



# OPTIMiSM

January-March 2019



**SIDBI CMD Shri Mohammad Mustafa along with representatives from World Bank & UN Women at the launch of Women's Livelihood Bond.**

## The Editors' Desk

We bring you the January – March 2019 issue of OPTIMiSM giving a quick round of happenings in the MSME sector, the backbone of the Indian economy.

We are pleased to share that, SIDBI in its constant drive to reach out to those at the bottom of the pyramid has joined hands with UN Women and the World Bank, to launch an innovative financial instrument, the “Women’s Livelihood Bond”. The Bond is an attempt to raise funds at low coupon rates from socially inclined investors, to be utilized for delivering cost effective credit to women micro entrepreneurs as a part of the Bank’s commitment to empower women to be economically independent.

An article on Social Sector Funding gives a complete overview of evolution of social sector funding across the globe which we hope would make for an enjoyable reading.

We are also glad to be present the 2<sup>nd</sup> Edition of MSME-ET Awards 2019 to recognize and reward MSMEs.

### Editorial Committee

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# Eco-Dashboard

## Macro-indicators - Annual

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
<b>GDP Growth -constant price (2011-12)</b>	5.5	6.4	7.4	8.2	7.1	6.7	7.0#
<b>Index of Industrial Production (IIP)</b>	3.3	3.4	4.0	3.4	4.6	4.3	3.6
<b>IIP - Manufacturing</b>		3.6	3.8	2.8	4.4	4.6	3.5
<b>Forex Reserves- RBI (USD Billion)</b>	292	304	341	360	370	424	412^
<b>Merchandise Export (in billion USD)</b>	300.4	314.41	310.34	262.3	275.85	302.84	331.02
<b>Merchandise Import (in billion USD)</b>	490.74	450.2	448.03	381.01	384.36	459.67	507.44
<b>Current Account Deficit (CAD)</b>	4.8	1.7	1.3	1.1	0.6	1.9	2.5>
<b>Consumer Price Index (CPI)</b>	10	9.4	5.8	4.9	4.5	3.6	
<b>Fiscal Deficit (% of GDP)</b>	4.9	4.5	4.1	3.9	3.5	3.5	3.4

#- Second AE 2019, ^March 29, 2019, > Q3 FY 2019

## Macro-indicators - Monthly

	Sept	Oct	Nov	Dec	Jan	Feb	Mar-19
<b>Merchandise Export (in billion USD)</b>	27.95	26.98	26.5	27.93	26.36	26.67	32.55
<b>Merchandise Import (in billion USD)</b>	41.93	44.11	43.17	41.01	41.09	36.26	43.44
<b>CPI</b>	3.77	3.31	2.33	2.19	1.97	2.57	2.86
<b>IIP</b>	4.6	8.4	0.2	2.6	1.4	0.1	-0.1
<b>IIP-Manufacturing</b>	4.8	8.2	-0.7	3	1	-0.3	-0.4
<b>USD rates</b>	72.21	73.6	71.85	70.73	70.73	71.22	69.48

## Credit - Dashboard

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
<b>Non-food Credit O/s SCB* (in lakh crore)</b>	48.69	55.29	60.02	65.46	70.94	76.88	83.06@
<b>Credit to Industry O/s -SCB (in lakh crore)</b>	22.3	25.16	26.57	27.3	26.8	26.99	27.74@
<b>Credit to Services O/s -SCB (in lakh crore)</b>	11.52	13.37	14.13	15.41	18.02	20.5	22.76@
<b>MSE Credit O/s -SCB (in lakh crore)</b>	5.62	7.07	8.00	8.47	9.01	9.96	10.67
<b>Weighted Average Lending Rate- SCB (outstanding loan)</b>	12.19%	12.11%	11.76%	11.20%	10.80%	10.35%	10.12%#
<b>MSME Weighted Average Lending Rate- SCB (outstanding loan)</b>				12.25%	11.88%	11.41%	11.30%#

@-Feb 2018, #- Jun 2018, \* SCB- Scheduled Commercial Bank

Source- RBI, Ministry of Statistics and Programme implementation, Office of Economic Advisor, Dept of Economic Affairs

