

This report is a joint effort between UNDP and Dalberg Advisors.

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UNDP is the leading United Nations organisation fighting to end the injustice of poverty, inequality, and climate change. Working with our broad network of experts and partners in 170 countries, we help nations to build integrated, lasting solutions for people and the planet.

In India, we have been working for over seven decades in almost all areas of human development. Together with the Government of India, we work on eradicating poverty, reducing inequalities, protecting the planet, enhancing community resilience, and accelerating sustainable development for all. With projects and programmes in every state and union territory in India, UNDP works with national and subnational governments, the private sector and diverse development actors to deliver people-centric results, particularly for the most vulnerable and marginalised communities.

About Dalberg Advisors

Dalberg Advisors is a strategic advisory firm that combines the best of private sector strategy skills and rigorous analytical capabilities with deep knowledge and networks across emerging and frontier markets. We work collaboratively across the public, private and philanthropic sectors to fuel inclusive growth and help clients achieve their goals.

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Executive Summary

India needs a childcare revolution. This report explores how blended finance can complement existing government efforts and serve as a critical bridge to fund and revolutionise the sector at scale.

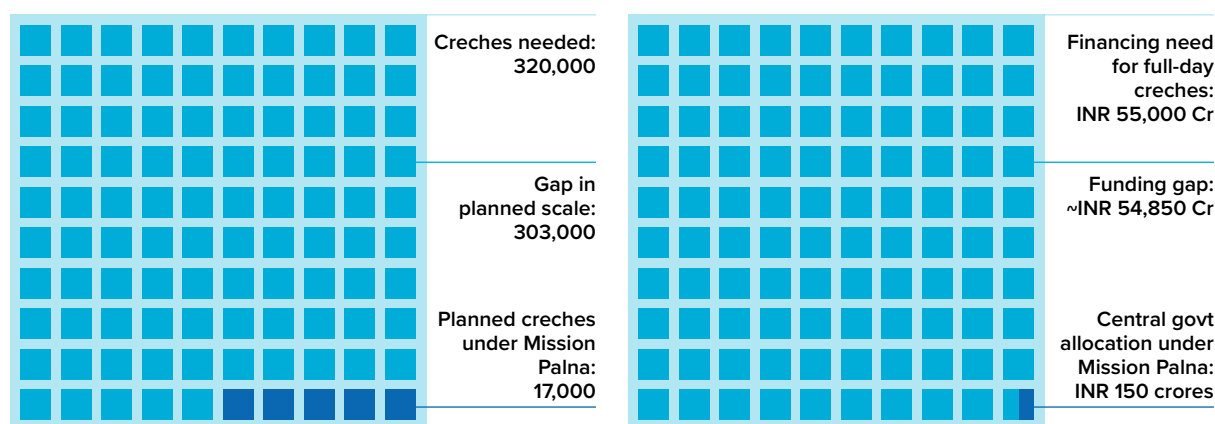
1. 6–7 million women in urban low-income households require creches today. Demand could surge to 20–23 million by 2047.

- Today, an estimated 65–70 million women from low-income households live in urban India, with 9–10 million needing childcare.
- Around 6–7 million of them specifically require creches offering full-day, proximate, safe, and developmentally appropriate care.
- If India achieves the government’s target of a 70% female labour participation rate (FLPR) by 2047, demand could grow to 20–23 million women.
- This translates to nearly 320,000 creches needed today (serving 8–9 million children), rising to ~1 million by 2047 (serving 26–30 million children).

2. India’s public childcare system provides critical foundations but remains short of meeting urban demand.

- India’s Integrated Child Development Services (ICDS) scheme, launched in 1975, established anganwadi centres to deliver health, nutrition, and early childhood services.
- Today, there are ~1.4 million anganwadis (including ~137,000 in urban areas), with ~17,000 being upgraded into full-day anganwadi-cum-creches (AWCCs) to better serve working mothers.
- However, these efforts meet only ~5% of urban demand and most AWCs currently operate for limited hours and alternatives such as private and NGO models largely remain unaffordable or unsustainable.
- Bridging even current demand would require significant investment—an estimated INR 5,000 crore in capex and INR 50,000 crore annually in opex for 320,000 creches.
- At a 70% FLPR by 2047, annual opex needs could rise to INR 1.4–1.6 lakh crore for 900,000–1 million creches—far exceeding current allocations such as INR 150 crore under Mission Palna (FY 2024–25).

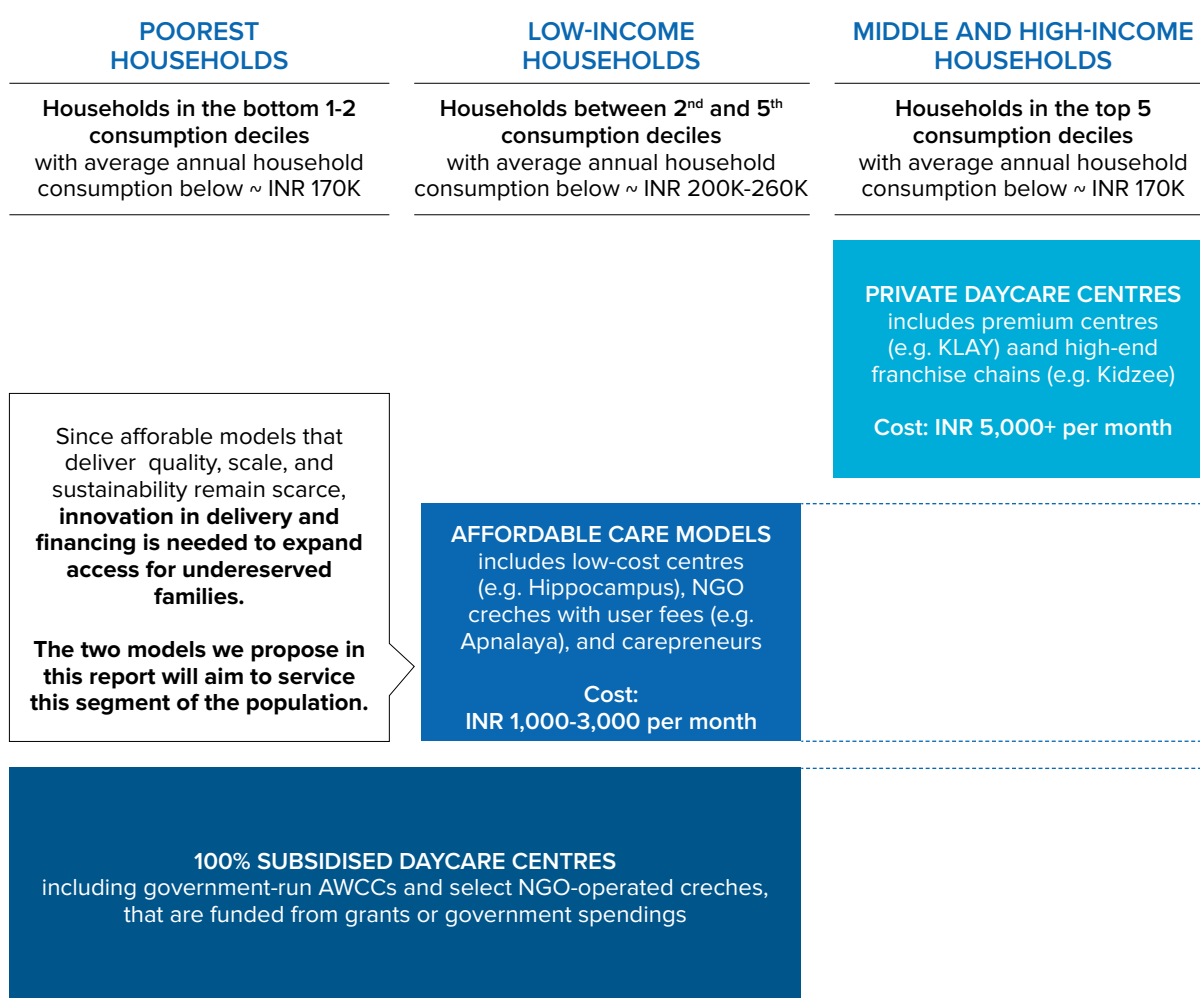
Figure 1: Overview of gap between need and planned scale as of 2025



3. Blended finance—leveraging a combination of public and private capital—could spark innovation and help provide affordable childcare to low-income households.

- Global experience shows that universal childcare is typically underpinned by strong public funding, as in countries such as Norway and Sweden.
- Many countries in the Global South—like Vietnam and South Africa—adopt hybrid financing models that blend public, private, and philanthropic capital.
- These models enable governments to subsidise the poorest families while leveraging markets for others.

Figure 2: Overview of a hybrid approach where affordable care models serve low-income households between the 2nd and 5th consumption deciles (illustrative)



4. Blended finance models can significantly expand accessible, affordable, and quality childcare services near home and work in India.

There can be different blended finance models which could potentially be applied to the childcare context in India. Based on our analysis, we are showcasing two models that we believe can help expand accessible, affordable, and quality childcare services in urban India.

Model 1: Financing Hyperlocal Community-Led Centres (Near Home):

What it is

“Women / SHG from the community act as the “carepreneurs” and operate 20-25 child centres in government/rented spaces that adhere to national guidelines for creches. These carepreneurs are further supported by aggregators, which could either be NGOs or for-profit enterprises.

Who it serves

Primarily informal sector workers lacking workplace childcare and individuals who prefer near-home care.

How it's financed

The CAPEX is expected to be subsidised either by the government (by providing public infrastructure to set up these centres) or by donors (philanthropies/ CSR). Around 25% to 35% of the OPEX is expected to be financed by user fees (INR 1.2–1.5k/month), with the remaining 65%-75% coming in as gap funding from government or donors. The user fee is lower than the INR 2k/ month that standalone affordable childcare centres charge and is considerably lower than the INR6-30k/ month that high quality childcare

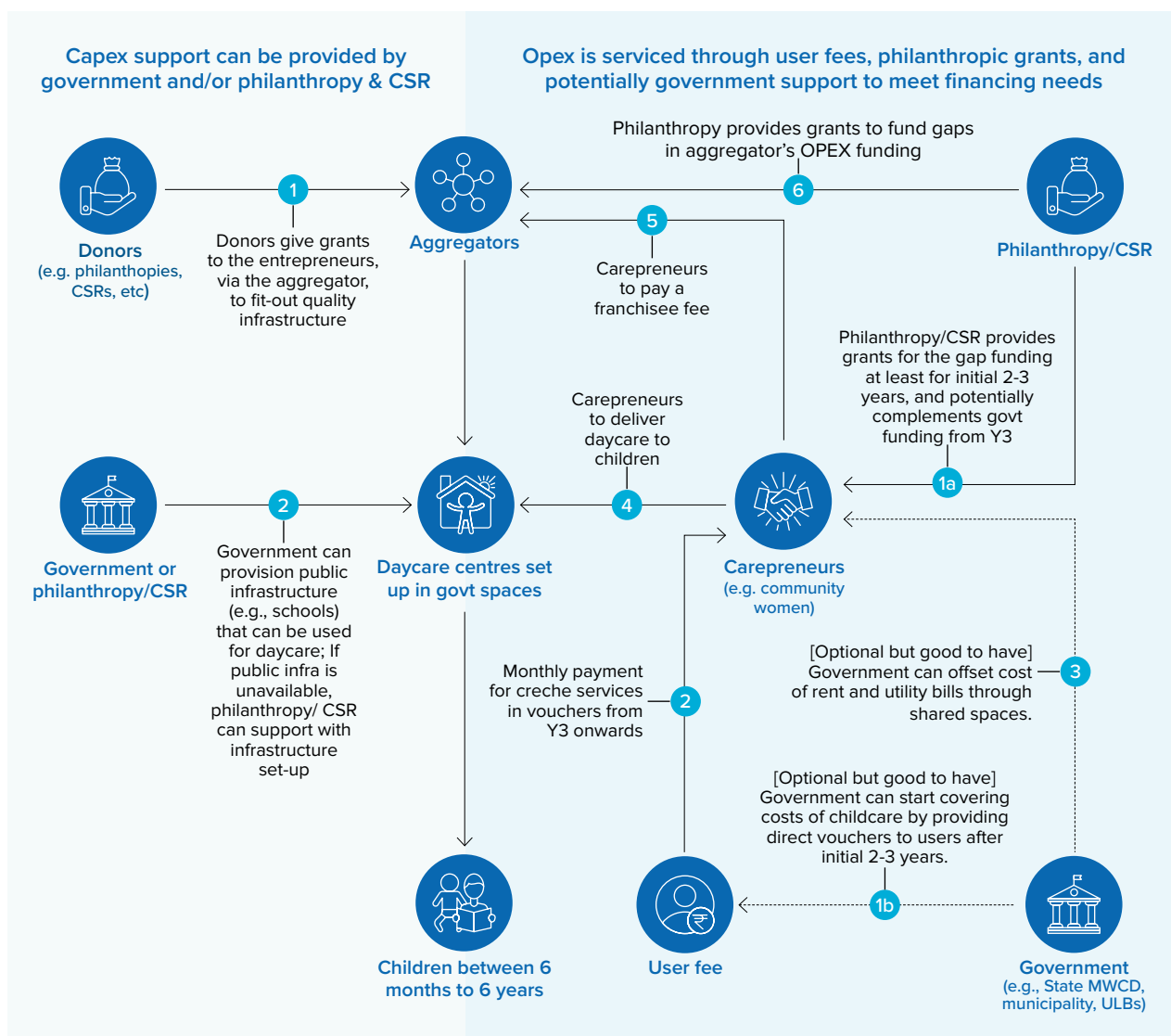
chains charge. At scale, this model will continue to require viability gap funding support from either the government or donors.

What's powerful about this model

Creates local, trusted, affordable childcare options while generating dignified livelihoods for women entrepreneurs.

Figure 3: Hyperlocal community childcare model structure

Blended structure of Model 1 - Hyperlocal community-led model (near home)



Model 2: Financing Industry Cluster-Based Aggregated Childcare Centres (Near Workplace)

What it is

Low-cost providers (private sector/CSO/ SHG) operate childcare centres in industrial clusters with dense micro and small enterprises (MSE) presence.

Who it serves

Workers working in MSEs within industrial clusters.

