Management Response & Recommendations Action Plan

Evaluation Report Title: PSIG Financial Inclusion Midline Report

Response to Evaluation Report (overarching narrative)

Please refer to Annexure I.

Evaluation Report Title: Samridhi Fund Midline Evaluation

Context	Recommendations	Accepted or Rejected	If "Accepted", Action plan for Implementation or if "Rejected", Reason for Rejection
State Level			
The expectation that a small fund with a total capital of ₹430 crore (~£45 million) would enable the crowding in of substantial further social investments in the 8 low income Samridhi states has, so far, not been borne out.	**In order to obtain a significant crowding in of social investment funds, funded investees have to demonstrate major successes (not yet achieved at this relatively early stage), SVCL and DFID have to share emerging results proactively and DFID needs to consider making a much larger effort with substantially more funds (of its own as well as together with local or international partners).**	Rejected	Please refer to Annexure I for reasons.
Fund Level			
In the context of crowding in of social investments in the low income states, the SF has not fully leveraged its potential. Over 45% of Samridhi investments have been in the financial services sector – microfinance and SME lending – which has an established track record, is well funded (by both international and local investors as well as lenders) and needs	**Thus, it is likely that,** **1) Relative to the status of social investments in the low income states during the Samridhi investment period not enough time was allowed for the identification and approval of investments.** **2) The fund manager was relatively conservative in the identification of sectors and**	Rejected	Please refer to Annexure I for reasons.

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little further crowding in. ET understands that the financial inclusion sector has an ongoing appetite for equity; nevertheless, the additionality potential in less developed social investment sectors such as healthcare, agri' supply chains and other general impact sectors is much higher. Still, the early decision to invest in sectors other than financial services was reversed about 2 years into the investment period. This suggests that the fund manager was not able to find sufficient suitable investments in other sectors in the time allowed for investment. In addition, the sectors identified for SF investment do not appear to have been particularly wide with livelihoods, agriculture, education, social housing and housing finance, under-represented in the Fund's portfolio relative to their importance to the economy.	**investment opportunities. Whether this is related to the quasi-public sector character of the fund manager or the management company's incentive structure, needs to be determined**		
Institutional Level			

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Apart from the finance companies, many of the other investees have different levels of professional management. Many of these are closely held companies directly managed by their promoters without much professional management support and limited middle management. This could be attributed to the early stage of social investments in India and early stage of investment in a specific company. SVCL has provided impetus for professionalisation by insisting on improved compliance and external audit and formalising board functioning.	**In this situation, the fund manager needs, perhaps, to be even more pro-active in providing management support either by direct engagement with the investee or by counselling and supporting the hiring of professional managers/independent directors. Again, the abilities and willingness of the fund manager to provide such support could be constrained by the both the fund management team's character and the nature of the incentives provided to it.**	Rejected	Please refer to Annexure I for reasons.
Household Level			
Apart from the 5 finance companies, which we have indicated are already popular with investors and, therefore, not in need of crowding in more investments, most investees are not yet making substantial profits. As a result, the top priority for promoters is to	**On these aspects, the Samridhi investments are broadly appropriate** though the business models are still evolving. **An emphasis on the principle of investee services being designed to serve the poor/low income underserved** households rather than	Rejected	Please refer to Annexure I for reasons.

Context	Recommendations	Accepted or Rejected	If "Accepted", Action plan for Implementation or if "Rejected", Reason for Rejection
manage the financial performance of their companies. **The key to household level impact is in the design and delivery of investee specific business models such as** **• Location, pricing and quality of healthcare offered by low cost hospitals** **• Warehouse location and other allied services (such as agri inputs, pricing information and financing) beneficial for small farmers** **• Milk collection, payment systems and other support services attractive for small dairy farmers with 1-2 dairy animals,** **• Location and maintenance systems of clean drinking water and alternative energy supply companies.**	better resourced families is **key to the suitability of such investments** for the objectives of the Fund.		