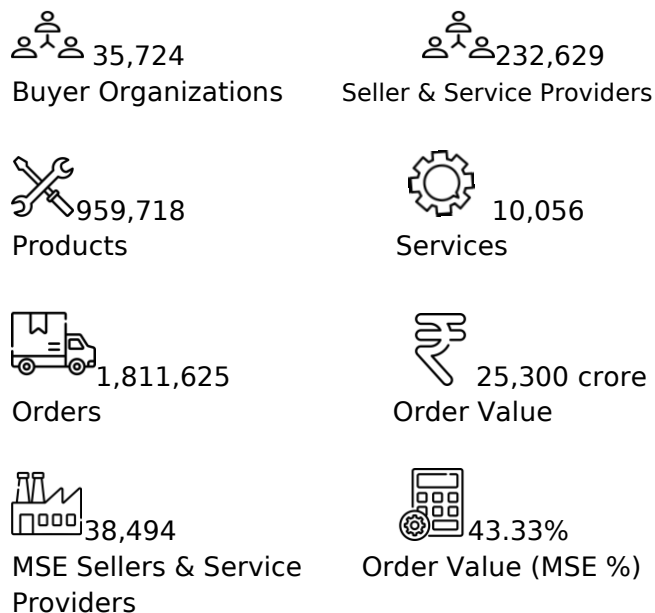


# MSME Scheme Tracker

## Govt e-Marketplace (GeM)

Dedicated e-marketplace for Goods & Services procured by Govt Organizations/ Departments/ PSUs.

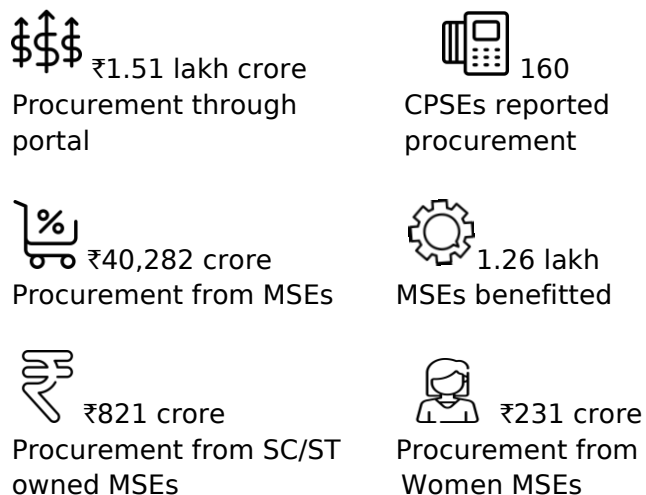
### Key Highlights as on May 27, 2019-



## MSME SAMBANDH

Web portal launched to monitor implementation of Public Procurement Policy.

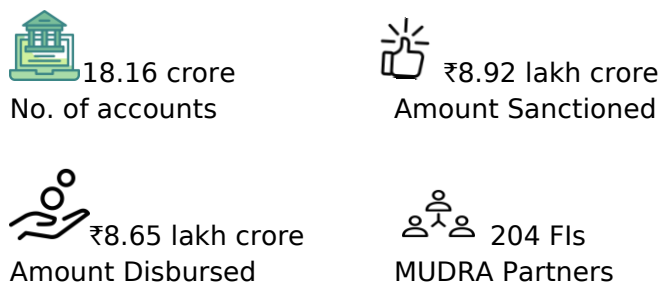
### Key Highlights for FY 2019-



## PRADHAN MANTRI MUDRA YOJANA (PMMY)

Scheme to finance income generating small businesses, launched on April 08, 2015.

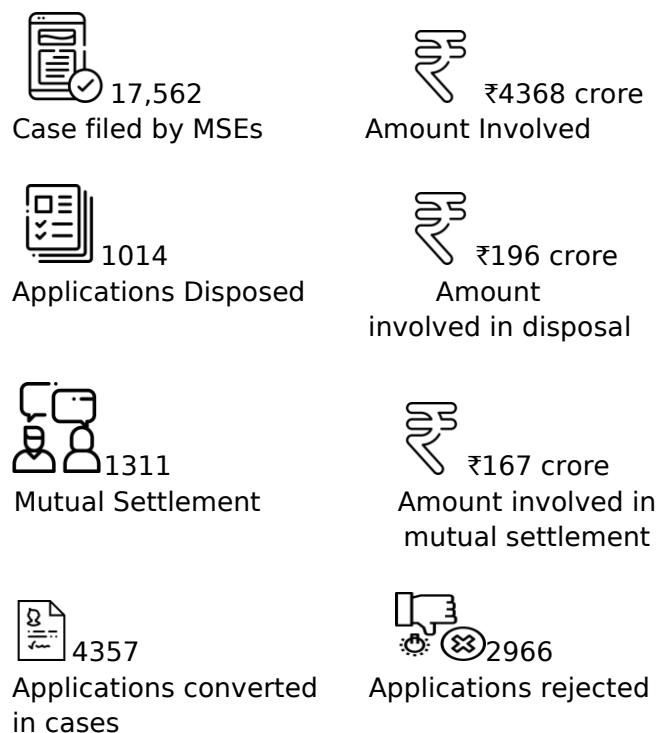
### Key Highlights as on March 31, 2019-



## MSME SAMADHAAN

Web portal to address delayed payment to MSEs.