How it's financed

The land and infrastructure to be used to set up the centre is expected to be provided by the industry association managing the cluster. Further CAPEX, in terms of fit-out costs, is expected to be subsidised by a mix of donors and the industry association. Approximately 25% to 40% of the OPEX will be financed by user fees (INR 1.2-2k/ month) with the remaining 60-75% being funded by a mix of contributions from employers, cluster administrators and philanthropy. At scale, philanthropy will have a role to play in

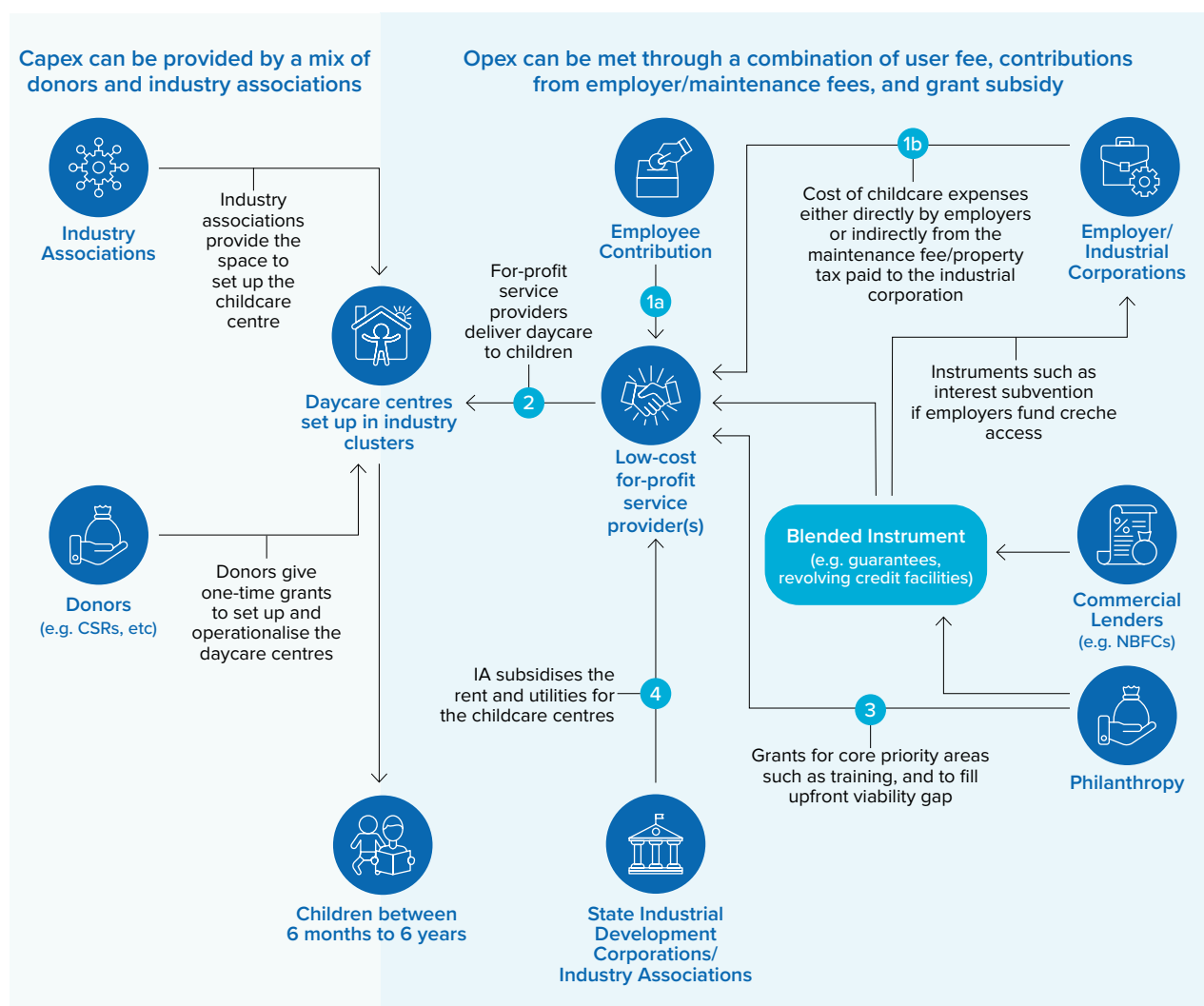
providing viability gap funding for the first 2-3 years of centre operation, till they reach self-sustainability. Separately, it will also have a role to play in de-risking these childcare centres to allow private capital to invest in these centres.

What's powerful about this model

What's powerful about this model: Aggregates demand across MSEs to reduce per-employer costs and improve viability

Figure 4: Overview of the industry cluster model

Blended structure of Model 2 - Industry cluster-based aggregated model (near workplace)



5. Getting this off the ground will require commitment to a new way of working across multiple actors.

- **Philanthropy/CSR:** De-risk innovation and fund pilots to demonstrate demand and impact.
- **Government:** Enable scale by deploying public assets, expanding Mission Palna allocations, and providing targeted vouchers or DBTs.
- **Private operators:** Build sustainable models that balance affordability (INR 1,200–2,000/month) with quality standards.
- **Employers and industry associations:** Support workplace models through infrastructure and shared cost mechanisms.
- **Private capital:** Fuel scale by providing expansion financing for proven operators.

Foreword from UNDP



Dr. Angela Lusigi

Resident Representative,
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The 17 Sustainable Development Goals (SDGs) lay out a bold vision for ending poverty, advancing gender equality, and building more inclusive and resilient economies. Childcare is at the heart of this agenda. Quality and affordable childcare services are not only critical for every child's right to early education, care, and nutrition, but also an essential enabler of women's workforce participation and family well-being. Investing in childcare is therefore one of the smartest strategies for accelerating India's progress toward economic growth, the SDGs and its vision of women-led development.

India has already taken significant steps in this direction. Through flagship programmes such as Saksham Anganwadi and POSHAN 2.0, Mission Vatsalya, and the Palna Scheme under Mission Shakti, the Government of India is prioritising child nutrition, safety, and early education. States are complementing these efforts with dedicated Early Childhood Development schemes—from Delhi's Palna Yojana with over 500 anganwadi-cum-creche centres, to Haryana's crèche policy allocating INR 200 per child per day (exceeding national norms), and Odisha's Ama Kalika programme supporting children under three in tribal and mining districts. Together, these initiatives are building trust in institutional care, opening new pathways for women's empowerment, and reaffirming India's leadership in reimagining childcare as essential social and economic infrastructure.

This report is part of UNDP India's partnership with the Ministry of Housing and Urban Affairs (MoHUA) under DAY-NULM, supported by the Gates Foundation, to boost female labour force participation by strengthening the urban care ecosystem. While public financing must remain the backbone of childcare, innovative approaches can play a complementary role—mobilising additional resources, testing scalable models, and bringing diverse actors together.

Developed with Dalberg, the report estimates that at least 9–10 million women from low-income urban households could directly benefit from accessible, affordable and quality childcare. It puts forward two prototypes: an industry cluster-based aggregated model to provide affordable childcare in small and medium enterprises' (SMEs) hubs, and a hyper-local hybrid community-based model that leverages community care entrepreneurs and aggregators to complement government efforts to provide childcare. The report also illustrates how blended finance can address key operational challenges—for example, by using guarantees to de-risk uncertain user and employer contributions, or revolving credit facilities with philanthropic first-loss coverage to bridge working capital needs. Overall, the findings emphasise the urgent need for coordinated action across government, industry, philanthropy, and communities—learning, testing, and prototyping together to unlock childcare's full potential for families, businesses, and the economy in India.

We commend the Government of India for its leadership in expanding childcare and early childhood services. We thank Smt. Roopa Mishra, Joint Secretary, Ministry of Housing and Urban Affairs, and Shri Preetam B. Yashvant, Joint Secretary, Ministry of Women and Child Development, for their vision and guidance. We appreciate the Gates Foundation for their partnership, and Dalberg for their valuable expertise. At UNDP, we remain a steadfast partner to the Government of India, committed to advancing gender equality and inclusive growth through evidence, innovation, and collaboration. Together, we can strengthen India's childcare ecosystem and ensure that no child or caregiver is left behind in the country's journey toward Viksit Bharat.

Foreword from Dalberg Advisors

Childcare has long stood at the intersection of two national priorities—children’s development and women’s economic participation. Yet despite decades of effort, it remains one of India’s most under-resourced and hardest-to-scale systems. From building the world’s largest anganwadi network to pioneering NGO-led models to growing private sector provision, India has made significant strides—but millions of working women, especially in low-income urban households, still struggle to find reliable, affordable care for their children.

When we began this work, our goal was not to make blended finance fit the childcare challenge. It was to ask a simpler question: could blended finance play any role at all in helping unlock quality, affordable childcare—at least for some part of the population? We knew it wouldn’t work for everyone, especially those at the lowest income levels. But we also saw that the scale of the challenge demanded new ways of aligning incentives, sharing risks, and mobilising capital.

Through this study, we examined the childcare ecosystem from multiple angles—the scale of demand, the public and private provision landscape, international experiences, and, most importantly, the lived realities of low-income working mothers. Today, an estimated 6–7 million women from low-income urban households require full-day childcare, yet existing provisions meet only a fraction of this need. If India achieves a 70% female labour participation rate by 2047, demand for childcare could reach 20–23 million working women, requiring 900,000 to 1 million centres and up to INR 1.6 lakh crore annually in operating costs. Meeting even a fraction of this need will require continued public investment and policy innovation. Innovative delivery and financing models could help extend the reach and quality of government provision.

The answer to our question was, quite possibly, yes.

- For low-income working women who need childcare close to home—street vendors, domestic workers, home-based workers—we propose a hyperlocal community-led model that empowers women entrepreneurs (“carepreneurs”) to deliver quality care in their neighbourhoods, supported by aggregator organisations and subsidised through a mix of user fees, government support, and philanthropic capital.
- For women who work in MSME industrial clusters—garment factories, electronics manufacturing, small-scale industries—we propose an industry cluster-based aggregated model that pools demand across multiple small employers to achieve the economies of scale that no single MSME could justify independently, with costs shared between users, employers, and cluster administrators

Both models are designed around a core insight: quality childcare will always require subsidy for low-income families, but the right financing architecture can make these subsidies go further, leverage private sector capacity, and create pathways to sustainability.

To unlock scale, action will also be needed across the broader childcare ecosystem. Our study identifies four areas of focus:

1. Build supply of quality, affordable childcare providers through innovation grants and de-risking mechanisms.
2. Expand on existing efforts to build a skilled childcare workforce by integrating childcare skilling into national employment and skilling programs.
3. Shift social norms through sustained behaviour change campaigns that value childcare as essential work.
4. Create enabling policy architecture—from direct benefit transfers to infrastructure enablement to quality enforcement—to make scale possible.

This report is not about finance alone. It is about creating opportunity for women and their families by valuing childcare, recognising it as essential infrastructure and a shared societal responsibility, and expanding the choices available. Achieving this will require governments, employers, markets, and communities to all play a role, alongside families themselves. Such a shared effort can truly unlock the potential of childcare to enable women’s work, advance children’s development, strengthen families, and build more equitable and prosperous cities.

Our hope is that this report sparks an energetic response, and offers a sense of what’s possible if we tried new ways of working. India’s childcare challenge will take collaboration, experimentation, and shared learning. If we begin here, we can build the evidence, unlock the capital, and lay the foundation for universal childcare in India—a goal worth striving for, for our women, our children, and our shared future.

Methodology

A multi-method approach was adopted to understand the childcare needs of women from lower income urban households and design viable blended finance models to address this gap. The research, conducted over six months, combined extensive desk research and quantitative analysis with stakeholder consultations and field-based validation to develop evidence-based prototype designs. This included:

- Desk research and cost modelling to establish the scale of childcare need, map existing provisions, analyse cost structures, and synthesise the best practices from India and globally.
- Stakeholder consultations and field validation with over 30 stakeholders across government, care providers, sector experts, multilaterals, philanthropic funders, CSRs, and private investors to understand ecosystem gaps, validate model assumptions, and refine prototype designs.

The exhibit below illustrates the key activities and analytical methods employed across our research approach.

Figure 5: Overview of research approach employed to develop this report



Through extensive consultations with sector experts, comprehensive secondary research and literature reviews, and field visits to community and workplace creches serving low-income populations, we have tried to answer five key questions that define the path toward sustainable childcare solutions:

1. [Chapter 1] What is the **size and nature of the childcare needs** of women from lower income urban households in India?
2. [Chapter 1] What **financial allocations are required to deliver quality, accessible childcare** that meets both child development standards and the needs of working mothers?
3. [Chapter 2] What **role can blended finance play in mobilising and coordinating resources** across public, private, and philanthropic sectors?
4. [Chapters 3 & 4] Which **blended finance models offer the potential for creating financially sustainable, and scalable childcare solutions?**
5. [Chapters 3 & 4] How should **prototypes be sized and structured to demonstrate viability**, attract additional investment, and create replicable templates for scale?

In the following report, we provide an overview of the potential role of government in addressing childcare needs, alongside an introduction to two innovative blended finance models that together could significantly bridge the childcare gap for women from lower income urban households, delivering quality services both near home (hyperlocal) and near the workplace.



Chapter 1

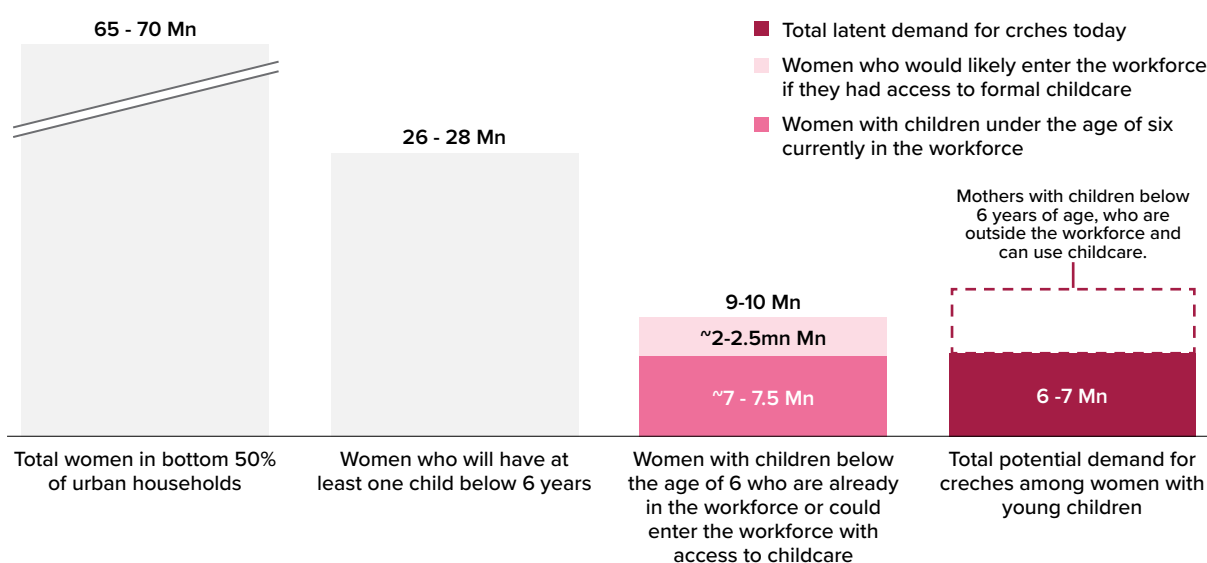
The need for childcare among low- income families in urban India

The need for quality childcare in urban India is massive and likely to surge.

Today, there are an estimated 65-70 million women in low-income households in urban India. These women—especially those who are in the workforce—carry the bulk of the childcare responsibilities in their families.² For reasons well studied and documented, which range from greater stress on women and their families to lower income and even attrition in the workforce, the status quo is untenable. In addition to redistributing care within families more equitably—there is a need for a higher quality childcare system that urban women, especially women from lower income urban households, and their families can easily access.

