

## COVA: Financial Inclusion Project

### Celebration of Success in Policy Transformations and Grass Root Innovation

COVA has been striving since 2013 for creation of an environment conducive to ensure genuine financial inclusion of the poor through a ***Pilot Project for Access to Loans for the Poor and engagement with the Government of India for appropriate Policy Transformations***. Over 20 Civil Society Organisations of Hyderabad actively collaborated in the program apart from the critical role and outstanding contribution of officers from the State Bank of Hyderabad and Syndicate Bank in making this ***Pilot Project for Financial Inclusion*** a success and ensure genuine financial inclusion of the poor.

The Pilot Project facilitated access to 610 persons to avail loans worth Rs. 1,42,08,500 till 29<sup>th</sup> February 2016 with an impressive repayment rate of 99.74% for State Bank of Hyderabad and 99.68% for Syndicate Bank.

The Financial Inclusion Project is being expanded to other districts of Telangana and subsequently to other states of the country. State Bank of India and other banks have also shown interest and are expected to be involved from 2016.

On the other hand, due to sustained advocacy with the Government, Members of Parliament, political Parties, Bureaucrats and policy makers, the Government of India accepted 8 of the 12 recommendations made by COVA in its new policy formulations that would enable genuine financial inclusion and help petty and small businesses to access credit from banks. The Recommendations of COVA accepted by the Government are:

- 1) Single Page Application Forms for small loans;
- 2) Issue of receipt by banks for loan applications- Single Page Form with Receipt is attached and can also be downloaded from the website of the Department of Financial Services (DFS) at the following link: <http://financialservices.gov.in/PMMY%20Form.pdf>;
- 3) Revision of loan limit for petty business under DRI from 15,000 – now the loan limit is up to Rs 50,000 under the Shishu Scheme of MUDRA;
- 4) Revision of Income Limit for eligibility;
- 5) Over Draft facility of Rs. 5000 to the poor to meet emergencies;
- 6) Assigning and mandating individual bank branches to attain targets;
- 7) Using Post Offices as Banking Correspondent to enable people to deposit and withdraw funds from their bank accounts and
- 8) Waiving of condition to procure No Dues Certificates from 8 to 10 neighbouring banks.

These suggestions have potential to benefit approximately 9 crores (90 million) hawkers, petty traders and micro enterprises across India if are implemented properly.

**Twelve New Recommendations:** COVA has given twelve new recommendations to take forward the process of genuine financial inclusion of the poor that are under active consideration of the Government of India.

**Caution and Critical Input:** Policies are being put in place, now implementation has to be ensured to enable the poor and the marginalised to enjoy the benefits of genuine financial inclusion. A critical input in ensuring success would be the Last Mile Connect between the poor and the banks for identification of genuine entrepreneurs, facilitation in document preparation and assistance in ensuring repayment that could be easily provided in a very cost effective way by civil society organisations working at the grass roots. COVA has started this initiative of linking banks and the poor through civil society organisations in Hyderabad and Karimnagar and will expand the Project to remaining districts of Telangana and other States in 2016.