

**SUSTAINABLE
 DEVELOPMENT GOAL 6**

Clean Water and Sanitation: Ensure availability and sustainable management of water and sanitation for all.



SCOPE OF WATER AND SANITATION FINANCING FOR MICROFINANCE INSTITUTIONS & MSMES

MAHARASHTRA

KNOWLEDGE PAPER



INTRODUCTION

The national family health survey (NFHS), round 5, 2019-20, estimates that only 87.6% of the households in Maharashtra had access to a basic sanitation facility¹. Rural areas had it worse, with only 79% access, while access in urban Maharashtra stood at 97%¹. Considering Maharashtra has approximately 24 million households, the scale of the gap is significantly large².

Likewise, 91.2% of the households (84.4% rural and 91.2% urban households) had basic drinking water services, among which 83.4% had water facilities within their household premises or water delivered to their dwelling¹.

The Government of India and the Government of Maharashtra have made significant strides towards addressing the issue of access. Under the Swachh Maharashtra Abhiyan, a campaign launched by the Government of Maharashtra is committed to improving sanitation access and waste management in the state. The campaign aims to make Maharashtra clean and open defecation-free (ODF) by constructing toilets, promoting waste segregation at the source, and implementing solid and liquid waste management (SLWM) measures.

Under SBM 2.0, the Government has moved away from a subsidy-based approach and is now using a market-oriented approach to enable access. This shift is intended to help rationalize resource allocation, and Microfinance (MFI) and WASH entrepreneurs will be instrumental in bridging the gap.

While the Government under the Swachh Maharashtra Abhiyan is focusing on:

- Sustain the ODF status achieved during SBM 1.0 by ensuring that the toilets built are being used and maintained properly.
- Capacity building and training of local government functionaries and community members on sanitation and waste management
- Information, education, and communication (IEC) activities to raise awareness about the importance of sanitation and waste management
- Monitoring and evaluation of the program to track progress and identify areas for improvement.

The approach will help free government resources to help develop infrastructure, awareness and services that can further assist access to water and sanitation facilities by individual households.

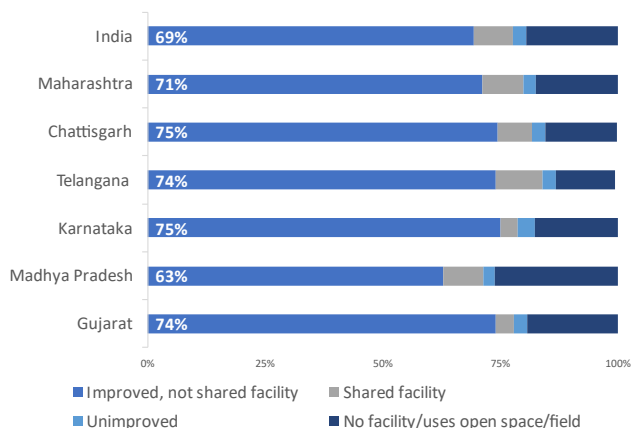
WASH POLICY LANDSCAPE

- WASH financing is included under the social infrastructure category of Priority Sector Lending (PSL).
- The state government has leveraged the Women Self-Help Groups (SHGs) and other voluntary organizations' capacities to mobilize the rural community to implement the Jal Jeevan Mission (JJM).
- The Government has partnered with educational institutions like CEPT and development organizations like UNICEF for technical assistance on urban sanitation and Fecal Sludge and Septage Management (FSSM).
- Apart from access to sanitation facilities, under the aegis of SBM 2.0, the state government is targeting to evolve ODF-declared villages to ODF Plus status, which entails changing and sustaining positive WASH behaviour and enabling community-level access to solid and liquid waste management³.

OPPORTUNITIES: Microfinance organizations

- SBM 2.0 intends to encourage left-out families to undertake toilet construction as an aspiration.
- Smaller top-up loans to support retrofitting and periodic maintenance to revive WASH assets will be required at a higher frequency.
- Post-SBM, it is estimated that 30% of the households in Maharashtra would require retrofitting services, and the average cost of retrofitting is approximately INR 7000, presenting an opportunity for both MFIs and WASH entrepreneurs.⁴
- Upgradation of existing facilities to a climate-resilient, Safely Managed Sanitation System (SMSS) provides an opportunity for market-led WASH financing.

Percent distribution of households by type of toilet facilities



Source: NFHS-5 (2019-202), a comparison with neighbouring states shows Maharashtra still lagged behind some of the neighbouring states in terms of access to toilets.