### Key Highlights as on May 27, 2019-

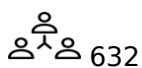


## **Receivable Exchange of India Limited (RXIL)**

### **Trade Receivable Discounting System (TReDs)-**

Institutional mechanism for facilitating financing of trade receivable of MSMEs.

#### **Key Highlights as on March 31, 2019-**



632  
MSME Vendors



153  
Buyers  
including 49 PSUs



33- 21 PSBs  
Financiers  
including PSBs



₹1500 crore  
Cumulative factoring



36,450  
Cumulative Invoices

## **Credit Guarantee Fund Trust for MSEs (CGTMSE)-**

Credit guarantee coverage for MSE loans upto ₹200 lakh.

#### **Key Highlights as on March 31, 2019-**



116  
Member Lending  
Institutions (MLIs)



34.60 lakh  
Cumulative loan A/c  
Guaranteed



₹1.76 lakh crore  
Cumulative Guaranteed  
loan amount



2.06 lakh  
Claims settled



₹5368 crore  
Claim settled amount



₹74,331 crore  
O/s Loan coverage

# SIDBI in News

## Credit Growth resumes in earnest- *MSME PULSE*

*MSME Pulse*, India's first comprehensive data backed report on MSME sector (a joint initiative of SIDBI & Transunion CIBIL, in its March 2019 edition revealed that the commercial credit growth clocked 14.4% growth YoY, in the December 2018 quarter. MSME credit, including credit to MSME entities and business loans to individuals, stood at ₹25.2 lakh crore as at the end of December 2018, contributing approximately 23% of the total credit exposure.

As per the Report, the Micro and SME segments constitute ₹14.8 lakh crore of the credit exposure (23.7% of total commercial credit exposure), scaling YoY growth of 19.2% and 15.9% respectively. In comparison, it is 5% for Mid segment from December 2017 to December 2018. The Report shows that, the banking sector after long period of stress, seems firmly on the recovery course. The NPAs have also shown gradual decline.

Based on the comparative study of the data for the period from December 2013 and December 2018, the Report highlighted that, MSME lending has clocked 19.3% CAGR with total balance outstanding increasing from ₹10.4 lakh crore to ₹25.2 lakh crore during the period. The growth was contributed by 15.7% CAGR in lending to entities and a 26.1% increase in business lending to individuals. The new credit seekers, who have been added to the formal credit sector, have increased significantly by 74% during the above period with noteworthy contribution made by the MUDRA scheme. Though, the share of Public Sector Banks in MSME lending is showing a decline, the access to credit to "New to Credit borrowers" is largely contributed by Public Sector Banks. Read the full Report at - <https://sidbi.in/en/msme-pulse>

## SIDBI stall at Kumbh Mela



The Kumbh Mela 2019, an event which saw wide participation of people from across the country, was leveraged by SIDBI to create entrepreneurship awareness among masses, by setting up a stall at Prayagraj. *Swavalamban* (the banner under which SIDBI runs an Entrepreneurship Education campaign) is the key theme, with tagline of "Aaayiye Ganga Nahaaiye Aur Udyami Banker Jaayiye". Through the stall, the Bank reached to approximately 35,000 individuals, who nurtured entrepreneurial aspirations. The aspirants participated in a structured game "Kaun Banega Entrepreneur", designed to predict the individual's potential to become an entrepreneur. A structured survey of 3000 individuals was also undertaken to assess the interest and major hurdles in entrepreneurship.

## SIDBI-ET MSE Awards-Recognizing & Promoting Excellence

SIDBI, in association with Economic Times (ET) and CRISIL as a knowledge partner, has instituted and organized “**SIDBI-ET India MSE Awards**” to recognize the contribution of the MSEs which have established themselves as role models for other MSEs, besides acknowledging and disseminating the information about the contributions made by these MSEs in various sectors of the economy. The award ceremony was graced by Shri Giriraj Singh, Hon’ble Minister of State (Independent Charge)- Ministry of MSME, Shri Shiv Pratap Shukla, Minister of State- Ministry of Finance, Shri Arun Kumar Panda, Secretary Ministry of MSME, Shri Debashish Panda, Add. Secretary, Ministry of Finance and CEOs of major government & private stakeholders.

About 4,700 nominations were received across the Award categories. CRISIL shortlisted 280 MSEs, 10 MSEs in each of the 28 categories. 120 MSEs were referred to an expert panel which recommended 55 MSEs for the Jury. 27 MSEs along with 3 MSE savvy lenders were selected in a transparent manner by a panel of eminent jury.



The stakeholders appreciated the initiative and showed the intent to be part of such initiative in future. SIDBI intends to carry forward this platform next year by making the platform even bigger.

The Awardees have been extended the benefit of participation in a Management Development Programme organized by SIDBI and IIM, Lucknow as also a Mentorship programme for MSEs.

The application process for 2<sup>nd</sup> edition of SIDBI – ET MSE Award 2019 has commenced and the last date of Application is 30 June 2019. Pl visit [www.sidbi.in](http://www.sidbi.in)



## Women's Livelihood Bond



SIDBI joined hands with UN Women, a UN entity dedicated to gender equality and women empowerment and the World Bank, to launch "Women's Livelihood Bond". The first of its kind Social Impact Bond launched in India, is aimed at promoting women entrepreneurship at the bottom of the pyramid, by facilitating access to cost effective credit.

The Women's Livelihood Bond will enable individual women entrepreneurs to avail low ticket size loans, at an interest rate of around 13% to 14% p.a. The Bond will be issued by SIDBI on a private placement basis with coupon rate of 3% p.a. SIDBI will act as the financial intermediary and channel funds to women entrepreneurs through Participating Partner Institutions.

The Bonds will be backed by a corpus fund to be mobilized through Corporate Social Responsibility contributions and via grant support from the UK's Department for International Development (DFID). The first tranche of around ₹100 crore will be raised in initial months of launch, which will be channeled to women entrepreneurs.

Under the said Bond, women in Bihar, Jharkhand, Madhya Pradesh, Maharashtra, Rajasthan, Uttar Pradesh and North-East, among others, are expected to receive most of the credit.



## Policy Advocacy- *Micro Finance Pulse*



After the success of data backed structural interventions like *CriSidEx* & *MSME Pulse*, SIDBI joined hands with Equifax to publish quarterly newsletter "*Micro Finance Pulse*". The newsletter will primarily focus on Microfinance/Financial Inclusion in India and would provide an in-depth insight regarding various activities in the microfinance space to the government, policy makers, institutional lenders and the general public at large. Read the full Report at- [https://sidbi.in/files/announcements/Microfinance-Pulse SIDBI EQUIFAX.pdf](https://sidbi.in/files/announcements/Microfinance-Pulse%20SIDBI%20EQUIFAX.pdf)

# MSME in News

## RBI's MSME Committee calls for public suggestions

The Reserve Bank of India's newly constituted 'Expert Committee on Micro, Small & Medium Enterprises (MSMEs)', has called for public suggestions on a list of seven underlying issues faced by the sector. The newly constituted Committee intends to understand the structural bottlenecks and factors affecting the performance of the sector.

The Committee is undertaking a comprehensive review of the sector to identify causes and accordingly propose long term solutions for its development. The areas on which the Committee has called for suggestions are as below-

- Definition of MSME.
- Whether DICs have served their objective and suggestion for improvement in this regard.
- Infrastructural gaps / problems affecting the development and growth of the MSME clusters.
- Structural gaps in capacity building of entrepreneurs.
- Bill discounting facility viz. TREDS - spread of awareness & suggestions for improvement.
- Improving the credit rating mechanism for MSMEs.
- Any other specific suggestions.

## Interest Subvention Scheme for MSMEs 2018- MSME Ministry issues norms

Under the *Support and Outreach Initiative for MSME sector* announced by the Government on November 02, 2018, the Interest Subvention Scheme was unveiled by the Hon'ble Prime Minister. The operating guidelines of the said Scheme have since been announced. Scheme provides for 2 % interest subvention for all GST registered MSMEs on fresh or incremental loans and aims to encourage both manufacturing and service enterprises to increase productivity and provides incentive to MSMEs for onboarding on GST platform, leading to formalization of the economy, while reducing the cost of credit.

To maximize the coverage, all eligible fresh & incremental working capital or term loan facilities would qualify for coverage to the extent of ₹100 lakh only under the Scheme. The Scheme will be implemented over FY 2019 and FY 2020 with an allocation of ₹975 crore.

The benefit of the Scheme will be available to only those MSMEs who have valid Udyog Aadhar Number and a GSTN Number. Also, the term loan or working capital should be extended by Scheduled Commercial Banks (including RRBs) and RBI registered Systemically Important Non-Deposit taking NBFCs.

SIDBI has been designated as the single national level nodal implementation agency for channelizing the Interest Subvention to various lending institutions.

For details please visit- <https://sidbi.in/files/circulars/ISS-for-MSMEs,-2018---Circular-and-FAQs.pdf>



## Other MSME News

# New Jobs in SME Firms Up 13.9% in Last 4 Years: CII

## New Narrative

3.3% annual compounded growth rate seen by SME sector

332,394 net jobs created in the sector over past 4 years

Maharashtra, Gujarat & Telangana were the largest job generators

### TOP JOB CREATORS

→ Hospitality & tourism, textiles & apparel and metal products

→ Survey covered 1 lakh MSMEs located in about 350 industrial centres

Our Bureau

New Delhi: There was a 13.9% increase in net jobs created in small and medium enterprises over the past four years, a survey has showed, disputing the narrative of lack of employment creation in the country.

