Insurance Companies or any other General Insurance Company who are willing to offer the product on similar terms with necessary approvals and tie up with banks for this purpose 	<ul style="list-style-type: none"> The Scheme is available to people in the age group 18 to 70 years with a bank account who give their consent to join / enable auto-debit 	<ul style="list-style-type: none"> The risk coverage under the scheme is Rs.2 lakh for accidental death and full disability and Rs.1 lakh for partial disability at the premium of Rs.12 per annum
17.	Life cover under Pradhan Mantri Jan Dhan Yojana (PMJDY)	<ul style="list-style-type: none"> Targeting a large number of people who are currently deprived of even rudimentary financial services 	<ul style="list-style-type: none"> The premium subscription for the life cover under PMJDY is borne by the Government of India 	<ul style="list-style-type: none"> The bank account comes with a RuPay debit card with a built-in accidental insurance cover of Rs. 1 lakh 	<ul style="list-style-type: none"> A life cover of Rs. 30,000/- for those subscribing to a bank account with a RuPay debit card before 26th January 2015 to complement the Rs. 1 lakh accident insurance cover
18.	Varishtha Pension Bima Yojana (VPBY)	<ul style="list-style-type: none"> A pension scheme for elder citizens 	<ul style="list-style-type: none"> Life Insurance Corporation of India (LIC), any gap in the guaranteed return over the return generated by the LIC on the fund is compensated by Government of India by way of subsidy payment in the scheme 	<ul style="list-style-type: none"> Under the scheme a total no. of 3.16 lakh annuitants are being benefited and the corpus amounts to Rs. 6,095 crore 	<ul style="list-style-type: none"> The scheme is administered through Life Insurance Corporation of India (LIC). Under the Scheme the subscribers on payment of a lump sum amount get pension at a guaranteed rate of 9% per annum (payable monthly)

S.No.	Name of Scheme	Objective of intervention	Implementation agency	Coverage	Assistance details
19.	Pradhan Mantri Fasal Bima Yojana (PMFBY)	<ul style="list-style-type: none"> A comprehensive insurance cover against failure of the crop thus helping in stabilizing the income of the farmers 	<ul style="list-style-type: none"> Selection of Implementing Agency (IA) is done by the concerned State Government through bidding 	<ul style="list-style-type: none"> 21 states implemented the scheme in Kharif 2016 whereas 23 states and 2 UTs have implemented the scheme in Rabi 2016-17. Approximately 3.7 Crores farmers have been insured in the Kharif 2016 for 3.7 crore ha of land at premium of Rs 16212 crore for a sum insured of Rs 1,28,568.94 crore 	<ul style="list-style-type: none"> The Scheme covers all Food & Oilseeds crops and Annual Commercial/Horticultural Crops for which past yield data is available and for which requisite number of Crop Cutting Experiments (CCEs) are conducted being under General Crop Estimation Survey (GCES)
20.	Pradhan Mantri Vaya Vandana Yojana (PMVVY)	<ul style="list-style-type: none"> To protect elderly persons aged 60 years and above against a future fall in their interest income due to the uncertain market conditions, as also to provide social security during old age 	<ul style="list-style-type: none"> Implemented through Life Insurance Corporation (LIC) of India 	<ul style="list-style-type: none"> Elderly persons aged 60 years and above 	<ul style="list-style-type: none"> As per the scheme, on payment of an initial lump sum amount ranging from a minimum purchase price of Rs.1,50,000/- for a minimum pension of Rs 1,000/- per month to a maximum purchase price of Rs.7,50,000/- for maximum pension of Rs. 5,000/- per month, subscribers will get an assured pension based on a guaranteed rate of return of 8% per annum, payable monthly

S.No.	Name of Scheme	Objective of intervention	Implementation agency	Coverage	Assistance details
21.	Restructured Weather Based Crop Insurance Scheme (RWBCIS)	<ul style="list-style-type: none"> Aims to mitigate the hardship of the insured farmers against the likelihood of financial loss on account of anticipated crop loss resulting from adverse weather conditions relating to rainfall, temperature, wind, humidity etc. 	<ul style="list-style-type: none"> State government with the help of chosen agencies 	<ul style="list-style-type: none"> Approximately 15 lakhs farmers have been insured in the Kharif 2016 for 16.95 lakh ha of land at premium of Rs. 983.96 crore for a sum insured of Rs8536.53 crore as per figures available on 31.03.2017 	<ul style="list-style-type: none"> Pay-out structures are developed to the extent of losses deemed to have been suffered using the weather triggers
22.	Rashtriya Swasthya Bima Yojana (RSBY)	<ul style="list-style-type: none"> Aims to provide health insurance coverage to the unrecognized sector workers belonging to the BPL category and their family members 	<ul style="list-style-type: none"> The State Government while formulating the pilot project will determine the implementing agency 	<ul style="list-style-type: none"> Enrolled BPL families from each district up to a maximum number of households based on the definition and the figures provided for each state by the Union Planning Commission 	<ul style="list-style-type: none"> The unorganized sector worker and his family (unit of five) will be covered. Total sum insured would be Rs. 30,000/per family per annum on a family floater basis; Cashless attendance to all covered ailments; Hospitalization expenses, taking care of most common illnesses with as little exclusion as possible; All pre-existing diseases to be covered; and Transportation costs (actual with maximum limit of Rs. 100 per visit) within an overall limit of Rs.1,000/-

