

2022-10 | Climate insurance for smallholder farmers in India

Financial Sector Partner (FSP)	Avanti Finance	SCBF Contribution	CHF 68'092 (70%)
Grantee	IBISA S.A.	Matching Contribution	CHF 29'092 (30%)
Country	India	Theme	Agriculture and climate
Duration	Sep 2022 - Dec 2023	Product	Index-based insurance
Potential Outreach	35,000 farmers	Target Group	Smallholder farmers
Thereof Women	At least 80%		

CONTEXT

India is a pioneer in innovation in the financial services space, with initiatives such as the inter-bank account aggregators, Unified Payments Interface (UPI) 3.0 e-Mandate, e-bill payments alongside a key national objective of digitising payments. Despite these achievements and commitment at the individual-level, around [100 to 200 million Indians](#) are unserved or underserved by the financial sector. This financial exclusion results in oppression and exploitation; households lose assets due to defaulting on loan repayments and economic development, especially for the poorest and most vulnerable, is stalled.

The government-led insurance scheme, Pradhan Mantri Fasal Bima Yojna (PMFBY), and Weather-based Crop Insurance Scheme (WBCIS) have been around for quite some time, yet uptake has been low. A few Indian states have also opted out of these schemes because of financial implications for the state governments and low claims ratio. The overall penetration of index insurance is low because of lack of awareness and trust, and high prices. Additionally, only a few financial institutions offer index insurance. This intervention aims to improve smallholder farmers' decision-making and access to voluntary insurance cover bundled with credit products.

CURRENT STATUS OF THE FSP

Established in 2016, Avanti Finance aims to create a people-centred platform, digitally delivering affordable financial services and products to boost the financial inclusion of underserved and unserved segments in India. The Avanti platform enables diverse specialists and stakeholders to come together and collaborate on a common pathway to advance the end goal of creating value for clients. With credit as its first product, Avanti has disbursed over INR 7,000M and impacted over 193K borrowers. The company has a vibrant, ever-growing and diverse network of over 65 mission-aligned partners, including social enterprises, financial institutions, business correspondents, agritech/fintech companies and farmers' organisations. Avanti's mission is to reach 100 million households in the next three to five years.

OBJECTIVES AND MAIN ACTIVITIES

Through this SCBF-funded intervention, IBISA and Avanti seek to enable better participation of and collaboration with mission-aligned institutions in the agri-value chain. Upon project completion, Avanti Finance and the other stakeholders will be better positioned to make financial services accessible to smallholder farmers, identify and mitigate risks, and create lasting impact. By December 2023, the project will have enabled:

- Minimising the impact of adverse weather events on smallholder farmers
- Testing if index insurance can substitute existing fixed loan default guarantees
- Providing credit facilities to new-to-credit smallholder farmers
- Increasing farmers' disposable incomes through value chain interventions
- Improving the efficacy of insurance claims processes

Partnering with:

