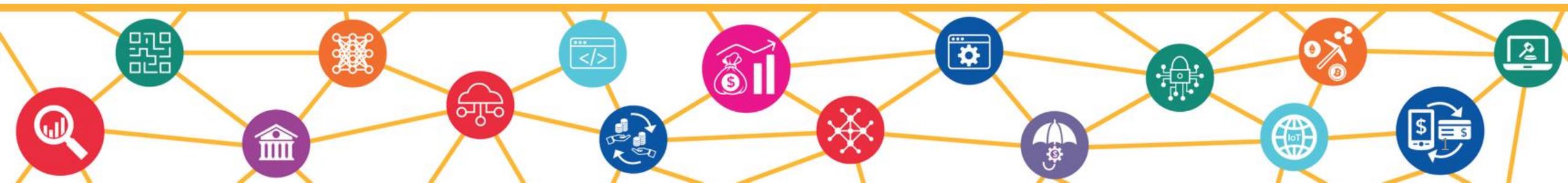


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Cambridge FinTech & Regulatory Innovation: Project Proposal

Name: Sanchita Basu Das and Kanupriya Gupta

Project Title: Empowering Women MSMEs through Fintech Solutions



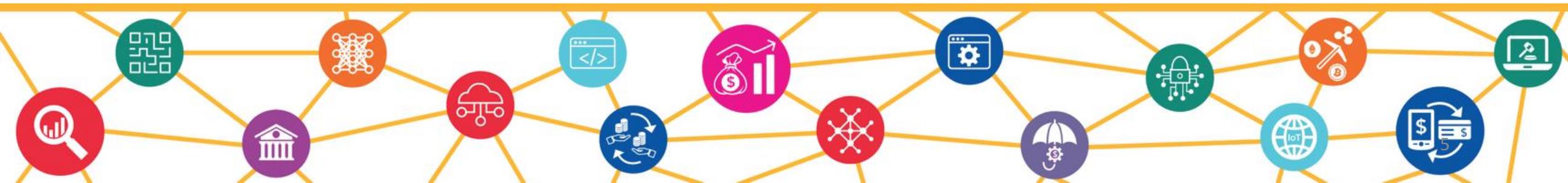
Topics

- Module 1: Innovation and regulation
- Module 2: Deconstruction Banking
- Module 3: Digitising payments
- Module 4: Digital assets
- **Module 5: Digital lending and capital raising**
- Module 6: Innovation offices and regulatory sandboxes
- Module 7: Regulatory Technologies