The rise is equivalent to a compounded growth rate of 3.3% per annum in the sector, according to the survey of over 100,000 small and medium enterprises conducted by the Confederation of Indian Industry. The survey indicated that 332,394 net jobs were created in these small businesses over the past four years.

# PSU Banks' Loan Portal Off to a Flying Start

PSB59 has okayed loans of over ₹30,000 cr to SMEs within 3 months of its launch: Credit Suisse

Pratik.Bhakta@timesgroup.com

Bengaluru: PSBLoansin59minutes.com, an online loan approval platform connecting public sector banks with small and medium enterprises (SMEs), has become the largest "online lending platform" in the country within three months of its launch, according to a Credit Suisse report. That surge comes as state-run banks continue to struggle with low profits and bad loans.

The platform has "approved" loans worth more than ₹30,000 crore since the November launch, according to the March 1 report.

More than ₹6,400 crore is estimated to have been "sanctioned" through the platform to an estimated 24,000 SMEs, the report said. About 40,000 enterprises have received in-principle approval from banks, according to it.

However, multiple industry executives and experts pointed out that the second

half of the sanction process, which is offline, is not as smooth. An "in-principle" approval is just the first step, followed by a branch visit, physical documentation and regular appraisal by bankers, which is where the process tends to get stuck.

Also, these numbers would include existing SME loans processed by the banks and routed through the platform, which is a large number because of the sheer size and coverage of these lenders.

Platform Connected with 21 Lenders → 14

## On Fast Track

Total size of MSME credit in India	Estimated MSMEs in India	Formal credit available to	GST registered businesses
₹22 lakh cr	65m	20%	12m

### PSBLOANSIN59MINUTES

Launched by PM Modi in Nov 2018	Avg ticket size of loans:
Loans sanctioned: 92,000	₹27 lakh for new borrowers
Approval rates as of Dec almost 60%	₹34 lakh for existing

Data required for sanctioning loans:	Expected turnaround time:
GST data, bank statement, tax returns, credit history	7-8 days now
	Convenience fee: ₹1,000
	Source: Credit Suisse report



# Startup Fund to Get ₹3K-cr Financing Boost

MAKING OFF ₹16,680-crore funding commitments secured from long-term partners likely to accelerate fund deployment

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New Delhi: India's flagship startup fund is set to get into high gear after a new start with ₹3,000 crore in financing tied up, said people with knowledge of the matter. Apart from this, funding commitments from long-term partners are being secured to the tune of ₹16,680 crore, which can help accelerate deployment to startups.

Disbursements have taken off," said an official with knowledge of the fund's activity. The government also expects recent changes to further fuel funding requirements. It recently widened the definition of startups, making more entities eligible under the framework.

Prime Minister Narendra Modi had, in January 2016, announced the establishment of a ₹10,000 crore fund under Small Industries Development Bank of India (SIDBI). The fund of funds makes down-

and alternative investment funds that in turn invest in startups.

These VC funds have managed to raise commitments of over ₹9,000 crore and commitments of over ₹3,000 crore and the final close could be as much as ₹16,680 crore, said the people cited above. They have investments in 240 entities, which created 28,500 jobs, the latest government data showed.

Fostering startups was identified by the government as a key focus area and it has taken several steps in this regard. The government sees startups as engines for generating economic activity, wealth creation and employment generation.

It has made several changes to the startup framework to make it easier for entrepreneurs to set up businesses. These are aimed at ensuring that those funding startups will be shielded from the so-called an-

## Fostering Startups

₹10,000-crore fund under SIDBI announced by PM Modi in January 2016	₹16,680 crore funding commitments secured from long-term partners
₹9,000 crore commitments by VC funds	SIDBI has investments in 240 entities, which has created 28,500 jobs