Gaps in existing policies

- There is **no defined quota for the social infrastructure category** under the Priority sector lending
- The current policies **don't offer sanitation products specific to regional requirements** and aren't climate resilient leading to dysfunctional toilets

Probable solutions

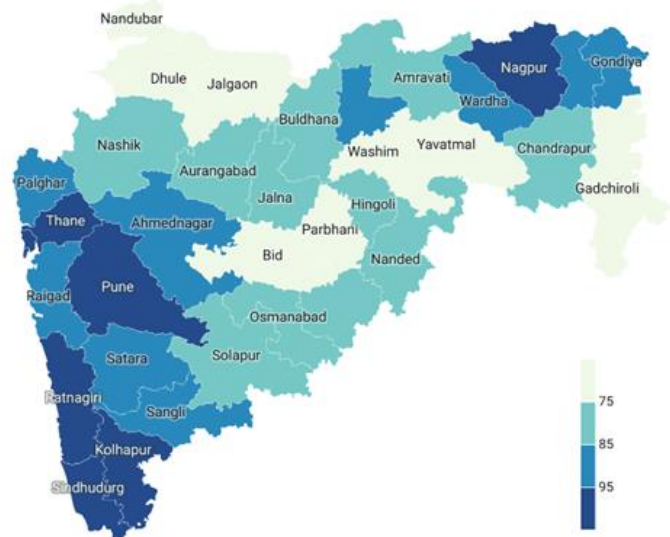
- **Government should facilitate the development of WASH market**, e.g., engaging in the development of cost-effective standard designs, innovations, awareness creation, and demand generation,
- **Provide customers with a choice of providers**
- **Devising and implementing policies to facilitate better access to lower-cost funds to private sector organizations extending WASH lending to the community.**

WASH Entrepreneurs

- Many of the state's sanitation facilities are in poor condition and lack adequate seating. Rural sanitation marts will be needed to provide necessary materials and maintenance services.
- Regular desludging services will be necessary for households with toilets to clean out the pits.
- While access to water has improved in Maharashtra, water quality still presents opportunities for WASH entrepreneurs and WASH financing.

Percentage of households having access to a toilet facility

Based on NFHS-5 (2019-21)



Source: International Institute for Population Sciences • Map data: © OSM • Created with Datawrapper

Opportunity in different districts of Maharashtra based on NFHS-5 (2019-21), 9 of the 37 districts had less than 75% coverage of access; Ranging from 68.2 percent in Dhule district (57.7% for rural areas) to 99.9 percent in Mumbai.

INCENTIVE TO INCLUDE WASH PORTFOLIO FOR MFIS AND FINANCIAL SERVICE PROVIDERS (FSP)



MFIs and FSPs are progressively leveraging environmental, social, and governance (ESG) to be more socially responsible. WASH loan portfolio can help MFIs and FSPs to show achievements against the ESG parameters.



WASH portfolio helps diversify product offerings increasing client engagement and augmenting income.



The response to WASH credit from the community has been highly encouraging, with several MFIs and banks with a WASH portfolio reporting repayment rates of over 99%⁵



The WASH portfolio can aid in accomplishing achievements against the goals defined under social performance measurement to fulfil CPP certification needs.

Investors are progressively looking to invest in more socially responsible organizations, and such initiatives make the organization more attractive for investing and also attract impact investment.

CHALLENGES

Institutional challenges:

- The roles and responsibilities of various organizations must complement different government initiatives to further the cause of enabling WASH access by reducing redundancies.
- Multiple WASH programs, with different approaches, are implemented in the state. A limited number of other stakeholders working towards these common goals have been able to leverage the existing efforts to build on the WASH initiatives undertaken by the Government.

Financial challenges:

- Lack of affordable financing options is impeding the progress of MFIs (Microfinance Institutions) in providing cheaper credit to low-income communities for WASH-related improvements.
- Maintaining WASH portfolios requires organizations to undertake additional demand-generation activities, thus increasing their operational cost.

Awareness generation:

- The communities need to be made aware of financing options for WASH (through microlending by MFI) for building and maintaining WASH assets.

- WASH financing falls under the social infrastructure category of Priority Sector Lending, however, banks are hesitant to dispense these loans as they are not income-generating loans.
- Limited understanding within the community of climate vulnerabilities and the need for the upgradation of existing facilities.

Infrastructure:

- A significant population of the state depends upon the community toilets that have an acute deficiency of seats. Moreover, the toilet stocks are old and in a precarious state.
- The types of toilet solutions currently offered by various sources still lack adequate consideration for women, elderly and differently-abled. A simple solution like a support bar in a toilet can enable the elderly and women going through pregnancy to better use the toilet facility; similarly, opting for a ramp rather than stairs can facilitate the differently abled significantly.