S.No.	Name of Scheme	Objective of intervention	Implementation agency	Coverage	Assistance details
23.	Aam Admi Bima Yojana (AABY)	<ul style="list-style-type: none"> • Provide social security and financial aid to the rural population. • Provide social security to people living below the poverty line/people living in rural areas without any access to urban healthcare 	<ul style="list-style-type: none"> • “Nodal Agency” shall mean the Central Ministerial Department/State Government / Union Territory of India/any other institutionalized arrangement/any registered NGO appointed to administer the Scheme as per the rules. • In the case of “Rural Landless Households”, the nodal agency will mean the State Government/Union Territory appointed to administer the Scheme 	<ul style="list-style-type: none"> • The members should be aged between 18 years completed and 59 years nearer birthday; and • The member should normally be the head of the family or one earning member of the below poverty line family (BPL) or marginally above the poverty line under identified vocational group/rural landless household 	<ul style="list-style-type: none"> • The premium to be charged initially under the scheme will be Rs.200/- per annum per member for a cover of Rs.30,000/-, out of which 50% will be subsidized from the Social Security Fund. In case of Rural Landless Household (RLH) remaining 50 % premium shall be borne by the State Government/ Union Territory and in case of other occupational group the remaining 50% premium shall be borne by the Nodal Agency and/or Member and/or State Government/ Union Territory

A.5. Inter-dependence of financial inclusion and livelihoods

Table 17: Interdependency of financial inclusion and livelihoods: a two-way relation

S.No.	Livelihood options	Independent	Livelihood option to financial product/service feedback effect	Financial product/service to livelihood option feedback effect	Livelihood option and financial product/service both affecting each other
1.	Rajma (Kidney beans)	Access to information of right markets to sell end product so that appropriate profits may be realised	Agriculture insurance, disaster/calamity insurance, direct benefit transfers, Bank deposits (livelihood seasonal in nature)	Term loans, supply chain financing	Kisan credit card (KCC), bank accounts, attractive loan packages
2.	Apple	Access to information regarding exports, target countries and technical know-how to produce export quality apples	Agriculture insurance, disaster/calamity insurance, direct benefit transfers, Bank deposits (livelihood seasonal in nature),	Term loans, supply chain finance	Kisan credit card (KCC), bank accounts, attractive loan packages
3.	Tourist guide	Credit cards and e-payment methods may not be that directly benefitting the livelihood option	Bank deposits (livelihood seasonal in nature), Short term loans to purchase necessary trek equipment's POS machines/mini ATMs can help them accept payments in cash in landscape regions void of mobile signals	Education loans to learn taxonomy or spoken English in order to improve amount of income	
4.	Sericulture	Adoption of best practices in culturing, handling and extraction of silk from silk worm	Loans may be needed to develop infrastructure, growing mulberry plants, rearing silk worm and silk extraction essentially needs capital for setting up the infrastructure	Insurance against unanticipated adverse climatic adversities may encourage people to take up this livelihood option	Customized term loans, as sericulture involves multiple steps which may require financing, the customization itself will come once landscape specific offtake of certain schemes takes place
5.	Medicinal and aromatic plants	Identification of appropriate market opportunities, realization of business cycles driven by excess or shortage in supply of plants, Formation of Joint Forest	Loans for construction of infrastructure and capacity building for improved inventory management to mitigate cyclical market fluctuations		

S.No.	Livelihood options	Independent	Livelihood option to financial product/service feedback effect	Financial product/service to livelihood option feedback effect	Livelihood option and financial product/service both affecting each other
		management groups and growing medicinal plants in common land rather than regular agricultural land			
6.	Wild animal poaching	<p>Planning of a full proof regulatory and legal framework,</p> <p>Adoption of necessary steps to implement the legal framework,</p> <p>Awareness programs emphasizing importance of wildlife and potential earning from tourism attracted by conserved wildlife</p>	Cash is an important mode of transaction to settle poaching payments, regulatory framework should include methods to track and curb the usage of cash transactions under such activities	Provision of credit to members of society to attain basic training in trekking and wild life tourism to assist tourists, photographers and researchers to relevant landscapes, to buy basic safety gear to carry out such expeditions in high altitude terrain	
7.	Fire wood collection from forests	<p>Planning of a full proof regulatory and legal framework,</p> <p>Adoption of necessary steps to implement the legal framework,</p> <p>Awareness programs emphasizing importance of forests to conserve the Himalayan ecosystem and its benefits in long run on day to day life of landscape residents,</p> <p>Promotion of government schemes like UJJWALA</p>		Extension of credit towards development of alternative fuel options, to open new gas agencies, to help MSMEs who are into cylinder and burner manufacturing owing to excess demand creation due to UJJWALA Yojana.	A long term sustainable credit policy to cater the demands of market with the aim of diversifying livelihood of agents whose current livelihood is forest dependent
8.	Daily need shopkeepers	Improvement of mobile connectivity	Catering to demands of digital payments to reduce dependency on		Digital payments can prove to be complementary to