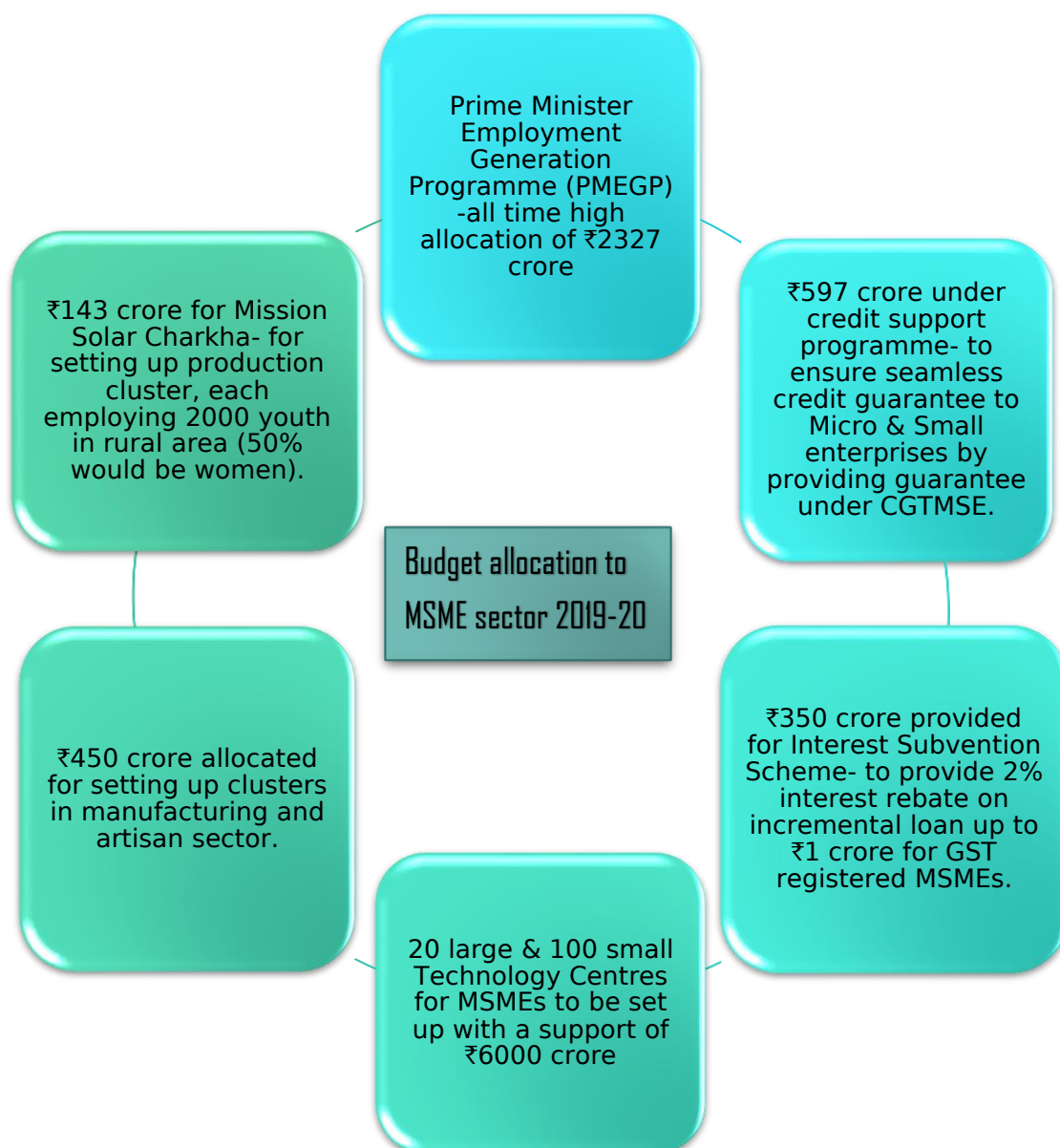
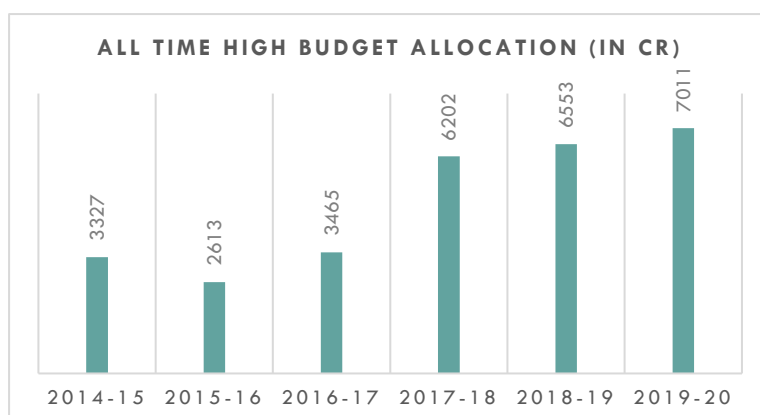


ties from income tax authorities. A firm can be categorised as a startup even if its turnover for any of the financial years since its incorporation hasn't exceeded ₹100 crore, up from the limit of ₹25 crore. The definition also covers entities that have been in operation for up to 10 years from the date of incorporation or registration instead of the current seven years. The government feels funding to startups will pick up pace with more clarity on the angel tax issue.

