



PROJECT FACT SHEET

SUMMARY

Banking on Change is a three-year global community investment programme aimed to improve the quality of life of 500,000 disadvantaged people by developing and extending access to basic banking services. The partnership between Barclays, CARE, and Plan delivers savings-led community finance projects in 11 countries across Africa, Asia, and South America. In India, CARE implements the project in three districts of Tamil Nadu: Nagapattinam, Cuddalore, and Kancheepuram. The overarching principle of this project is to ensure sustainability (institutional, operational, and financial) and effective delivery of financial services to poor households. CARE believes that the long-term viability and sustainability of Self-Help Group (SHG) methodology depends upon developing SHG Federations which can function as effective financial and non-financial intermediaries within communities. Using the entire range of SHG infrastructures—SHGs, SHG Federations, and Microfinance Institutions (MFIs)—CARE and the partner NGOs provide grant and technical support, training, and capacity building to offer customised financial services in a sustained manner to the poor.



Banking on Change

Sponsored by Barclays Bank

Location: Tamil Nadu

AIMS

- To enhance the financial inclusion and literacy of the 32,500 SHG members in the project area by December 2012
- To improve the quality and sustainability of the 2,321 SHGs (each with an average of 15 members) by developing and strengthening six SHG Federations as financial intermediaries
- To enable active participation in SHG Federations and to advance the ability of SHG members to choose and effectively use varied financial services
- To increase the institutional, operational, and financial sustainability of the SHG Federations and to enhance their ability to access credit from formal financial institutions
- To promote innovative and viable savings products and savings-linked credit and insurance products
- To develop the capacity of three NGO MFIs to provide effective financial and non-financial support services to SHG Federations
- Share learning at regional, national and international levels to promote best practices and influence policy on financial inclusion



SPECIFICS

According to a 2003 survey, only 31.3 percent of rural households in Tamil Nadu had access to any source of finance. Of this, only 13.9 percent could source credit from institutional sources¹. A CARE study in Tamil Nadu in 2006 further revealed that low levels of income and literacy were particularly predominant amongst socially marginalised communities, particularly the women.

Approximately 60 percent of the target group are of Scheduled Caste, Scheduled Tribe, Minority, or Most Backward Caste, and have, therefore, previously not been granted access to any formal financial services.

Microfinance is widely seen as a means to address gender inequality within society through financial inclusion and economic empowerment, as it allows women to contribute to the household income and participate in financial decision-making. Economic empowerment also translates into social empowerment so much so that many women are reported to have, risen to leadership positions within their villages or municipalities.

Microfinance increasingly targets women because they are most likely to invest straight back into the household. Institutions that transact with women consistently report repayment rates of 95-98 percent. CARE believes that assisting poor women to use credit and savings means that they can increase their income and investments, and therefore reduce the vulnerability of their household.

CARE has encouraged women to become Business Correspondents (BCs), a new initiative from the regulator, the Reserve Bank of India, to enhance the financial inclusion

process. BCs provide the financial services of the bank to village communities through the use of handheld devices linked to the bank's Core Banking System (through GPRS) and which operate in the regional language.

RESULTS TO DATE

- Member outreach till date is 22,395; they are the direct beneficiaries who receive financial and non-financial services provided by the community owned federations
- Key stakeholders' workshops at state and district levels have moved the financial inclusion agenda of the nation
- A round table on Financial Literacy has enabled learnings from various players in the development and delivery of the suitable curriculum
- There are seven Banking Correspondents in place who take the banking services to the members' doorsteps
- Six SHG Federations have been registered under the Mutual Benefit Trust Act and the Societies Act
- Share capital amounting to Rs. 2.4 million has been mobilised by the Federations and a portfolio has been created
- Approximately 12,252 members have been enrolled under the social security scheme
- Three fully fledged training programmes have been provided. These include training in:
 - Accounting and book keeping
 - SHG/Federation formation and strengthening
 - Governance for community-based institutions

CASE STUDY

Tamilarasi lives with her two daughters in Manigramam village of Nagapattinam district. Her husband died suddenly in 2010, and as their marriage was an inter-caste one, Tamilarasi could not turn to relatives for assistance. Having no technical skills or proper education, Tamilarasi struggled to educate her two daughters and was forced to take loans and try to find employment. She became a member of the village SHG and was soon informed about as a BC initiative by the local bank. Tamilarasi was appointed as a BC for Manigramam village by the Indian Overseas Bank in December 2010.

Having undergone training on how to operate the handheld device, she began to open bank accounts for nearby villagers. Despite initial challenges in convincing people of the benefits of the new banking system, she is now on a salary of Rs. 2,000 per month and has managed to open bank accounts for over 370 people. The customers are impressed by the services provided by Tamilarasi and have started approaching her for all sort of banking services. Having received such a positive and growing response, the bank is now starting to offer other financial products through their BCs, including micro-insurance and credit. Tamilarasi is overwhelmed and feels empowered by the range of services that she is able to provide to the community. She says, "Earlier people thought that only the rich could have access to banking services but now I am helping the poor to have equal access."



¹NSSO, All India Debt and Investment Survey, NSS 59th Round, January - December 2003