S.No.	Livelihood options	Independent	Livelihood option to financial product/service feedback effect	Financial product/service to livelihood option feedback effect	Livelihood option and financial product/service both affecting each other
		as perquisite of financial inclusions	cash, basic saving and credit facilities to facilitate the business operations		business operations to such agents of economy owing to demand of easy transactions in high altitude terrain which can simultaneously be fulfilled by competing players offering online methods of transaction
9.	Handicraft artisans	Creation of platform to showcase the unique art and art forms of high altitude society which in turn can generate revenue and ensure sustainability of cultural heritage, Basic knowledge transfer of branding and showcasing the cultural skillsets		Basic credit products to facilitate operational scaling up, branding and to target wider target audience/buyers of goods and services unique to cultural heritage of high altitude societies	
10.	Hospitality business	Basic knowledge transfer of branding and hospitality management	Dem and for shorter term investment plans parallel to tourist off season with fixed returns will have a good off take		
11.	Restaurant business	Basic knowledge transfer of branding, presentation and quality management	Dem and for shorter term investment plans parallel to tourist off season with fixed returns will have a good off take		
12.	Transportation business	Emission regulations are required to conserve the delicate ecosystem	Credit products promoting and involving exchange of old vehicles		Attractive low premium insurance with timely repayment to mitigate landscape specific driving risks

Appendix B. - Community Sensitisation Workshop on Financial Inclusion

B.1. Details of the workshop

Table 18: Agenda and impact of the community workshop

Agenda:	<p>The main objective of this Financial Inclusion workshop was to familiarize the community members with financial inclusion and related benefits from being part of the formal economy. The workshop further aimed the following:</p> <ul style="list-style-type: none"> • Increasing awareness of the participants about the type of services that a bank can provide which can help them to plan and tap available business opportunities • Enhancing knowledge and awareness about relevant initiatives and schemes being run by the government at various levels along with success stories of the community • Dissemination of information on alternative livelihood options for the communities/ individuals in the landscape
Venue & Date:	<p>Venue: Khel Kood Bhawan, Near FRH Eco Hut, Killar, Pangi, Chamba District, Himachal Pradesh</p> <p>Date: 8 August 2019</p>
Participants:	<p>The workshop was well attended. There were ~175 participants in the workshop. The participants were invited from various villages across the landscape (Killar, Karyas, Sural, Sural Bhatori, Sach, Dharwas, Rei, Phindpar, Kumar Parmar, Phindroo, Mindhal, Tindi etc.). A good mix of male and female participants was observed in the workshop. A 'Financial Inclusion Booklet' containing knowledge material in Hindi was distributed to all the workshop participants.</p> <p>Following were the panelists for the workshop:</p> <ul style="list-style-type: none"> • LDM Chamba, Director - RSETI • Financial Literacy Counsellor, SBI • Range Officer, Forest Department (Himachal Pradesh) • Deputy Director, Department of Animal Husbandry (Himachal Pradesh) • RSETI Trainer and Facilitator, SBI • UNVs, SECURE Himalaya Project, Himachal Pradesh

Outcome/ Impact	<ul style="list-style-type: none"> • A common voice of all participants was that the workshop was an eye opener and fruitful in terms of awareness generation of various banking related products and services. • The workshop sessions were interactive and practical in nature. We saw community members coming up to the stage and sharing their experience of learning in the workshop. • Participants mentioned that the session conducted by the Financial Literacy Counsellor was helpful as they got an opportunity to understand various schemes such as Kisan Credit Card (KCC), Jivan Jyoti Bima Yojana, Atal Pension Yojana, MUDRA, Stand-up India, Skills India, * 99#, etc. • Sural village's President appreciated the work done through the financial inclusion booklet and mentioned how useful it would be for the community members. • With the launch of Jio 4G in the landscape, the community members were excited to learn about facilities such as SBI Yono, Paytm, BHIM, internet banking, etc. through the workshop. • Other community members from Sural and Dharwas village congratulated the organisers for putting up this workshop as it is collectively helpful in general awareness and development. They mentioned to have benefitted from the overall work being done under SECURE Himalaya Project. • The workshop saw a good representation from both male and female participants. The female participants were particularly interested about the prospects of RSETI and how it would be helpful in generating self-employment across the landscape (For eg.: beauty parlour, dress designing, and other skill development courses) • In terms of scheme enrollment, over 16 participants showed interest in RSETI (Rural Self Employment Training Institutes) and collected forms for further registration in different business activities.
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B.2. Snapshots from the workshop



Figure 45: A few snapshots from the community workshop

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