At least 6-7 million of these women from low-income families in urban India prefer creches³. Approximately 7-7.5 million of these women are in the workforce and have at least one child below the age of 6.⁵ In addition, another 2-2.5 million women would likely enter the workforce if they had access to formal childcare⁶, bringing the total need for childcare among low-income households to 9-10 million women, who collectively have ~12-13 million children under the age of six.⁷ The vast majority of them prefer to entrust their children to full-time creches.⁸ The true need for formal childcare could be much higher, as families where mothers aren't in the workforce might still need or want access to creche facilities.⁹

Figure 6: Estimated need for childcare among working women in low-income households as of 2025
~6-7 million women who work or could work can use full-day creches, along with many more outside the workforceⁱ (Population, In Millions)



Notes: (i) Calculations based on urban population of 523 million with average household size of 3.8. Assumes one woman of childbearing age per household, with 40% having children below six years (based on ILO estimates for lower-middle income countries). Current workforce participation assumes 28% based on existing FLPR rates. Potential workforce increase estimates 8-9% FLPR improvement based on childcare access pilots in Kenya. Assuming 70% of working women in low-income households in urban India opt for full-time creches

Source: (1) World Bank, [Urban Population](#), 2023 (2) NSS, [Household Social Consumption: Education](#), 2018, (3) ILOSTAT, [ILO Modelled Estimates \(ILOEST\) database](#), 2024 (4) MoSPI, [Annual PLFS reports](#), 2023-24 (5) JPAL, [Access to childcare to improve women's economic empowerment](#), 2023 (4) MWCD, [Need Assessment for Creches and Child Care Services](#), 2011

2 Even among working urban women, the responsibility of unpaid work persists and intensifies, with urban employed women spending significantly more time on paid work (391 minutes daily) than their rural counterparts while bearing nearly the same load of unpaid domestic (285 minutes) and caregiving work (142 minutes). Paradoxically, rather than reducing domestic responsibilities, each additional hour of salaried work actually increases time spent on unpaid work by 6.6 minutes for urban graduate women, as they attempt to compensate for their absence from home—resulting in urban working women spending 4-5 times more time on childcare than men.

3 MWCD, [Need Assessment for Creches and Child Care Services](#), 2011

5 Childcare needs present the greatest barrier to women's workforce participation when children are under 6 years and require intensive care. As children enter primary school (typically age 6+), the need for full-time creche services diminishes as formal schooling provides daytime care.

6 Given care responsibilities are a key constraint, provision of affordable childcare at-scale can increase FLPR promptly. Similar childcare interventions in Kenya showed ~8-9% improvement in FLPR in the short-term.

7 Assuming 30% of mothers with children below 6 will have 2 children in the age bracket, based on urban TFR of 1.6 and average age gap of 3 years between two births.

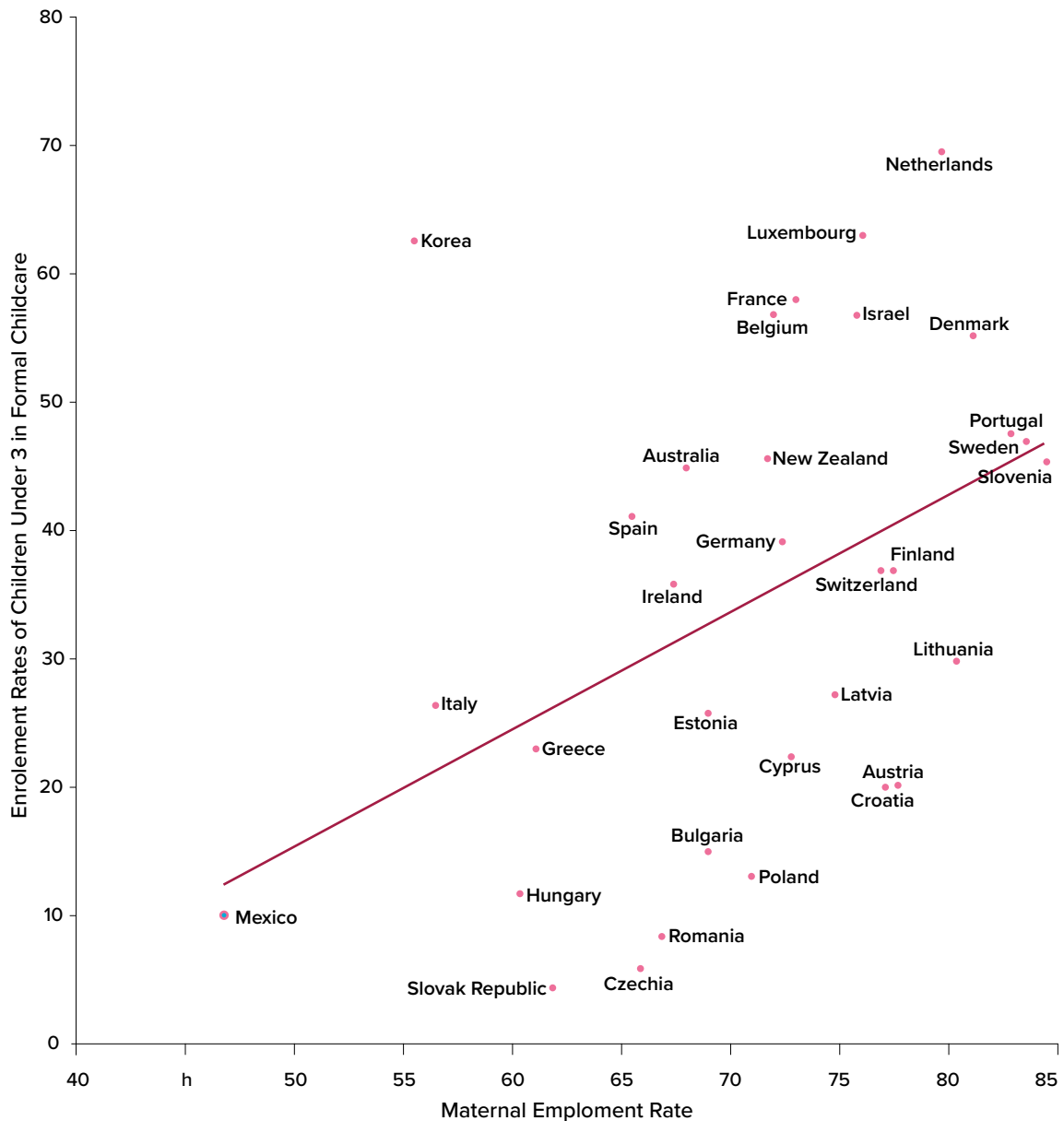
8 Based on a needs assessment survey by MWCD, 70% prefer full-time creches, 13% prefer at-home childcare, 16% use anganwadi centres as preferred mode of childcare.

9 In England in 2024, 43% of children in couple families with only one working parent attended formal childcare. The source for this date is as follows: Gov.UK, [Childcare and early years survey of parents](#), 2024

That demand is likely to surge—up to 20-23 million women—as India works to achieve 70% labour force participation among women by 2047. This target is part of Viksit Bharat, the Government of India’s vision to transform the nation into a developed country by 2047.¹⁰ Achieving this ambition would require nearly quadrupling women’s labour force in urban India from ~50 million¹¹ (~28% according to government sources¹²) to ~200 million¹³. The experience of other countries highlights how important childcare is in enabling greater participation of women in the labour force (see Figure 7). Our estimates indicate that at 70% FLPR, approximately 20-23 million women from lower income urban households could need childcare through full-time creches.¹⁵

Figure 7: Correlation between utilisation of formal childcare and FLPR

Mothers’ Labour Market Participation and Enrolment Rates of Children in Formal Childcare 2020¹ (in %)



Source: (1) OECD, [Family Database](#), 2024

10 Business Standard, [70% women workforce participation by 2047 key to Viksit Bharat: Labour Secy](#), 2025

11 Assuming current population 520-530 Mn, 48.1% being female, 28% FLPR, and 73% women being over 15 years of age.

12 PIB, [Periodic Labour Force Survey \(PLFS\) – Annual Report \(July, 2023 – June, 2024\)](#), 2024

13 Assuming 2047 population 800-900 Mn, 48.1% being female, 70% FLPR, and 73% women being over 15 years of age.

15 Calculations based on expected urban population of 800-900 million by 2047 with average household size of 3.8; bottom 50% needs subsidised childcare. Assumes one woman of childbearing age per household, with 40% having children below six years (based on ILO estimates for lower-middle income countries). Assuming FLPR of 70% in 2047 is achieved and 70% of working women in low-income households in urban India opt for full-time creches

Everything we know about childcare suggests that provisions must go beyond access; quality is key to driving positive women and child development outcomes. Women from low-income households in urban India, in particular, seek hours aligned to their schedules, quality, safety, and proximity to creches as the primary reasons for using centre-based childcare services.¹⁶ More broadly, high-quality childcare that is appropriately staffed, covers nutrition, health, and age-appropriate child stimulation during formative years also leads to positive outcomes for both women and children. There is a large body of research that shows that the experiences and interactions children have in their early years significantly affect brain development and help to establish the foundation for future learning.^{17,18} Multiple studies in India and across the globe have also found that provision of full-day quality childcare programs increased women's employment, ranging from a 5 to 47% increase.¹⁹ However, these employment gains require quality care that mothers trust. When quality concerns persist, mothers may not use childcare services at all, limiting any employment impact. For example, in Egypt, safety and quality concerns were among the primary reasons mothers did not use subsidised childcare, contributing to uptake rates of only 1.4-4.2% and minimal employment effects.²⁰

However, existing public and private provisions are falling short of meeting the childcare needs of low-income urban women

The government, through AWCCs, currently serves less than 0.5% of the estimated need today. There is not enough data to calculate how much of the market is served by private models – either at work, through low-cost providers, or by non-profits. However, based on available data, it is unlikely that more than 10% of the total demand is being met today by a mix of public and private centres.^{21,22}

Public models: India runs the world's largest early childhood care network primarily through the ~1.4 million centre strong anganwadi network reaching over 88 million children across India. However, budget and implementation gaps persist in effectively reaching low-income working women in urban settings.

India has built one of the world's most extensive childcare systems over five decades, with policies aimed at developing institutional caregiving capacity through the Integrated Child Development Services (ICDS, 1975) and now complemented through flagship national schemes like Mission Palna and other state-level interventions. The current government architecture operates through two primary national schemes: restructured ICDS under **Saksham Anganwadi and Poshan 2.0** serving children below 6 years through AWC infrastructure with early childhood care and education services; and the **Palna Scheme under Mission Shakti** providing full day creche services for all mothers regardless of employment status, operating 26 days monthly for 7.5 hours daily. Several states also complement these efforts through Early Childhood Development initiatives—for example, Karnataka's *Koosina Mane* that supports rural working mothers through 4,000 state creches in gram panchayat buildings, and Haryana's pioneering State Creche Policy that ensures high-quality childcare centres and fair wages for workers.

These schemes ultimately translate into three broad categories of government-run centres:

1. **Anganwadi centres (AWCs)**
2. **Anganwadi-cum-creches (AWCCs), and**
3. **Standalone creches**

(see Figure 8 for details on each of these three models).

16 Mobile Creches, [Women Need Creches](#), 2022; 83.5% of the women surveyed indicated safety considerations, 63% indicated proximity and timings, and 59% indicated nature of services provided by the creche had an impact on their decision to avail creche.

17 Hirokazu Yoshikawa, et al., [Investing In Our Future: The Evidence Base on Preschool Education](#), 2013

18 Harvard University Center on the Developing Child, [InBrief: The Science of Early Childhood Development](#), 2007

19 Abdul Latif Jameel Poverty Action Lab, [Access to childcare to improve women's economic empowerment](#), 2023

20 Ibid.

21 Based on limited data (see footnote 21), it is estimated that there are about 10,000 private centres in India. Assuming all of these centres are in urban India. Since ~17,000 AWCs amounted to less than 5% of the demand being met, adding 10,000 private centres implies that the total demand being met is less than 10% currently.

22 Smartscribers, [List of Day care centers in India](#), 2025

Figure 8: Details of key government provisions for creches

	Anganwadi Centers ¹	Anganwadi cum Creches ^{6,7}	Standalone Creches ⁷
Target user Demographic	<ul style="list-style-type: none"> • Children 0–6 years. • Pregnant/lactating women. • Adolescent girls for nutrition/health. 	<ul style="list-style-type: none"> • Full-day care for children (6 months–6 years). • All other users (mother, adolescent girls) registered in linked “mother” AWC. 	<ul style="list-style-type: none"> • Full-day care for children (6 months–6 years). • Typically, not focused on needs of other users like mothers, adolescent girls, etc.
Reach	<ul style="list-style-type: none"> • ~14 lakh AWCs, with 1.37 lakh AWC in urban areas, serving over 8.8 crore children below six.^{3,4} 	<ul style="list-style-type: none"> • 1,761 AWCCs, serving ~29K beneficiaries (Target: 17,000 AWCCs by 2025-26). • Primarily urban focus for siting to serve working mothers. 	<ul style="list-style-type: none"> • 1,284 standalone crèches, reduced from 25,000 standalone creches in 2025.⁹ • Primarily legacy creches under National Creche Scheme.
Service Scope	<ul style="list-style-type: none"> • Nutrition: Supplementary nutrition (for children and pregnant/lactating women). • Health: check-up, immunisation, and referrals • Education: Pre-school education; nutrition and health education for women. 	<ul style="list-style-type: none"> • All AWC services plus full-day creche services. • Full day creche includes services such as three meals/snacks, supervised rest, early learning, growth monitoring. 	<ul style="list-style-type: none"> • Full-day crèche services similar to AWCCs including meals/snacks for a 7.5-hour day; growth monitoring; ECD activities.
Operating Hours	<ul style="list-style-type: none"> • Typically operates 4-6 hours/day, with primary focus on nutrition and health on children and women.² 	<ul style="list-style-type: none"> • 7.5 hours/day, 26 days/month; timing flexible to suit local working mothers; co-located with AWCs.⁸ 	<ul style="list-style-type: none"> • Similar to AWCCs; 7.5 hours/day, 26 days/month; timing flexible per local need/work schedules.⁸
Infrastructure & Staffing	<ul style="list-style-type: none"> • Typically, basic childcare infrastructure managed by 1 worker + 1 helper per centre. • ~57,000 Anganwadis upgraded as Saksham AWCs with smart learning aids, wi-fi, RO purifiers, child-friendly learning equipment.⁵ 	<ul style="list-style-type: none"> • Uses AWC for foundational infrastructure. • Added one crèche worker + one helper under Palna, along with additional equipment needed for full day care such as sleeping cots, growth monitoring equipment, etc. 	<ul style="list-style-type: none"> • One crèche worker + one crèche helper per centre. • Similar infrastructure norms for creches as anganwadi cum creches.
Government Schemes	<ul style="list-style-type: none"> • Supported under Integrated Child Development Services (ICDS), now subsumed under Mission Saksham Anganwadi and Poshan 2.0 under MWCD. 	<ul style="list-style-type: none"> • Supported through the Palna Scheme under Mission Shakti; the scheme funds addition of crèche workers/helpers, equipment, and services to existing AWCs. 	<ul style="list-style-type: none"> • Historically supported under National Crèche Scheme (NCS); However, funding has been significantly reduced under Palna, and most standalone crèches are being merged with AWCs under Palna.

Sources: (1) Ministry of Women and Child Development, [Mission Saksham Anganwadi and Poshan 2.0](#) (accessed in September 2025) (2) George, N., Selvaraju, M. P., Elavarasu, S., & Ravichandran, T., [Anganwadi centres in society](#), 2021 (3) PIB, [Of the 14 lakh sanctioned Anganwadi Centres \(AWCs\) in the country about 1.36 lakh AWCs are located in the urban areas](#), 2018 (4) PIB, [Total 13.96 lakh Anganwadis registered under the Poshan Tracker application](#), 2023 (5) PIB, [More than 57,000 Anganwadi Centres upgraded into Saksham Anganwadi Centres](#), 2025 (6) PIB, [Palna Scheme under Mission Shakti](#), 2025 (7) MWCD, Standard Operating Procedure: [Mission Shakti, Palna](#), 2023 (8) MWCD, [Lok Sabha Question \(Palna Scheme\)](#), 2024 (9) Ministry of Women & Child Development, [Reduction in Creches](#), 2024

However, significant financial and implementation gaps often constrain the ability of public childcare programs to meet the necessary scale and quality of services in urban India.

Anganwadi centres are by far the largest government investment in childcare, but they are mostly in rural India and limited in scope. There are ~1.4 million anganwadi centres in India today, reaching up to 88 million children below 6 years of age²³. However, only 7% of beneficiaries served by the anganwadi system are in urban India.²⁴ Moreover, anganwadi centres are neither intended to nor designed to serve as full-fledged daycare centres. For instance, urban AWCs typically function for less than 6 hours per day, whereas urban jobs demand at least 8–10 hours of reliable childcare. Many urban AWCs also operate out of rented or temporary spaces, making it difficult to invest in infrastructure upgrades required for safe, high-quality childcare. Further, anganwadi workers (AWWs) are overworked,²⁵ and this impacts their ability to provide quality care.

Anganwadi cum creches and standalone creches offer services more closely aligned to women's needs but plans and investment to date will cover just a fraction of the demand. For instance anganwadi cum creches and standalone creches offer full-day care and nutrition (7-8 hours daily, 26 days monthly), and additional staffing, and materials needed for extended care like sleeping cots and growth monitoring equipment, that are not typically available in an Anganwadi centre to match the needs of working women in urban areas. However, the total number of anganwadi cum creches and standalone creches is ~3,000 (1,761 AWCCs + 1,284 standalone creches²⁶), covering only 0.5% of the current estimated need. The number of standalone creches has actually declined by 95% in recent years, due to shifts in funding structures and the growing focus on Palna and AWCCs.^{27,28} Even if the government rolls out all planned AWCCs (17,000), only an estimated 5% of the total need among low-income families in urban India will be met²⁹. However, it should be noted that all schemes, including PALNA are expected to be revised by the government in 2026 and so the allocations stated above may change.

Private models: While non-profit and private actors have pioneered innovative childcare solutions, significant financial and operational challenges prevent these models from serving low-income families at scale. Three distinct models make up the private childcare ecosystem –

- A. NGO-led models
- B. Private for-profit operator models
- C. Industry-led models

Each faces constraints that limit widespread adoption among women from lower income urban households:

A. NGO-led models: NGOs remain quality pioneers in childcare delivery but face funding constraints that prevent scaling beyond their current reach.

- NGOs have been pioneers in providing access to quality childcare to women from lower income urban households over the last five decades. For instance, Mobile Crèches, established in 1969, has established childcare centres that go beyond being a space for mothers to drop their kids. They include structured early childhood education, nutrition support, and health services. They have done pioneering work in the construction sector, partnering with construction firms to provide quality on-site childcare to children

23 Lok Sabha Questions, [Upgradation of Anganwadi Centres](#), 2025

24 The Hindu, [Only 7 in 100 anganwadi beneficiaries are in cities](#), 2020

25 Mira Devi, 2. Vinita Lal, [The challenges faced by Anganwadi workers in rural and urban areas: a comparative study of Firozabad district, Uttar Pradesh, India](#), 2025

26 PIB, [Palna Scheme under Mission Shakti](#), 2025

27 Government of India, Ministry of Women & Child Development, [Reduction in Creches](#), 2024

28 The Rajiv Gandhi National Creche Scheme (RGNCS) operated under a 90:10 central-implementing organisation funding model until 2016. The replacement National Creche Scheme (NCS) introduced a 60:30:10 structure (60% central government, 30% state government, 10% implementing organisations), requiring state contributions that many states did not provide. Mission Palna (2022) further revised this to a 60:40 model (60% central, 40% state), but states increasingly prefer AWCCs over standalone creches to reduce administrative burden.

29 Assuming all 17,000 anganwadi cum creches are set up in urban areas and operate at full capacity of 25 children per creche, they will still serve up to 425,000 children only. Assuming 30% of mothers enrol more than one child under six, a maximum of ~330,000 of women from lower income urban households would be served, which is less than 5% when compared to our estimation of 6-7 million women from lower income urban households currently in need of childcare through creches.

of labourers. Another notable example is SEWA (Self-Employed Women's Association), which has been providing community-based childcare services for informal women workers since the 1980s.³⁰ Beyond direct service delivery, NGO-led models like Mobile Crèches also help shape childcare policy and programs in India and internationally, often through technical partnerships with states like Haryana, Karnataka, and Telangana and efforts to elevate the ECD agenda by hosting secretariats for collaboratives like FORCES and Alliance for the Right to ECD.³¹

- Despite this, NGOs face meaningful challenges in raising large amounts of capital, which affects their ability to scale. NGOs have a narrow funding base, relying largely on philanthropic grants and CSR contributions. Further, since other sectors such as education and health have historically been prioritised over childcare by funders, raising capital from the narrow pool of funders has also been a challenge. This can be seen from the fact that while the education sector accounted for more than INR 12,000 crores of CSR contributions in FY23-24³², only ~INR 2,000 crores (17%) was directed towards early childhood care and education.³³
- The NGO model is fundamentally not designed for achieving population scale impact. It is instead more suited to demonstrating innovative solutions that can catalyse systemic change. Even well-established organisations like Mobile Crèches, reach only a fraction of the estimated childcare need, serving approximately 150,000 children annually^{34,35} compared to the 8-9 million children currently requiring care. This gap reflects not just funding limitations but the inherent challenge of scaling grant-dependent models without sustainable revenue streams or the institutional infrastructure necessary for universal provision. While NGOs play a critical role in pioneering quality standards and demonstrating viable models, addressing childcare needs at population scale ultimately requires government-led or market-driven solutions with sustainable financing mechanisms.³⁶

B. Private for-profit operator models: Private for-profit childcare models show strong growth potential, but persistent affordability-quality trade-offs exclude low-income urban families from accessing quality care.

- The market for private for-profit models has been growing in urban India and is expected to further grow significantly in the next 5-10 years. For instance, the Indian pre-school/ childcare market is expected to grow from USD 4.6 billion in 2024 to USD 11 billion in 2033, exhibiting a CAGR of 9.54% during this period³⁷. The private sector has evolved into three distinct archetypes serving different market segments with varying quality-cost trade-offs.
 - › **Premium childcare centres dominate the formal market but remain inaccessible to most urban families.** Corporate chains like KLAY and IPSAA offer structured early learning curricula with professionally managed facilities, ECD-trained staff maintaining age-differentiated ratios, and defined safety protocols. These centres charge INR 10,000-30,000 monthly for full-day services, reflecting their high operational costs but limiting access to upper-income families.
 - › **Some affordable private chains have emerged to serve middle and lower-middle income segments through more affordable franchise models.** These focus on wider reach through basic curricula and centralised branding, charging INR 2,000-8,000 monthly to make services accessible to families beyond the premium market. These franchisee networks operate with varying local capabilities while maintaining standardised approaches to early childhood education.
 - › **Home-based childcare centres represent the highly accessible but least regulated segment of the private market.** These initiatives typically involve women micro-entrepreneurs providing childcare services at their residences to 3-6 children from local communities. With minimal infrastructure costs and starting fees as low as INR 500 monthly, they offer affordability for lower-income families. However,

30 Kavitha Yarlagadda, [Affordable, Flexible Childcare Helps Indian Mothers Earn More and Worry Less](#), 2023

31 Mobile Creches, [Annual Report](#), 2025

32 CA Alley, [CSR spend trebles in a decade, education & health get lion's share](#), 2025

33 National Forum for Creches and Childcare Services (FORCES), [Financing Childcare in India: A State Responsibility](#), 2023

34 Mobile Creches, [Annual Report](#), 2025

35 This includes children served in Mobile Creche-run centres directly. Including creches run in partnership with government and other NGOs, the outreach is closer to 90,000 children.

36 Jacky Habib, [These Mobile Nurseries Are Helping Migrant Workers in India Access Child Care](#), 2022

37 IMARC, [Indian Pre-School/Childcare Market Size, Share, Trends and Forecast by Facility, Ownership, Age Group, Location, Major Cities, and Region, 2025-2033](#), 2025

quality remains uncertain due to the limited formal training of caregivers, inconsistent safety protocols, and absence of structured learning programs.³⁸

- Across these archetypes of for-profit models, monthly costs for quality centre-based care typically range from INR 2,000 to INR 30,000, creating a significant affordability challenge for low-income households. While INR 2,000 may be feasible for some middle-income families, even this represents a considerable burden for households earning INR 20,000-25,000 monthly. Premium options charging INR 10,000-30,000 remain entirely out of reach for low-income families, that would need to allocate an unsustainable share of household income to afford quality childcare—far exceeding the sum of INR 2,000 per month per child, which most families could reasonably be expected to pay.

Figure 9: Broad archetypes of for-profit childcare centres

	Home-based Childcare Centers	Affordable Private Chains	Premium Childcare Centres
Nature of Establishment	<ul style="list-style-type: none"> • Individually run spaces serving a small group of neighbourhood children, typically in caregivers' home or nearby rented spaces. 	<ul style="list-style-type: none"> • Franchise operators focused on affordability and wide reach; basic curriculum & facilities e.g., Hippocampus Learning centers. 	<ul style="list-style-type: none"> • Corporate or professionally managed chains with formal curricula, policies, audits, and corporate tie-ups e.g., KLAY and IPSAA
Typical Ownership & Provider Type	<ul style="list-style-type: none"> • Typically, sole proprietors (often women micro-entrepreneurs) operating from residences. 	<ul style="list-style-type: none"> • Typically, Franchisees under a brand playbook; central brand provides curriculum & marketing; quality varies by franchisee capability. 	<ul style="list-style-type: none"> • Typically, venture-backed or professionally managed chains, with potentially company-owned company-operated centers for better quality control
Service Scope	<ul style="list-style-type: none"> • Focus primarily on supervision and basic routines; limited pedagogy; meals often brought from home; limited safety protocols and equipment. 	<ul style="list-style-type: none"> • Structured learning plans, with possible high 3R focus (reading, writing, and arithmetic) • Other service components like Nutrition, Safety varies depending on franchisee 	<ul style="list-style-type: none"> • Structured early learning with holistic child development focus, nap & nutrition plans, health checks, CCTV, and parent apps; • MoUs specify service levels in case of corporate partnerships.
Infrastructure Quality & Space Norms	<ul style="list-style-type: none"> • Residential settings; typically cramped/ repurposed rooms; compliance to codes are usually not followed. 	<ul style="list-style-type: none"> • Basic classrooms/ play area; compliance depends on franchisor enforcement. 	<ul style="list-style-type: none"> • Purpose-built or professionally retrofitted spaces with child-friendly toilets, purified water, CCTV, and safety displays
Staff Qualifications & Ratios	<ul style="list-style-type: none"> • Often without formal training; caregiver-tochild ratios depend on enrolment (no formal limit); may mirror local practice. 	<ul style="list-style-type: none"> • Teacher qualifications vary depending on organization; advertised ratios commonly 1:10–1:15 in KG and tighter in playgroup. 	<ul style="list-style-type: none"> • ECD Trained staff; age-differentiated ratios (e.g., infants ~1:1; toddlers ~1:5; older ~1:8 in some centres)
Average Monthly Fees	<ul style="list-style-type: none"> • Starting fees can be INR 2,000 per month; depending on hours, meals, and group size; 	<ul style="list-style-type: none"> • ~INR 2,000–INR 8,000 for preschool and daycare in urban areas 	<ul style="list-style-type: none"> • ~INR 10,000–INR 30,000 for full-day daycare in metros.

Source: (1) Author's analysis, based on evaluating advertised offerings of leading private childcare providers and expert conversations (2) Prachi Maheshwari, Somatish Banerji, Trina Roy and Anuja Kaushal, [Building the childcare ecosystem in India](#), 2018

C. Industry-led model: Workplace childcare has some regulatory backing through the Maternity Benefit Act 2017, but limited compliance, implementation gaps, and unregulated quality standards result in gaps in delivery of care or minimal utilisation even where facilities exist.

- There has been a push by the government in recent years to drive access to childcare in workplaces. For instance, The Maternity Benefit (Amended) Act, 2017 mandates establishments with 50 or more employees to have a creche facility at or near the workplace. Further, in 2018 the Ministry of Women and Child Development issued a set of national minimum guidelines for setting up and running creches under the Maternity Benefit (Amendment) Act, 2017.³⁹
- However, implementation of the Maternity Benefit Act faces significant challenges as the provisions pertaining to creches require state-level definition, which most states in India have yet to complete. As per India's labour laws, state governments, which are the appropriate government under the Maternity Benefit Act for establishments other than mines and circuses, are required to frame rules for the purposes of the Act, including the prescription of amenities and facilities required to be provided in such creches. However, there are very few states (e.g. Karnataka) that have notified specific rules for setting up and running creche facilities under the Maternity Benefit Act. As a result, it has not been possible to enforce the creche-specific provisions of the act.
- Further, creche-specific provisions of the Maternity Benefits Act, 2017 and other acts, such as the Factories Act, 1948, do not apply to smaller establishments. For instance, the Maternity Benefits Act, 2017 only requires establishments with 50 or more employees to provide creche facilities at or near the workplace. Similarly, the Factories Act, 1948, only requires factories where more than 30 women workers are employed, to provide room(s) for the use of children under the age of 6.⁴⁰
- Finally, even in cases where establishments have set up creche facilities on site, the quality has not been up to the required standards. For instance, a study by the Karnataka State Commission for the Protection of Child Rights to assess the childcare facilities in Bangalore's garment factories found that of the factories providing a creche, there was only one creche for up to 1,000 workers and that only 5.7% of the worker population at the sample factories made use of the factory creches, even though working parents made up 34% of the workforce in these factories.⁴¹ The report stated that there is a loophole in the Factories Act, 1948 that makes it obligatory for factories to have a room or space assigned for a crèche, but not for workers to bring their children to it. As a result, the factories were using this loophole by creating an environment that was not conducive to the presence and care of children, thereby discouraging workers from bringing their children to these creche facilities.

We need far greater will, investment, and creativity to build the childcare infrastructure and services India needs.

Clearly, the vast majority of childcare infrastructure and services in India are yet to be built. Establishing the estimated 320,000 centres needed requires a massive investment to the tune of INR 5,000 crores in capital expenditure and INR 50,000 crores in annual operating costs. These investments must be seen as a societal responsibility rather than a purely individual burden. After all, we all benefit from investing in and caring for the next generation—through improved child development outcomes, enhanced women's economic participation, and inclusive economic growth.

Across the world, countries have approached this challenge in different ways. A few nations, such as Norway⁴² and Sweden⁴³, have taken on this responsibility almost in full, offering near-universal childcare with substantial government subsidies that cover the majority of costs for families regardless of income level. However, most

39 PIB, [National Creche Schemes](#), 2022

40 Ministry of Labour and Employment, [The Factories Act](#), 1948

41 Cividip India, [Needs Assessment for Childcare Facilities in Bangalore's Garment Industry](#), 2016

42 European Commission, Norway: [Early Childhood and School Education Funding](#), 2025

43 European Commission, Sweden: [Early Childhood and School Education Funding](#), 2025

countries—especially those in the global south such as Vietnam⁴⁴ and South Africa⁴⁵—have adopted a hybrid approach to building, financing, and delivering childcare. They have relied on government, private sector, philanthropic actors, and communities to come together to build a patchwork of solutions that provide the services families need, with the government focusing resources on those least able to pay while enabling market-based solutions for others.

Against this backdrop, and recognising how much work remains to achieve accessible, quality childcare in India, this report examines how different actors can come together through blended finance models to unlock scalable solutions for addressing the childcare gap among women from lower income urban households. In the next four chapters, we provide an overview of the potential role of government in addressing childcare needs, alongside an introduction to two innovative blended finance models that together could significantly bridge the childcare gap for women from lower income urban households, delivering quality services both near home (hyperlocal) and near the workplace.

44 Vietnam Briefing, [The Untapped Potential in Vietnam's Pre-school Market](#), 2022

45 Iliya, [Unlocking affordable and quality childcare to benefit women, children, and the broader society: A review of the South African childcare system](#), 2025



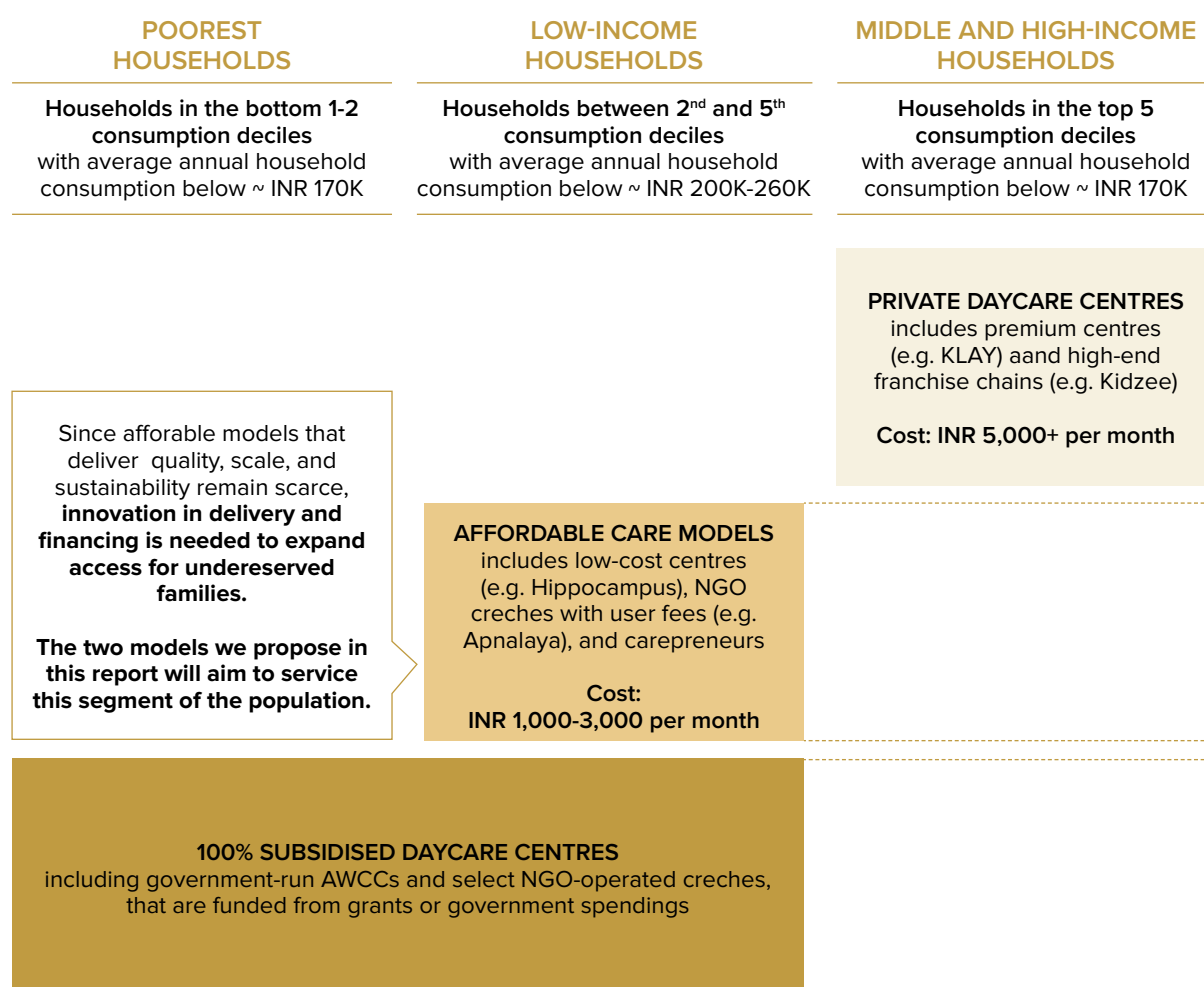
Chapter 2

Using hybrid models for at-scale quality childcare

A hybrid approach involving public, private, and philanthropic actors may help unlock a childcare ecosystem that serves women from lower income urban households.

The childcare ecosystem in India could adopt a hybrid approach, wherein the government caters to the needs of the poorest households who cannot afford to pay for childcare, while enabling and supporting market actors to innovate and provide childcare services at an affordable cost. Quality childcare is expensive since it is a high-touch, human resource intensive service, with limited scope for cost optimisation. The government could therefore focus its efforts on providing childcare as a public good, to address the needs of the poorest households (bottom 1-2 consumption deciles) that cannot afford to pay for childcare. In addition, there is a need to explore ways to bring in more philanthropic and private actors to serve low-income households (between 2nd and 5th consumption deciles) and thereby gradually bridge the gap between the need and the existing service levels. An overview of this hybrid approach has been illustrated in Figure 10 below.

Figure 10: Overview of a hybrid approach where affordable care models serve low-income households between the 2nd and 5th consumption deciles (illustrative)



Enabling a hybrid approach will require injecting innovation in a space that has seen limited progress. We propose two models that could strengthen the urban childcare ecosystem and meet the needs of women from lower income urban households.

The urban childcare ecosystem in India needs new ideas on how to pay for and deliver childcare – models that blend different sources of capital could be a way forward. Existing non-government childcare models struggle with either quality (home-based services being provided by community members), affordability (premium childcare centres), or financial sustainability and scalability (NGO-operated centres). Therefore, a new approach is needed which balances all four elements. Blending philanthropic, public, and private capital could help overcome these challenges:

- **Philanthropic capital can act as a quality multiplier** by subsidising foundational investments in quality such as care worker training.
- **Public capital can drive affordability at scale** by providing sustained funding that makes childcare cheaper through targeted subsidies—such as rent or utilities subsidies to the centre operators—or vouchers/direct benefit transfers to users directly.
- **Private capital can ensure financial sustainability**, in the form of user fees and, where relevant, potential contributions from employers as it creates a recurring source of revenue which, depending on the model, can either partially or fully offset the cost of delivering childcare.

Finally, all three sources of capital have a role to play in driving scalability, whereby philanthropic capital, with a high appetite for risk, can establish proof of concept, while private capital, in the form of private investors, and public capital can provide the necessary funds required to scale the models.

We have identified two blended models that we believe have the potential to deliver quality affordable care to low-income women at scale-

1. Hyperlocal community-led model

This model brings together the government, philanthropy, CSR, women from the focus communities, and NGOs/private players to deliver childcare within low-income communities. The childcare centres are either in government-owned or commercial spaces and are owned and operated by women from these communities. NGOs/private players are required to act as aggregators, managing the women running the centres. The service is financed by a mix of user fees and gap funding from either the government or philanthropy/CSR.

2. Industry-cluster based aggregated model

This model brings together philanthropy, CSR, industry associations and cluster administrators, employers, and private operators to deliver childcare in industrial clusters with a significant presence of MSMEs. The land for the centres is expected to be provided by the cluster administrator while the centres are expected to be operated by low-cost private providers and financed through a mix of user fees and contributions from both the industry cluster administrator and employers. The role of philanthropy will be to finance the upfront viability gap as the model scales and provide targeted support to build care worker capacity.

In the following two chapters, we describe the models, lay out the role of blended finance in enabling them and suggest how they can be tested and fine-tuned using indicative prototypes.

Chapter 3

Financing the hyperlocal community-led childcare model



The Model

The majority of women in urban India are engaged in informal jobs (e.g., domestic work) which typically have irregular schedules, long working hours, and multiple employers with no long-term commitment, making hyperlocal childcare their only viable option. However, existing hyperlocal childcare systems fall short: government centres are limited and inflexible, private providers are unaffordable, and NGO models remain small in scale.

A decentralised “near-home” childcare system operated by carepreneurs can help address the current gap in the hyperlocal childcare ecosystem by offering affordable, quality childcare with flexible operating hours to informal workers such as domestic workers and street vendors. These centres will adhere to existing national guidelines on creches. Each carepreneur (trained women entrepreneurs from low-income neighbourhoods) manages a 20–25-child centre using government or philanthropic infrastructure, ensuring proximity, trust, and flexible hours aligned to the work patterns of mothers. These carepreneurs are further supported by aggregators, which could either be NGOs or for-profit enterprises. The carepreneurs can earn approximately INR 23,000/month, creating viable local livelihoods while ensuring affordable, quality childcare for low-income families.

Unit Economics & Funding Gap

Delivering quality childcare through this model costs ~INR 4,500 per child per month. User fees of INR 1,200–1,500 and rent/utilities subsidies to the carepreneurs either from the government or funded by philanthropies/CSRs can offset part of this cost, but a viability gap of ~INR 2,000 per child monthly remains — requiring sustained government or philanthropic support.

Proposed Blended Finance Prototype

We propose a prototype of 40 centres — working with 40-80 carepreneurs — across 3–4 cities (serving ~900 children daily) which will test the model’s operational and financial viability. The total funding required by the prototype is estimated to be INR 21.4 crores of opex, plus INR 0.65 crore of capex to set up the centres over 5 years.

The objective of the prototype is to demonstrate how community entrepreneurs and aggregators can be leveraged to complement government efforts to provide childcare and create an at-scale hyper-local model that delivers affordable, quality childcare close to where families live, while improving child outcomes, women’s workforce participation, and local livelihoods.

Role of Blended Finance

Philanthropic capital can de-risk the model by funding prototype operations, carepreneur and aggregator capacity-building, and initial operating costs. Government support, once evidence is established, can sustain the model through direct benefit transfers, rental subsidies, or integration with Mission Palna and municipal childcare programs. Together, these financing mechanisms can make childcare viable for low-income families while building a pipeline of trained care workers and entrepreneurial women-led providers.

Pathway to Scale

Scaling the prototype will require a mix of policy and ecosystem building interventions. For instance, from a policy standpoint, there will be a need for childcare to be recognised as essential urban social infrastructure, allowing municipal and state-level investments. In terms of ecosystem building, there will be a need to build a childcare workforce in a structured manner through targeted skill development [and accreditation?] programs, to allow for quality childcare delivery at scale.

A hyperlocal community-led childcare model is essential to meet the childcare needs of 4-5 million mothers in low-income households.⁴⁶

India’s 4-5 million working mothers⁴⁷ from low-income urban households currently require hyperlocal childcare services, with demand expected to reach 15-17 million by 2047 if the country achieves its 70% FLPR target.⁴⁸

⁴⁶ Hyperlocal care means childcare within walking distance of where families live, typically not supported by employers.

⁴⁷ Assuming ~75% of the 6-7 million working women who need creches, prefer a hyperlocal childcare arrangement, based on survey of low-income working mothers (MWCD, [Need Assessment for Creches and Child Care Services](#), 2011) and average employees who commute over an hour to work (IFC, [The Benefits and challenges of workplace creches](#), 2019)

⁴⁸ Assuming 75% of the 20-23 million women who may need creches in 2047 @70% FLPR need hyperlocal creches.

With 76% of employees commuting over an hour daily, long travel makes childcare at the workplace impractical; mothers cannot transport children across the city while managing their own commute.⁴⁹ Hyperlocal childcare allows family members to help with drop-offs, gives mothers flexibility for work emergencies, and matches the reality of how urban families live and work.

The need for hyperlocal childcare is even more urgent given that ~90% of India's female workforce is employed in the informal economy.^{50,51} This includes jobs like home-based work, domestic work, street vending, waste picking that collectively account for over 40% of all urban jobs for women, jobs that are typically marked by irregular schedules, long working hours, multiple employers with no long-term commitment, making hyperlocal childcare their only viable option.^{52,53}

Current hyperlocal childcare provisions available in this segment do not adequately meet the childcare needs of low-income working mothers.

As we discussed earlier, families prioritise quality, accessibility and affordability while choosing creches.⁵⁴ However, neither government nor private creches have successfully achieved scale.

- Government centres currently reach a fraction of the demand, and their hours of operation are not aligned to women's workdays.
- NGO-run childcare initiatives do offer strong, on-site services (e.g., in slum communities and construction sites), but their reach is limited.⁵³
- Large private chains typically do not offer services to this segment given the limited ability to pay. There are some lower-cost providers, but they often lack adequate infrastructure, training, and standards that limit service quality.⁵⁵

A near-home model that combines subsidised infrastructure with community entrepreneurship can deliver quality childcare services needed by mothers in low-income communities.

We propose a childcare service delivery model that creates a collaborative ecosystem linking government bodies, philanthropies/ CSR, local women entrepreneurs, and aggregator organisations to deliver quality childcare in low-income communities by using infrastructure subsidised either by the government or by philanthropy/ CSR. There is substantial public infrastructure that could be used perhaps more cheaply, and there's no shortage of people who might be willing to serve their community's need, especially if trained and compensated appropriately.

- **At its core, the model establishes small-scale childcare centres with a capacity of 20-25 children run by trained "carepreneurs"** (women micro-entrepreneurs from the same neighbourhoods, potentially organised through self-help groups or cooperatives) These providers own end-to-end centre operations, hire 1-2 staff members, and facilitate childcare service delivery in a trusted hyperlocal community set-up.

49 IFC, [The Benefits and challenges of workplace creches](#), 2019

50 ILO, [India Employment Report](#), 2024

51 Gender Studies, [Women in India's Informal Sector: Invisible Yet Indispensable](#), 2024

52 Govindan Raveendran and Joann Vanek (WIEGO), [Informal Workers in India: A Statistical Profile](#), 2020

53 The proportion of women working as domestic workers, waste-pickers, street vending, home-based working are likely much higher for the low-income women, as they are much more likely to be engaged in these activity groups compared to all urban women.