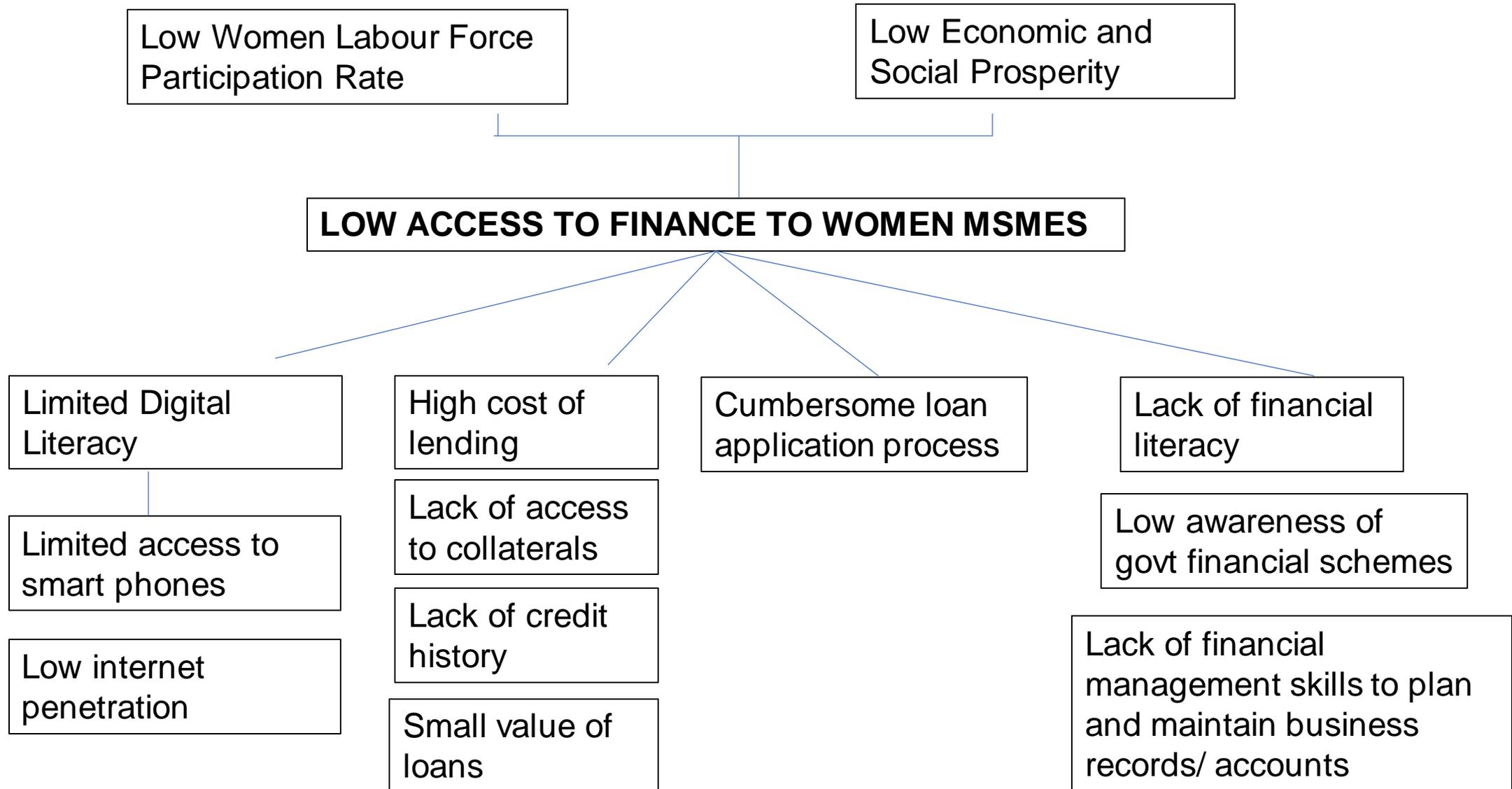


The Context

- Gender inequality in India, defined as low and falling women participation in labour force and high unemployment, is a major social issue.
 - The problem for women got aggravated during COVID-19
- Promoting women entrepreneurship in India is key given its positive socio-economic impact
 - MSMEs constitute a big proportion of enterprises in India: while 95% of these are micro-enterprises, the share goes up to 98% if it is led by women.
 - During COVID, women-run enterprises were badly hit, and nearly 40% of them faced closure
 - Access to finance, poor awareness of financing schemes, longer wait for credit are major hurdles

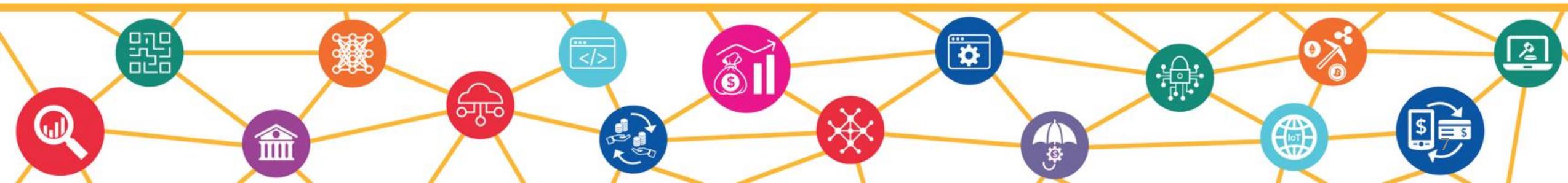


Problem Statement



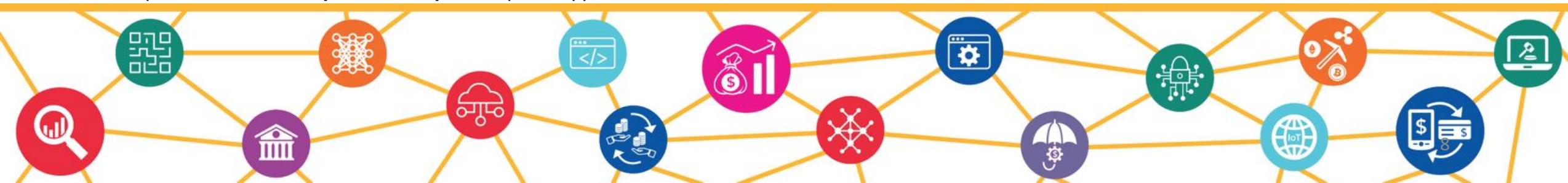
Impact of Covid 19 on Women MSMEs: The issue of inequality got aggravated in India during the COVID-19 pandemic.

- The MSME sector was one of the worst hit during the lockdown. Over 50% of MSMEs witnessed a 20%–50% decline in their earnings.
- In India, women MSMEs are concentrated in few traditional sectors - 35% in personal services, 31% in apparel and textiles and 15% in food and other services. Their ability to diversify is severely constrained due to a pervasive digital divide – in an increasingly digitized world. Only 29% of female account holders use digital payments, against 42% of male account holders.
- The impact on women-owned enterprises was much worse – 82% reported shutting shop in March under lock down, of which nearly 40% indicated not intending to resume operations again.
- Pre-existing barriers in finance, skill training, and market access have been exacerbated.
- Women-led enterprises have been hit hard financially too, with 72% reporting a drop in revenue and 88% utilizing personal savings to meet working capital needs.