Section 56(2)(vii)(b) of the Income Tax Act provides that if a closely held company issues its shares at a price that exceeds fair market value, the difference will be taxed as income from other sources. This provision, touted as an anti-abuse measure, was introduced by former finance minister Pranab Mukherjee in 2012. It was dubbed the angel tax after several startups received notice under Section 56(2)(vii)(b). The government has been seeking to ensure that bona fide startups and investors are not

## Budget FY 2019-20 – provisions for MSME sector

The Interim Union Budget for FY 2019-20 was announced on February 01, 2019. MSME sector received all time high budget allocation of ₹7011 crore with an incremental growth of 7% for the year. The details of major allocations to MSME sector are indicated below-





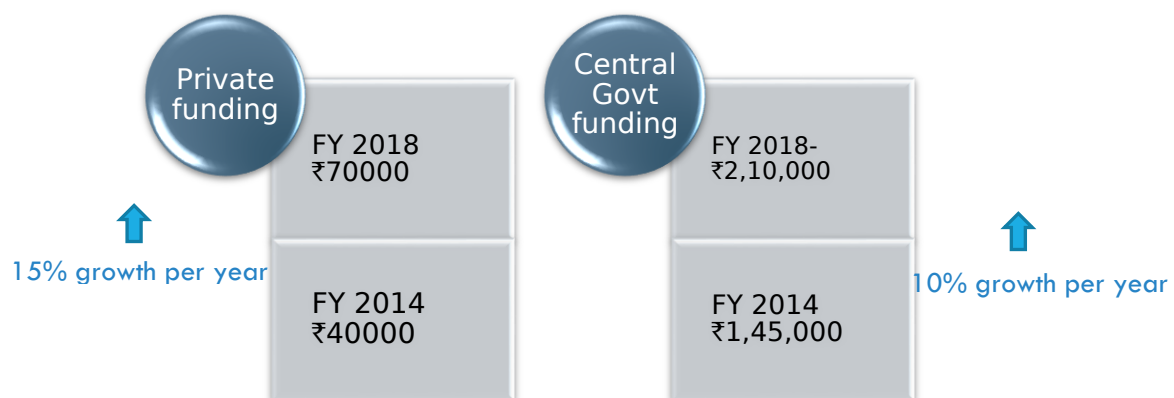
## Social Sector Funding – An eye on IMPACT

Wide-ranging social issues like poverty, malnutrition, education of girl child, gender disparities etc. continue to be tackled by the Governments relentlessly, through various Welfare Schemes & Programmes, implemented by self & through multilateral agency partnerships. There is no denying that some of these welfare schemes have lived upto their expectations. The perennial question however remains as to how much the State spending has actually touched those lives that it is meant to, the depth of its reach and cost vs benefit.

The Social Sector funding has been evolving over the years with various sources pitching in and over the years the question of impact measurement of this funding has been gathering significance.

### **Private Philanthropy-**

Apart from limitation on the availability of State resources, there are focused areas of work, which call for private funding from charitable and philanthropic bodies, apart from individual philanthropists, with the funding happening majorly by way of grants. The current trends show that private philanthropy has been expanding rapidly in the past few years and has outpaced the growth in public funding.



Out of the total social sector funding in India which stood at ₹2.8 lakh crore as of end 2018, the private sector funding stood at 25% of total funding and grew at 15% from 2014 to 2018 (as against public funding growth of 10%)\*. However, the scenario is presently very skewed, with only a few big names doing a major part of the contributions. Also, the foreign funding component of the private sector funding has been on the decline in the recent past, due to crackdown by the Government on NGOs for violation of Foreign Contribution Regulation Act 2010.

With Wikipedia placing India in the 3rd position in the world in terms of no of billionaires and being one of the fastest growing economies, the private philanthropy could be a

potential basket that social sector should look forward to. However, research says that less than half of them review their portfolios for tracking impact and the no-profit motive in itself is a limitation to achieve scale.

### **Corporate Social Responsibility-**

In 2014, philanthropy has been made mandatory for corporate India, by a stipulation that companies of a certain size need to spend 2 % of their average 3-year net profit on Corporate Social Responsibility and directing them to take a systemic approach. This created a focused flow of corporate funds for the sector, with the absolute funding from this source being in the range of Rs.13000 crore\* as at the end of FY 2018. Furthermore, the utilization levels of CSR funds have reached upto 85% by 2018\*. However, the corporate funds appear to be focused on the outcomes in terms of no of lives touched and not impact in terms of the actual difference made to these lives.

### **Impact Investment-**

The world has seen the next wave of social funding by way of Impact Investment - innovative entrepreneurs trying to tackle social problems with out-of-box entrepreneurial ideas and such of them being funded by some high-risk-appetite Investors / Funds. Impact Investor sees both social and economic sense in these investments and is strongly focused on measuring the impact. According to a Report of McKinsey, Impact Investment in India stood at USD 5.2 billion from 2010 to 2016, the growth being spurred by the initial success of investments in Micro Finance sector. As stated by the Report, sample study of exits show that IRRs stand higher (around 10%) than the industry benchmarks (around 7%). Thus, the profitability part of social investments has now gained visibility with the growing volumes of Impact Investment. However, measurement of impact in the true spirit has its challenges, like there are a no of methodologies in vogue to choose from, the timeframe for impact to be visible could be stretched and so on.