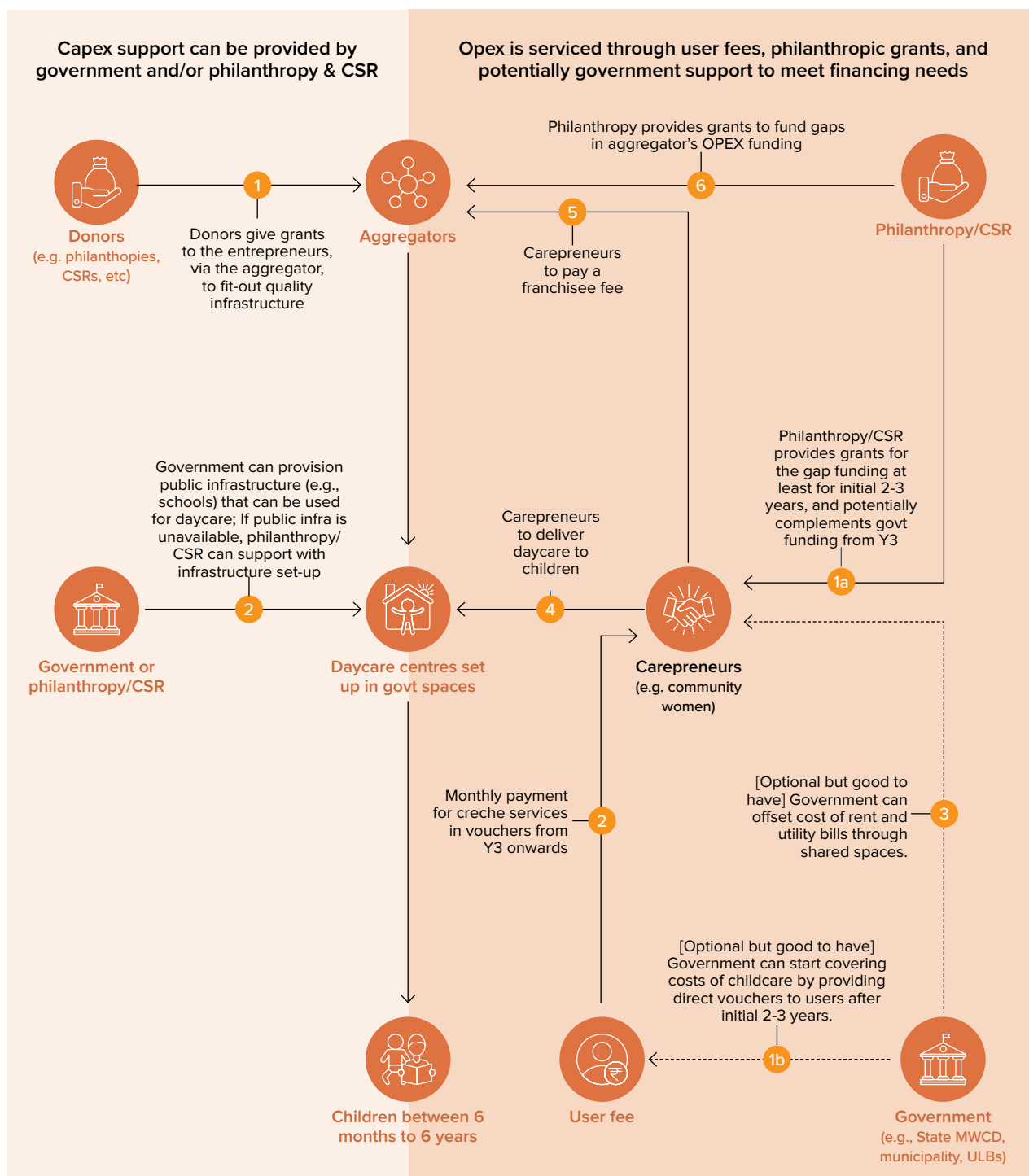
54 Prachi Maheshwari, Somatish Banerji, Trina Roy and Anuja Kaushal, [Building the childcare ecosystem in India](#), 2018

55 Mobile Creche, [Women need creches](#), 2022

- **To ensure quality and accountability, aggregators (NGOs or social enterprises) support and monitor carepreneurs with the key components of care delivery like ECD training, standardised curricula, nutrition protocols.** Aggregators act as an upstream touch point for bringing together much smaller carepreneurs and facilitating program support from either the government or philanthropies/ CSR, ultimately enabling scale without losing the neighbourhood-level proximity that women require.
- **Either existing public infrastructure (such as *anganwadi* centres, schools, community halls) or rented commercial spaces could serve as the physical foundation for service delivery.** In instances where integration with public infrastructure is possible, government childcare efforts can be enhanced through extended operating hours, elevated quality standards, and stronger alignment with women's economic participation needs, creating a complementary service provision.

Figure 11: Hyperlocal community childcare model structure

Blended structure of Model 1 - Hyperlocal community-led model (near home)



This model addresses the challenges of the existing hyperlocal models and is designed to meet the quality, accessibility, and affordability needs of women from lower income urban households.

Quality: The model ensures quality in terms of the physical spaces being used, and the care being provided, and assures safety. **Infrastructure** meets established childcare standards such as well-ventilated spaces, child-friendly toilets, and age-appropriate learning materials in retrofitted existing spaces.

- Service quality is ensured through trained “carepreneurs” supported by aggregators who provide standardised ECD training, and maintain quality norms, such as an optimal child-to-caretaker ratio and established nutrition and health standards.
- Safety is established through a community-based approach. The caregivers are trusted local women who undergo comprehensive ECD training, and who are in close proximity to the individuals looking to avail this service, creating familiarity and accountability within neighbourhoods.

Accessibility: The model addresses two core accessibility needs of women from lower income urban households. i) Close to home to enable easy drop-off and pick up; ii) Sufficient and flexible operating hours.

- Community women establish neighbourhood creches **within walking distance**, eliminating commute challenges for working mothers.
- Additionally, centres also operate at least **8 hours daily** to adapt to the neighbourhood’s needs.

Affordability: The model maintains affordability through cost-sharing that makes quality childcare accessible at 10-20% the price of private alternatives. Families contribute INR 1,200-1,500 monthly while subsidies from either the government or philanthropy grants provide at least INR 2,000 per child. Additionally, infrastructure provision subsidises rental costs, creating a model that delivers quality care at rates significantly below the INR 10,000+ that private alternatives charge while ensuring carepreneurs earn viable incomes of INR 21,000-23,000 monthly.

Such partnership models, especially public-private-partnership models, have been piloted and scaled in the past in other sectors. For example, Pune’s Solid Waste Collection and Handling (SWaCH) Cooperative, a public-private partnership between Pune Municipal Corporation and the waste pickers’ trade union, demonstrates how community-based service delivery can achieve significant scale while being financially sustainable. (See Box 1)

Box 1: Pune’s SWaCH model for waste management is a best-practice case-study showing scalable partnership with self-employed community workers who deliver public service for a share of revenue.⁵⁶

- **The Solid Waste Collection and Handling (SWaCH) Cooperative Society** was established in 2008 as a public-private partnership between the Pune Municipal Corporation and the Kagad Kach Patra Kashtakari Panchayat (KKPKP) trade union.
- **The mechanism now comprises 3,900 self-employed waste picker members serving 980,000 properties across Pune** through door-to-door collection services, diverting approximately 200 tonnes of waste from landfills each day.
- **While PMC covered most costs initially, SWaCH increased its reliance on user fees as it expanded.** This shift let operations run on user payments and scrap sales. Currently, PMC funds ~INR 7 crores for admin support, and user-fee subsidies given to slum dwellers, compared to the ~113 crores cost that the city saves in landfill and payroll costs.⁴
- **With its model proven and costs recovered through operations, SWaCH scaled citywide,** serving ~1 million (50%) of Pune’s households, recycling >200 tonnes of waste daily and avoiding ~50,000 tonnes of CO2 emissions each year, becoming a replicable blueprint for inclusive, decentralised waste management in India.

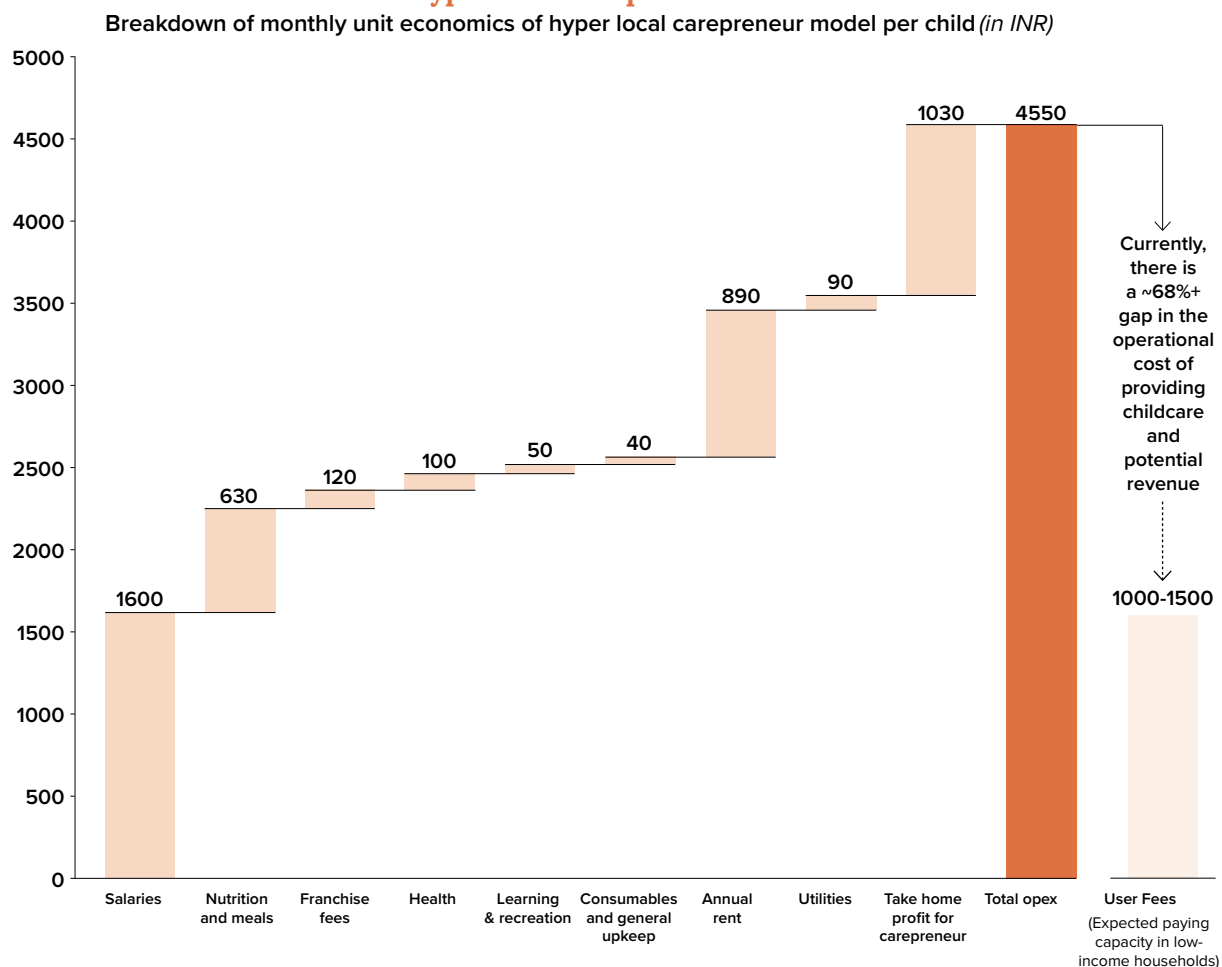
56 SWaCH Cooperative, [Website](#) (accessed in September 2025)

However, even at scale, the cost of providing childcare through this model is beyond the current paying capabilities of the mothers in low-income families, necessitating sustained government and philanthropy intervention to bridge the unit-economics gap.

Delivering quality childcare through the hyperlocal community model costs approximately INR 4,500 per child per month.⁵⁷ This includes key cost headers like salaries (INR 1,600), nutrition (INR 630), and minimum profit drawings for the entrepreneur (INR 1,030) that make up over 70% of all costs. Rent and utilities make up another 21% of costs, though these could potentially be saved if the local government can provide infrastructure and electricity from existing public provisions.

The per child cost translates to the required revenue of ~INR 4,500 per child per month, with carepreneurs retaining approximately 29% of this revenue as profit. This translates to earnings of around INR 23,000 per month for the carepreneurs, which is substantially above minimum wage levels and at least 10% higher than standard care worker salaries. The model assumes each carepreneur hires one ECD-trained care worker at INR 21,000 monthly and one helper at INR 15,000, with the carepreneur also serving as a care worker.⁵⁸

Figure 12: Expected per child cost of delivering childcare in hyperlocal carepreneur centres



Source: Dalberg analysis, informed by stakeholder conversations, field visits and secondary research

57 Assuming an average 90% utilisation across centres with a capacity of 25 children per centre.

58 We recognise that care work is typically undervalued and believe (based on discussions with experts as well as our own analysis) that INR 23K is the minimum earning that the carepreneur should make for herself.

Currently, a typical household in the bottom 50% spends up to ~INR 2,50,000 annually, requiring ~30% of household income to afford childcare at this cost structure.^{59,60} This proportion significantly exceeds the 6% benchmark that is spent on education by households in urban India currently.⁶¹

Private carepreneurs, with a monthly per child cost of INR 4,500, therefore cannot sustainably serve families that earn around INR 2,50,000 annually, necessitating external intervention to bridge affordability gaps. Assuming that users can contribute to the tune of INR 1,000–1,500 per month, and that rent and utilities costs are subsidised, a carepreneur centre would still need at least INR 2,000 of external support per child per month only to cover core operating costs.

Aggregator organisations will also require additional operational funding to support monitoring, training, and quality assurance of around 5-15% of the carepreneur centre expenses.⁶² While aggregators can generate some revenue through franchisee fees from carepreneurs, they are unlikely to become completely sustainable from these fees alone and may require separate operational funding. Our estimates and inputs from sector experts indicate that aggregators cannot be sustainable and will require significant subsidy to be able to operate, with most existing aggregators relying on grants for a majority of their revenue despite managing large networks of carepreneurs.

The gap in unit economics, requiring at least INR 2,000 monthly per child in subsidies, necessitates a coordinated approach between government and philanthropy to create a sustainable long-term solution. Philanthropic capital can support capacity building for carepreneurs and aggregators, and initial support for opex for evidence generation for model viability. However, nationwide reach will require government intervention, given its fiscal capacity to potentially deliver sustained support through mechanisms like direct benefit transfers that can operate across the country and make quality childcare accessible to low-income families.

A blended finance prototype focused on demonstrating viability and building evidence will be crucial to secure the government and philanthropy buy-in needed to scale this childcare model.

We recognise that implementing this model at scale will require significant policy and ecosystem reforms,⁶³ which will only unfold gradually given institutional inertia and the complexity of securing government buy-in. While these reforms may take time to materialise, starting with a prototype to build evidence and demonstrating viability can increase the likelihood of strong government and large-scale philanthropic support for expansion at scale.

The objective of a prototype is therefore to build evidence for outcomes, strengthen the supporting ecosystem, and test the model under real-world conditions. By doing so, it can establish a scalable template for affordable, quality childcare close to families, and demonstrate measurable impacts on child outcomes, women's workforce participation, and local livelihoods.

The scale of the prototype should be designed to be small enough to be operationally feasible but large enough to generate meaningful evidence to test, learn, and refine delivery models over 3-5 years⁶⁴ before

59 NSSO, [Household Consumption Expenditure Survey](#), 2022-23

60 A cost of INR 4,500 per child per month translates into INR 54,000 per child per year. Assuming 1.3 children need full day creches per household on average, this translates to an average annual childcare cost of INR 70,200 per household, which is ~30% of the average household consumption of INR 2,50,000. The number 1.3 children per household has been calculated by assuming an urban TFR of 1.6 and average age gap of 3 years between two births.

61 MoSPI, [Household Consumption Expenditure Survey](#), 2023-24

62 Based on internal Dalberg analysis

63 Policy changes can include direct childcare vouchers under Mission Palna, enabling childcare as permissible municipal expenditure, repurposing underutilised state infrastructure, or leveraging city funds for aggregator support. This is further detailed in section in Figure 10.