Objectives and Government of India's Initiatives

- The **objectives** of the project is to strength women-led MSMEs with access to low-cost finance.
 - ❑ Other services to be strengthened- tailored knowledge and capacity building, skills development, backward-forward linkages partnering with e-commerce platform and networking channels.
- This project is in line with **ADB's two operational priorities** - accelerating progress in gender equality and addressing poverty and inequality.
- This project is also in line with **Gol's regulatory initiatives**
 - ❑ To support entrepreneurship and self–employment: Standup India, Pradhan Mantri Mudra Yojna (PMMY), Women Entrepreneurship Platform (WEP)
 - ❑ Atmanirbhar Bharat Package in 2020- INR3 lakhs crore of collateral-free automatic loans, revision of MSME definition
 - ❑ To promote Fintech based solution- Goods and Services Tax (GST), Digital identity and signature (Aadhar card), Jan Dhan Yojana (bank account for all), digilocker (for storing documents), Unified Payments Interface (digital payment across banks), digital-KYC (by video), Digital lending initiatives (formation of peer-to-peer (P2P))



Solutions

- Propose to support (a) undertake upstream analytical work on developing innovative financial products (including P2P lending and cluster financing) to help improve access to finance to low-income, semi-urban and rural women MSMEs in unorganized sectors, (b) to undertake pilot projects in two women dominated MSMEs clusters in the select states (e.g. Maharashtra, UP, West Bengal, Tamil Nadu)
- The proposed financial products under consideration, as appropriate, includes
 - **P2P lending** – market place model, which allows individuals to connect and lend to other individuals, based on risk profiling and credit assessment. There are 350+ fintech lending companies in India, all regulated by RBI.
 - **Cluster Financing** – Cluster based approach is extending banking services to recognized MSME clusters.
- Implementing the pilot projects in coordination with the State governments, associated district industry centers and cluster institutional structures.
- With Proof of concept, considering learnings and challenges, we can scale up the pilot projects to more women-led MSMEs in other States/MSME clusters
- Financial inclusion is an important part of Gol's pro-growth economic policy measures and initiatives. Financial inclusion can pave the way for poverty reduction, financial stability and economic development for all sections of the society. Further, It's a new area of ADB's intervention and involves innovative solutions, diverting from ADB's core areas of transport, urban, energy and agriculture infrastructure.



Project Deliverables /Key Performance Indicators (KPIs)

Results Chain	Performance Indicators with Targets and Baselines
<p>Outcome Access to finance for women-MSMEs improved</p>	<p>By 2027</p> <ul style="list-style-type: none"> a. At least 20 women in the identified MSME clusters have managed to access finance through fintech solution and managed to sustain their business activities a. State-level institutional arrangement to support women-MSMEs established
<p>Outputs</p> <ul style="list-style-type: none"> 1. Strategic study identifying the demand and supply side access to finance constraints for women-MSMEs 2. Pilot project for 2 women-MSME clusters implemented 	<p>By December 2024</p> <ul style="list-style-type: none"> 1a. Study for at least five industrial clusters across five states in India completed 1.b At least one analytical note or policy brief published <p>By December 2026</p> <ul style="list-style-type: none"> 2a. At least 20 Women from each of the 2 identified MSME clusters participated in the pilot projects



Project Deliverables /Key Performance Indicators (KPIs)

Key Activities with Milestones

1. Strategic study identifying the demand and supply side access to finance constraints for women-MSMEs

- Undertake survey and Focus Group Discussion with various stakeholders and government counterparts to assess the state and challenges of demand and supply side (Q3-2022 to Q4-2022)
- Study a suitable governance structure for managing the 2 pilot projects of selected states in coordination with the district industry centers and state government (Q1-2023)
- Prepare the study report (Q1-2023 to Q1-2024)
- Conduct dissemination workshops and publish policy briefs (Q2-2024 to Q4-2024)

2. Pilot project for 2 women-MSME clusters implemented.

- Awareness activities and capacity building to improve digital and financial literacy (skill development with smart phones, internet banking, women entrepreneurship, financial literacy) (Q1-2025 to Q3-2025)
- Procurement of smart phones with affordable mobile data plan (Q2-2025 to Q4-2025)
- Linking banks to participating women promoting digital lending (Q1-2026 to Q2- 2026)
- Improved backward and forward linkage promoting digital payment (Q3-2026-Q4-2026)

Inputs

ADB TA Resource: \$2 million



Cost Estimate and Financial Planning

Item	Amount (\$'000)
Consultants (Analytical study and pilot project)	1,450
a. Remuneration and Per diem	
International Consultants	1,200
National Consultants	250.0
b. out-of-pocket expense	
International and local Travel	20.0
Report Preparation and Communication	10.0
Survey	100.0
Procure smart phones and mobile data	150.0
Trainings and Seminars	100.0
Facilitators and Resource Person	20.0
Venue Rental	40.0
Training equipment and other expenses	40.0
Misc administrative and support cost	100
Contingencies	100.0
Total	2,000.0

Thank-you!