### **Sustainable Development Goals –**

Meanwhile, the social objectives have been given a structured face lift by the UN, by categorized them into 17 Sustainable Development Goals (SDGs), which are to be achieved by 2030, to which 193 countries across the world stand committed, along with India. The SDGs are now a common language across the world and they brought in impact measurement more into focus.

### **Impact Bonds-**

As innovation continued in the segment of social sector funding, a more later entrant on the horizon is the “Pay for Success” model in the form of Social Impact Bond (SIB) and Development Impact Bond (DIB). Under these models, the Non-Govt investors cover the upfront costs of the project implemented by the service provider and the Govt or a development agency would commit to provide a return if desired outcomes are achieved.

Public funding is freed from the risk of uncertain outcomes and Govt would pay only if the desired social outcomes are achieved. Risks are spread across investor pool. Since returns are tagged to results, projects covered would be those where impact is clearly measurable.

### Impact Bonds across globe-

UK & USA are the most developed SIB and pay-for-success markets in the world. The first SIB was pioneered by the *Social Finance*, a UK Based Not-for-profit organization, in the year 2010. Since then more than 130 Impact Bonds across more than 24 countries have mobilized \$431 million, benefitting 10.64 lakh lives across the globe\*. The impact bonds are diversified across sectors viz. Workforce Development, Housing/ Homelessness, Health, Child & Family welfare, Criminal Justice, Education etc.



SIBs were more recently adapted into DIBs by replacing the government with external donors. This alteration has worked well in so far, that in countries where the Government may be restrained to enter into such an arrangement, a private foundation can step in, to play that role.

### Status in India-

India has been an experimental ground for DIB. The world's first DIB was launched in 2015 in India. The DIB was called "Educate Girls" and aimed to improve learning outcomes and enrolment numbers for out-of-school girls. It targeted 18,260 school-going children in the Bhilwara district of Rajasthan. UBS Optimus Foundation is the private funder and the Children's Investment Fund Foundation (CIFF) is the outcome payer. According to the final evaluation report, the programme has been a success achieving more than the outcomes prescribed.

Apart from this, another Bond was launched on November 2017 with the theme of maternal and newborn deaths, known as the Utkrisht Impact Bond, to provide quality of care in 440 private healthcare facilities to positively impact 600,000 pregnant women in Rajasthan. Recently, philanthropic foundations including Tata Trust has announced a DIB, to improve the education outcome of 3 lakh students in Delhi & Gujarat.

### SIDBI Leading the way-

Leading the way, SIDBI has joined hands with World Bank & UN Women, to launch a new SIB, exclusively for women, called Women's Livelihood Bond (WLB), with an initial corpus

of ₹300 crore. The WLB will offer a fixed coupon rate of 3%. SIDBI will act as the financial intermediary and channel the funds raised to women entrepreneurs through participating financial intermediaries like Banks, NBFCs or MFIs, which will on-lend to women entrepreneurs at an interest rate of around 13-14 %, as against the current lending rates of 20-24% p.a.

### **The way ahead-**

In India, the social programme funding has mostly been input driven and not based on outcomes and impact. While each of the mode of funding have their significance, the need of the hour is to shift largely towards payment by result and channeling tax payer money towards programmes which are result oriented. This will not only lead to better implementation of programmes, build future efficiencies based on impact measurement, but also lead to evidence-based funding of public money.

Government support will be critical in expanding and standardizing the innovative financing market in India, as proven by other countries. The UK Cabinet Office established a knowledge centre for SIBs known as the Centre for Social Impact Bonds and set up a separate Social Outcomes and Life Chances Fund to add additional resource to kitty. Similarly, in USA, Social Innovation Fund was established which had already awarded \$177 million in grants for SIBs reaching more than 2.7 lakh beneficiaries. In India too setting up of this type of institutional framework would signal the government interest in promoting innovative financing. Further, there is also a growing demand for clarity on taxation benefits for the instruments which can make them cost effective and attractive for private investors.

The extensive use of Innovative Financing models will lead to effective implementation of current policy priorities of education, skill development, health care, employment, housing etc. This step would ensure the private investors interest as well as policy shift from inputs to outputs, leading to full transparency to the tax payers.

\*Inputs form India Philanthropy Report 2019 by Bain & Company, Impact Investing 2017 by Mckinsey & Company and Social Finance SIB database.