64 The duration for the prototype is in line with typical blended finance prototypes in India such as the Skill Impact Bond (4 years) or the Developmental Impact Bond under LiftEd that has a 5-year planned duration.

broader replication. We estimate establishing approximately 40 centres across 3-4 large cities in 1–2 states that already show political support for childcare. Each centre will serve 20–25 children, which means the network will reach up to 900 children every day.⁶⁵

The prototype could target a mix of smaller cities (typically with a population of over 1 million) and **select mega-cities** (over 4 million population), chosen based on three key criteria:

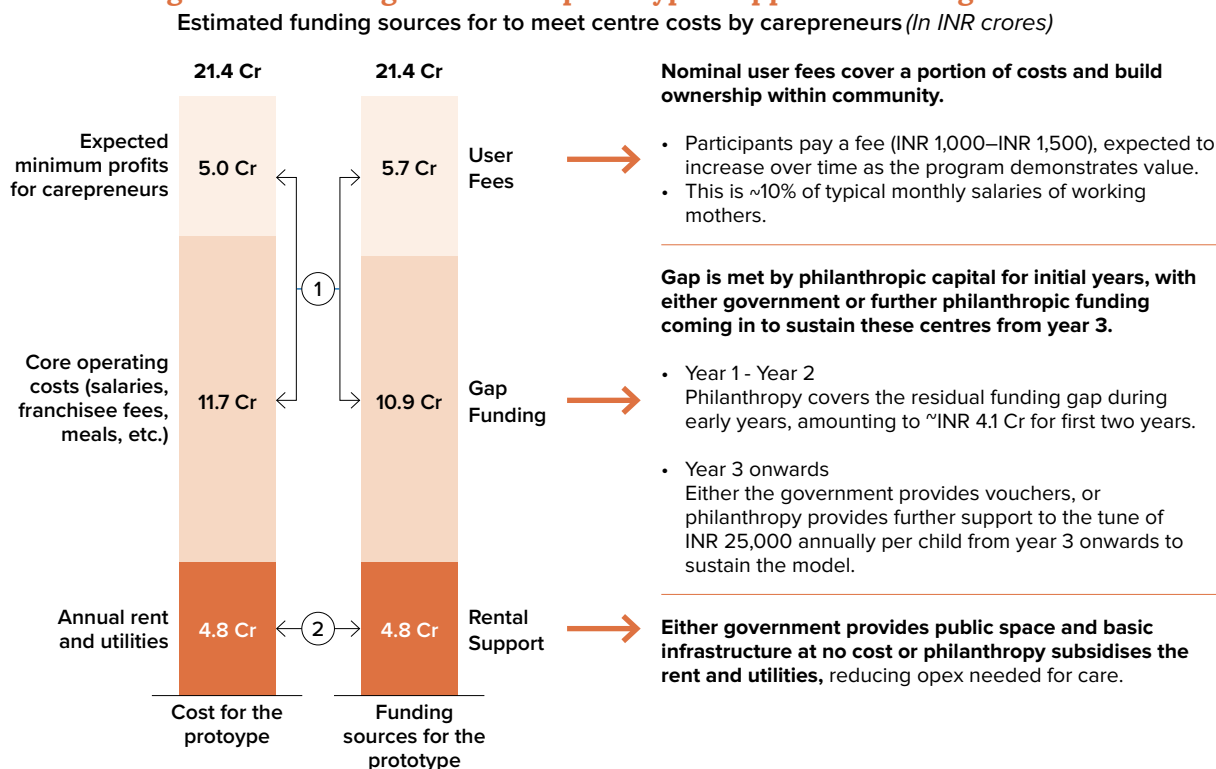
- sufficient population scale**
- financial capacity through own-source revenue or Finance Commission grants**
- demonstrated city- or state-level policy commitment to childcare**

While mega-cities like Mumbai or Delhi offer stronger financing and institutional capacity, smaller cities like Amritsar and Ludhiana can provide implementation advantages through simpler governance structures and availability of cheaper infrastructure, allowing the prototype to test scalability across different urban contexts.

Over five years, the prototype will need about INR 21 crores in carepreneur operating costs and INR 65 lakhs in set-up costs. This can be met through a blend of different revenue sources:

- Families can contribute out-of-pocket user fees of INR 12,000–18,000 per child annually, translating to 27% of the total cost being covered by user fees.
- Government-provided infrastructure or philanthropy/ CSR subsidised infrastructure can reduce expenses further with savings on rent and utilities, accounting for 22% of the total cost.
- Philanthropic capital and/or government support will also be required to meet the remaining 51% of opex costs over a five-year period.
- Fit-out costs: The capex required for creche equipment and basic infrastructure improvements (like painting, electrical fittings, etc.) is estimated to be INR 65 lakhs and can be financed through CSR/philanthropy.⁶⁶

Figure 13: Funding needed for prototype mapped to funding sources



⁶⁵ Assuming centres operate at 90% capacity.

⁶⁶ Assuming fit-out capex of 1.6 lakh per centre; additional capex of approximately INR 12-13 lakhs per centre may be needed if construction costs are also incurred on top of fit-out costs. However, for the prototype, efforts to maximise usage of existing infrastructure should be made to minimise deployment timelines.

Aggregators, either established NGOs or for-profit enterprises, will incur additional costs equal to about 5–15% of carepreneur centre expenses to monitor and support the carepreneurs network. These cover monitoring, training, onboarding of carepreneurs, program management, and overheads. During the prototype, we expect most of this funding will come from grants, with up to one-quarter covered through franchise fees paid by carepreneurs.

A prototype should look to demonstrate measurable economic and social benefits, including improved child, women and carepreneur benefits, and broader economic outcomes that can justify public investment at scale.

To understand the success of a prototype, the recommendation is to look at economic and social outcomes for three key stakeholders: women, children, and carepreneurs. Collectively, they should help ensure that the model is delivering on safety, affordability, quality for women and their children, as well as providing a sustainable job opportunity for entrepreneurs. Figure 13 below provides a detailed overview of the potential metrics that could be tracked along with a potential baseline and target for each of the proposed metrics.

Figure 14: Illustrative outcomes for prototype

Impact on...	Metric	Baseline in AWCs	Target with high-quality
Centre usage (Can be rolled-up for entire network to measure aggregator performance)	Children's attendance % of enrolled children attending regularly (daily/monthly average)	Fewer than 40-60% of enrolled children turn up each day in a typical anganwadi centre ¹	Reach ≥90% daily attendance by keeping centres child-friendly and open reliably (Attendance for quality centres run by Mobile Creches are typically 80-95%, except in festive/harvesting seasons)
Metric	Children's nutrition % of children who are severely/moderately stunted	Over 36% of children served by Anganwadi centres are severely/moderately stunted ³	35-40% reduction in stunting in children within 1 year (Similar centre-based nutrition initiative saw 36% reduction in stunting in Malawi ⁵ , improvements were also seen in Mobile Creches-run centre over one year ⁶)
Women	Mothers' employment % of mothers employed within 3–6 months of child's daycare enrolment	Urban FLPR in bottom 5 deciles of income are much lower compared to higher income deciles (below 18% in 2021-22 data) ⁴	Over 60% increase in number of mothers joining the workforce within 6 months of enrolment to daycare (Early evidence from non-profit care providers show similar improvements in Mumbai ⁶)
	Mothers' time use % of time spent on unpaid care work vs paid work	Indian women spend 299 min/day on unpaid care on an average	~15% reduction in time spent on unpaid care work (Based on outcomes achieved from Balwadi centres in Rajasthan ⁷)
Carepreneurs	Care worker income Average realised monthly income for carepreneur and care workers	Honorarium for creche workers under mission Palna is INR 5.5K – 6.5K per month (less than half of prescribed minimum wages)	Care workers draw monthly salaries of INR 21,000 (above minimum wage); carepreneurs make profits that are at least 10% higher than a care worker's salary

Source: (1) Central Monitoring Unit, M&E decision, [Visit to Anganwadi Centres](#), 2017 (2) *ibid* (3) Poshan Tracker Dashboard, [Poshan Tracker](#), accessed in June 2025 (4) ADB, [A Statistical Portrait of the Indian Female Labor Force](#), 2023 (5) Aulo Geli et. al., [Using a Community-Based Early Childhood Development Center as a Platform to Promote Production and Consumption Diversity Increases Children's Dietary Intake and Reduces Stunting in Malawi](#), 2018 (6) Field visits by Dalberg to Apnalaya and Mobile Creche operated centres; (7) Nandi et al, [Access to Affordable Daycare and Women's Economic Opportunities](#)

Scaling quality childcare beyond the prototype will require budgetary and policy support from the government to achieve meaningful scale and long-term sustainability of the hyperlocal childcare model.

Transitioning from prototype to scale demands coordinated government action across national, state, and city levels along multiple dimensions such as:

- i. **budgetary allocation and direct benefit transfers to bridge persistent funding gaps**
- ii. **infrastructure enablement through repurposing of public assets**
- iii. **policy guidelines legitimising childcare as essential social infrastructure.**

Without this multi-level, multi-dimensional support architecture, market failures will continue to prevent equitable access to quality childcare for India's urban working families.

i. **Budgetary allocation and direct benefit transfers to bridge persistent funding gaps**

The inherent market failure in hyperlocal childcare due to persistent unit economics gaps of at least INR 2,000 per child monthly necessitates sustained government intervention. Current Mission Palna funding of approximately INR 150 crore can cover only 50,000-60,000 children annually at the required INR 2,000-2,500 monthly allocation levels, a fraction of India's estimated urban childcare demand. Scaling quality childcare nationwide requires expanding Mission Palna allocations significantly at both per-child and absolute allocation levels to serve meaningful numbers of children while maintaining service viability at the required cost per child.

Government subsidies can help bridge childcare funding gaps, which could potentially be delivered through mechanisms like direct benefit transfers to the carepreneurs for every child they serve. India's digital payment infrastructure has demonstrated the capacity for large-scale subsidy delivery, having transferred over INR 43 lakh crores across 325+ schemes while preventing INR 3.48 lakh crore in fund leakages.⁶⁷ Such approaches could be adapted for childcare support, though implementation would require careful design to suit the childcare sector's specific needs.⁶⁸

ii. **Infrastructure enablement through repurposing of public assets**

Government provisions allowing existing infrastructure utilisation for childcare can significantly reduce childcare set-up costs while maximising resource efficiency. For example, infrastructure support for these creches to repurpose underutilised government buildings such as schools, community halls, and anganwadi centres to house childcare facilities can reduce set-up costs by INR 12-16 lakhs per centre.

iii. **Policy guidelines legitimising childcare as essential social infrastructure**

Other complementary policy enablers across multiple government levels will also be essential to create the enabling policy necessary for scaling the hyperlocal community childcare model. For example, state-level amendments allowing childcare as permissible municipal expenditure would enable cities to deploy own-source revenue/Finance Commission grants for funding childcare cost-headers. Or, city-level mandates requiring childcare space in new residential developments above certain sizes would treat it as essential social infrastructure like parks and community halls. (other potential changes needed to scale hyperlocal community childcare detailed in Figure 10).

The government will also need to play a key role in the long run to build a certified cadre of carepreneurs and care workers through implementation of workforce development programs. An adapted version of the newly launched Aadharshila National Curriculum⁶⁹ for ECCE 2024 along with other required courses for business skilling can be used to train carepreneurs through convergence with existing government skilling programs like Pradhan Mantri Kaushal Vikas Yojana (PMKVY), which has already trained over 2.27 crore beneficiaries through NSQF-aligned skill development programs.








67 ET, [DBT crosses INR 43.3 lakh crore milestone, saves INR 3.48 lakh crore in leakages](#), 2025

68 *ibid.*

69 <https://www.nipccd.nic.in/publications-Early#gsc.tab=0> CHECK

Real-time monitoring systems leveraging existing digital infrastructure will ensure quality standards while providing continuous support to childcare providers at scale. The government can expand proven technological platforms like the Poshan Tracker app and Rapid Reporting System, currently operational across 7+ lakh health facilities, to create integrated dashboards tracking service delivery, safety compliance, and child development outcomes.

Figure 15: Illustrative list of policy changes that can help scale the hyperlocal community childcare model (Non-exhaustive)

Level of govt	Potential policy changes needed	Description
National/ Union Level	 Direct Childcare Vouchers under Mission Palna through PPP models	<ul style="list-style-type: none"> Expand voucher provision to enable childcare through PPP models in semi low-income contexts. Current allocation: ~INR 12,000 per child annually under Mission Palna, but quality requires ~INR 54,000 per child, of which at least ~INR 25,000 needs to come from government.
	 Child caretaker skill recognition and potential PMKVY integration	<ul style="list-style-type: none"> Designate “Child Caretaker” as a formal skill under PMKVY with dedicated NSQF certification and standardised training processes.
	 Provision to allow for PPP models with a user fees component	<ul style="list-style-type: none"> Permit partnerships between government and private entities to deliver quality childcare. Allow private players participating in such partnerships to charge a user fees, which is capped to ensure affordability.
State Level	 Childcare as permissible municipal expenditure	<ul style="list-style-type: none"> Enable childcare as permissible municipal expenditure through amendments to state municipal acts, allowing cities to generate own-source revenue.
	 Underutilised state infrastructure repurposing for childcare	<ul style="list-style-type: none"> Allow underutilised state infrastructure to be upgraded and repurposed toward establishing integrated childcare centres.
City-level government	 Childcare integration in residential housing as part of urban planning	<ul style="list-style-type: none"> Mandate childcare provisions in all new residential developments above certain sizes, treating childcare as essential social infrastructure like parks or community halls, ensuring childcare grows proportionally with urban and housing expansion.
	 Leverage city funds (e.g., FC grants) for childcare/ aggregator funding	<ul style="list-style-type: none"> Deploy city funds towards supporting aggregators for city-level monitoring of childcare quality, accessibility, and outcomes. E.g., use of 15th Finance Commission grants (INR 1 Lakh crore to ULBs over 5 years; ~40% untied).

Box 2: Haryana’s approach to childcare demonstrates how policy clarity, adequate budgetary support, and system integration can establish a viable pathway for quality childcare at scale^{70,71}

- **Haryana is the first state in India to notify a comprehensive creche policy**, notifying it in 2023, with the aim to set up 500 operational creches with clear norms for service quality, staffing, and 8-10 hours of operations to support working mothers and young children.⁷²
- **Childcare expenditure by the state government stands at over INR 3,000 per child per month** to operate quality creches across the state, approximately three times the national costing norms defined under Mission Palna.
- **Nearly 60% of the state’s creches are being run within existing anganwadi-cum-creche (AWCC) centres.** Haryana’s creche policy explicitly calls out preference for setting up creches in existing government structures like schools, panchayat bhawans, community centres, etc, leveraging existing government infrastructure to expand childcare access at lower cost.
- **With 477 creches already operational and serving more than 10,000 children**, Haryana shows how strong political commitment, budgetary support, and integration with existing systems can begin to translate into scale and measurable reach.

