Solutions for India based on Dvara Research

An empirical study [1] conducted in rural India indicates that residents are particularly concerned about health expenses, second only to worries about natural disasters. These adverse events create short-term and long-term negative consequences for low-income households. Households typically cope by reducing consumption, working more, borrowing money and liquidating assets, thereby eroding safety nets and becoming deeply vulnerable to future shocks.

This underscores the necessity for an integrated risk management solution that combines credit, savings and insurance solutions to complement whatever benefits are available from government schemes. Designing and testing such solutions is the focus of an ongoing innovation project [2] by the ILO?s Social Finance Programme.

In a new paper [3], Dvara Research examines the supply side challenges in providing such integrated solutions in India. The country drives its financial inclusion efforts through access to bank accounts and credit. Two pillars support the policy interventions to create an enabling environment:

- The JAM trinity: a Jan Dhan account (a financial inclusion programme creating affordable access to financial services), Aadhaar based (biometric) identification, and mobile based communication;
- A digital infrastructure that links financial institutions, local merchants and consumers.

However, usage and connectivity remain challenging for low-income households. Dvara Research?s paper presents solutions by examining the financial service provider and policy perspectives.

For example, one solution is for all the four financial sector regulators (banking, insurance, pensions and mutual funds) to jointly create a ?universal distributor license?, covering a set of eligibility rules for intermediaries offering a certain combination of products. This will help to streamline access points so that intermediaries can offer complete and continuous financial advice to low-income households. Furthermore, it can structure the rules in a tiered manner, grading individual distributors based on customer outreach and volume of transactions, which would allow distributors with different maturities to co-exist so that the more capable ones can sell the more sophisticated products.

Besides India, the ILO is also supporting the development of integrated risk management solutions with MFIs and savings and credit cooperatives in the Philippines and Indonesia. To learn more about the product development process and pilot experiences of these partners, please find here the slides and recording of a webinar we organized on March 31 [4].