Data-based planning:

- Lack of comprehensive and sustainable M&E system for state-wide sanitation to ensure sustainability.
- No formal complaint redressal system

WASH FINANCING OPTIONS – Households



Individual/ Group loans: Banks and microfinance organizations are extending credit for WASH financing to individuals or through Self Help Groups (SHG) or Joint Liability Groups (JLG)



SHG revolving fund: Toilet construction was included as a category under which SHGs linked to the National Rural Livelihoods Mission/ State Rural Livelihoods Missions could avail of micro-loans.



Bundled loans: Few FSPs have used blended financing to create bundled loan products promoting WASH products, clubbing it with Income Generating Loans.

Microfinancing organizations

Micro Finance Institutions (MFIs) can leverage opportunities from several alternate sources to build their WASH portfolios, including:



Impact Investment:
Investors are progressively looking to invest in socially responsible organizations



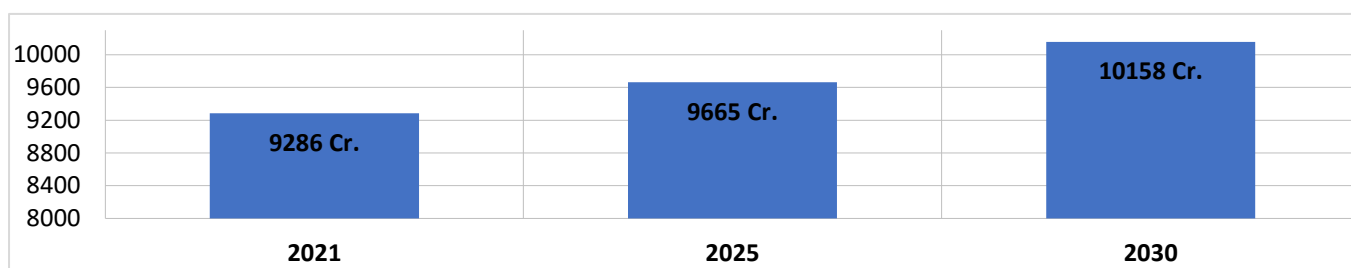
Grant Support: International development agencies have been extending grant support to enable WASH Financing



Social Impact Fund: Impact funds are being innovated which pay for better social outcomes

SCOPE OF WASH FINANCING

Based on an assessment by the Toilet Board Coalition, the construction and upgradation of toilets across India alone would have required approximately INR 94,000 crore in 2021⁶. Considering the proportion of households in Maharashtra compared to India, the households across Maharashtra required INR 9,285 crores in 2021 to fulfil their sanitation-related products and services needs. The actual scope of the sanitation economy is severalfold more, requiring the development of infrastructural capacity and formal and informal service providers to support household-level access.



Source: Toilet Board Coalition (includes rural and urban household toilets, and upgradation requirements)

WAY FORWARD

Microfinance was initially created to assist the poorest segments of society in breaking out of the cycle of poverty. However, with the evolving definition of poverty that now includes health factors, WASH financing has emerged as a potential solution for microfinance institutions looking to diversify their offerings and generate additional revenue streams.

Organizations such as Sa-Dhan and Finish Society are collaborating with government agencies, the Reserve Bank of India, and policymakers to ensure universal access to water and sanitation, and also working with MFIs to enhance their abilities in various aspects of WASH products.

There is enough evidence of an existing market and demand for WASH products, services, and financing.

What needs to be done is:

- Identify the support available from different organizations like Sa-Dhan and Finish Society working to further the cause of WASH access and financing to build organizational capacity to extend WASH financing
- Engage investors to build a discourse on risks and opportunities in the WASH sector to facilitate investor confidence.
- Leverage existing frameworks and toolkits such as the Ceres' Investor Water Toolkit and PRI and WWF-developed Water Stewardship Framework, among others, to facilitate investor dialogue.

“When my daughter had to go out, I used to accompany her; sometimes, I had to leave some important household work. Moreover, the place we had to go was well connected with the road and vehicles used to pass by; we had to either cover ourselves or stand up, which used to be very humiliating. I have gone out throughout my life; I can even go out now, but I can't give that life to my girls. They need privacy now, and it is only for this purpose that I have taken a loan for toilet construction.”

-Sunita Khillare, Maharashtra



Image by Saif Rehman from Unsplash