70 Haryana Government, Women and Child Development Department, [Haryana State Creche Policy](#), 2022

71 Haryana Government, Women and Child Development Department, [Haryana Creches](#) (accessed in September 2025)

72 Haryana Government, [The Haryana Government has notified the Haryana State Creche Policy-2022](#), 2023

Chapter 4

**Financing near
workplace childcare
through an industry
cluster-based
aggregated model**



The Model

The majority of working women in urban India are employed in the MSME sector, but the small scale of these enterprises makes it financially unviable for most of the MSMEs to provide on-site childcare. The near-workplace childcare model aims to address this challenge by pooling demand across employees in MSME clusters and deliver care by bringing together four stakeholders: private low-cost operators, users (INR 1,200-2,000 monthly fees), employers (productivity gains can justify contributions), and industry associations (subsidised space/utilities and potentially portion of opex). Pooling of the demand, coupled with funding support from employers and industry associations makes it financially viable for private –low-cost operators to deliver quality childcare, since it allows them to meet their operating costs. Further, it also makes it more affordable for users/ employees, since they now have to pay a much lower fees as compared to other private options that provide similar quality.

Unit Economics & Funding Gap

Delivering quality childcare at a 50-child centre operating at 90% capacity costs approximately INR 4,710 per child monthly. After accounting for user fees (INR 1,200-2,000) and infrastructure subsidies (rent and utilities ~INR 610/child/month), a financing gap of INR 2,000-2,800 per child monthly remains and can be potentially bridged through employer maintenance fees, cluster-level financing, or philanthropic capital during ramp-up.

Proposed Blended Finance Prototype

The objective of the prototype is to demonstrate the feasibility of pooling multiple sources of capital (e.g., user fees, employer contributions, philanthropic grants) to deliver affordable, quality childcare as a shared facility in MSME industrial clusters that also improves economic and social outcomes for women workers, their children, and the MSMEs they work in.

The prototype can be implemented over 5 years targeting 40 centres serving up to 1,800 children daily across 15-20 industry clusters, requiring approximately INR 41 crores total funding (INR 39.8 crores operational + INR 1.3 crores set-up). The funding blend includes user fees (35% of total operational costs), employer/ industrial corporation contributions (35% of total operational costs), industry associations offsetting rent/utilities (15%), and philanthropic capital bridging the initial viability gap and covering training costs (15% of total operational costs).

Role of Blended Finance

The prototype employs targeted instruments to address three distinct challenges:

1. Early-Stage Viability Gaps

Upfront grants of ~INR 5 crores can provide philanthropic capital during the first 2-3 years when centres achieve only 40-60% utilisation while incurring near-full operational costs.

2. Revenue Uncertainty

Mechanisms such as breakeven guarantee providing funding to meet percentage gaps between realised revenue and operational costs, and outcome-linked incentives offering revenue top-ups tied to actual utilisation metrics can address business variability challenges.

3. Working Capital Gaps

Credit instruments such as revolving credit lines can address timing mismatches between cost incurrence and revenue collection.

Pathway to Scale

Scaling this model will require a mix of policy and market interventions:

- **Policy interventions** such as enforcing the Maternity Benefit Act across states will mandate childcare space in industrial estates, and earmark some cluster funds for childcare as shared infrastructure.
- **Market interventions** such as launching innovation challenges to develop low-cost models, building productivity evidence to motivate employer investment, establishing standardised training/certification pathways for care workers, and ensuring participation of private capital. Private capital coming in to invest in childcare operators that want to take the model to other industry clusters will be especially important to drive scale nationwide.

Most MSMEs are too small to independently provide on-site childcare, making aggregation across enterprises the only viable pathway.

Millions of women work in MSMEs but their small scale creates fundamental economic barriers that make independent childcare provision difficult. Micro enterprises constitute 97% of all MSMEs and typically employ fewer than 10 people each.⁷³ This means individual enterprises might have only 1-2 women workers with young children, making it economically unfeasible to establish a minimum viable childcare facility requiring 20-25 children for operational efficiency. Additionally, nearly 80% of MSMEs operate informally with irregular cash flows and limited access to formal credit,⁷⁴ creating further barriers to sustained investment in non-core services like childcare infrastructure.

India's cluster ecosystem for MSMEs presents an untapped opportunity to aggregate childcare demand across multiple enterprises within concentrated industrial areas. The government has adopted a cluster development approach to boost the productivity and competitiveness⁷⁵ of MSMEs through schemes like the MSE-CDP, supporting approximately 1,000 MSME clusters across 29 states⁷⁶ and successfully coordinating shared facilities like testing laboratories and skill development centres. With significant worker concentrations in these clusters, aggregated childcare demand could support viable childcare facilities as a natural extension of existing shared service models.

Industry clusters offer a natural platform to aggregate childcare demand, drawing on experience with shared infrastructure.

We propose a childcare service mechanism that pools demand across multiple MSMEs within industrial clusters to achieve the economies of scale that individual enterprises cannot justify independently. This aggregated approach transforms childcare from an unaffordable individual firm expense into a shared cluster facility, similar to how common facility centres already provide testing laboratories, training facilities, and manufacturing equipment that no single MSME could support alone.

The model operates through four key stakeholder contributions that create aligned incentives:

- **Private care providers earn sustainable margins** and assume full operational responsibility including staff recruitment and training, daily safety protocols, parent communication, regulatory compliance, and maintaining >90% average attendance rates.
- **Users access affordable, professional childcare** at a monthly fee of INR 1,200-2,000 to get 12-hour childcare, meals, learning activities, and health monitoring at childcare centres.
- **Employers pay an annual maintenance fee in lieu of the measurable productivity benefits** through reduced absenteeism and lower worker turnover. For instance, a study⁷⁷ by IFC in Papua New Guinea estimates companies lose up to USD 830 per employee⁷⁸ annually in lost productivity due to childcare responsibility. Providing childcare could help avoid this loss, thereby justifying annual maintenance fee contributions by employers. This annual maintenance fee will potentially be tiered, basis the size of the enterprise and the number of employees expected to utilise the facilities, to ensure the contributions are equitable.

73 MoMSME, [Annual Report](#), 2023-24

74 The New Indian Express, [50.7 million MSMEs in India have no access to formal credit: ACCA report](#), 2021

75 Development Commissioner, MoMSME, [Micro & Small Enterprises - Cluster Development Programme \(MSE-CDP\)](#) (accessed in September 2025)

76 MoMSME, [MSE – CDP | Know about this scheme](#) (accessed in September 2025)

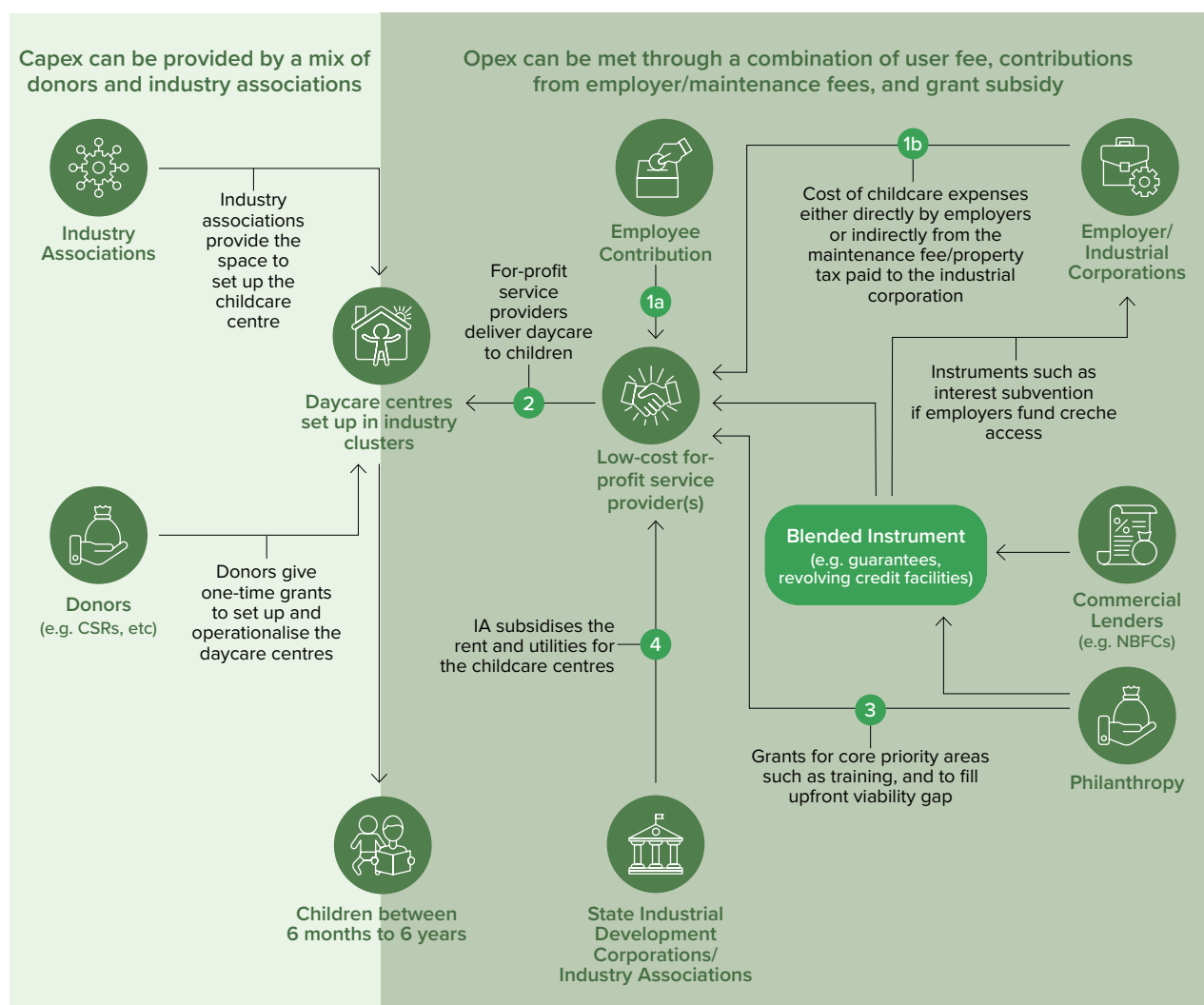
77 IFC, [Tackling Childcare: The Business Case for Employer-Supported Childcare in Papua New Guinea](#), May 2024;

78 The study mentions an annual loss of 3102 Papua New Guinean Kina per employee. The conversion rate assumed is 1 USD = 3.75 Papua New Guinean Kina

- **Industry associations provide subsidised space and utilities** by retrofitting existing spaces for childcare use, leveraging their role as cluster management to add worker welfare alongside manufacturing support services.

Figure 16: Overview of the industry cluster model

Blended structure of Model 2 - Industry cluster-based aggregated model (near workplace)



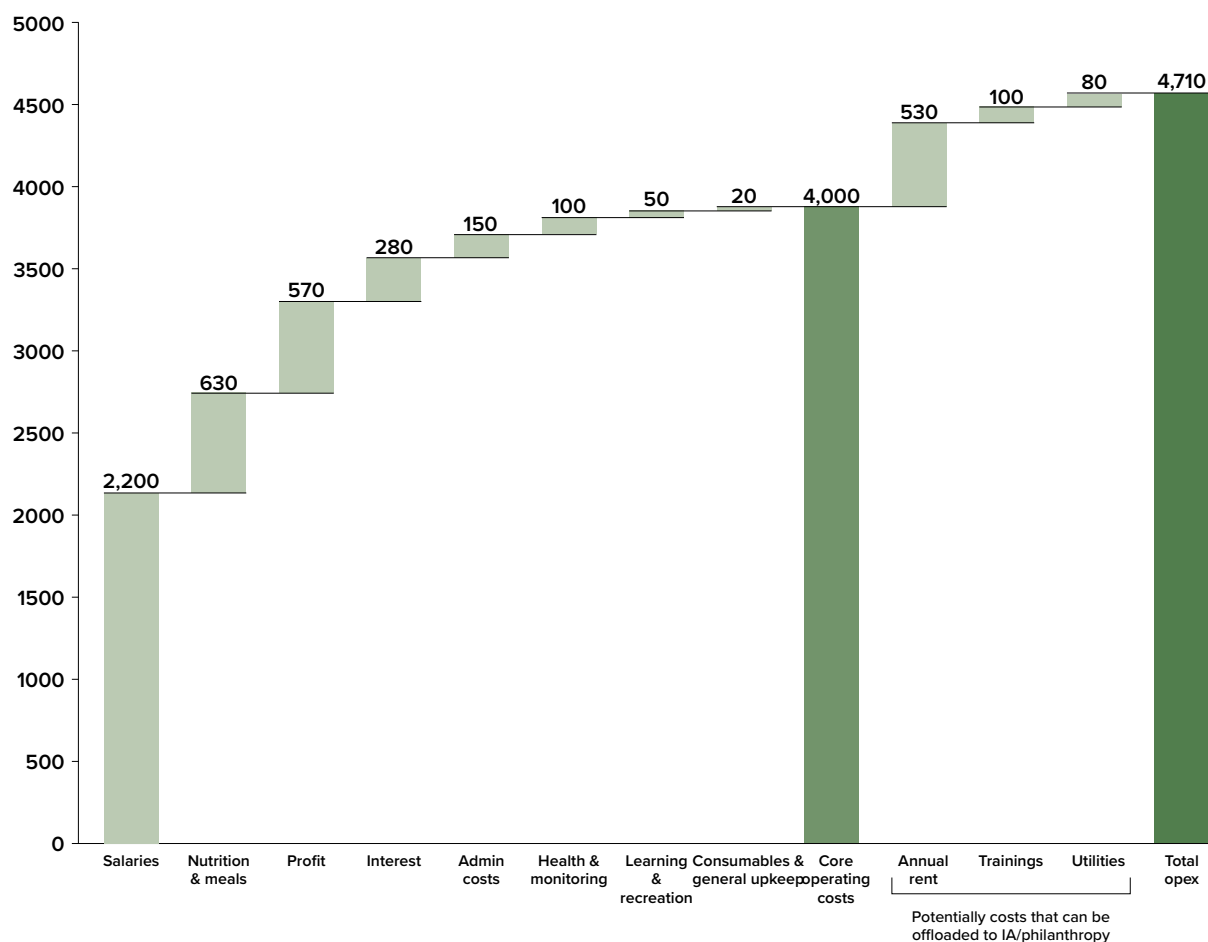
Strong industry associations/cluster management will be essential for model success, as they possess the resources necessary for maintenance fee collection, and member compliance enforcement across diverse MSME participants. Associations with established governance structures, shared facility management experience, and demonstrated ability to coordinate cluster-wide initiatives can effectively anchor childcare operations by leveraging existing administrative capabilities, member trust relationships, and infrastructure management systems that individual enterprises lack.

Pilots for industry cluster-based childcare centres have demonstrated the viability of aggregating demand for childcare in Indian industrial cluster contexts. For example, SIPCOT, in partnership with FICCI FLO, has been setting up creche facilities across 17 industrial parks⁷⁹ designed to empower working women in Tamil Nadu's manufacturing ecosystem. This collaborative framework leverages SIPCOT's extensive industrial infrastructure with FICCI FLO's industry association expertise and funding mechanisms, creating a model that serves thousands of employees across diverse manufacturing sectors.

An industry cluster-based childcare model can achieve financial sustainability through user fees, contributions from the employer or the industry cluster administrator, and subsidised infrastructure, but may still need upfront support during the initial ramp-up period.

Delivering quality childcare at a 50-child centre operating at 90% capacity requires INR 4,710 monthly per child, with salaries (INR 2,200) and other core operating costs (like nutrition) comprising the primary expenses. Annual rent and utilities costs (INR 530 + INR 80 = INR 610 monthly per child) can potentially be offset through the industry association for provisions of space and utilities coverage. Training costs (~INR 13,000 per trainee annually) can be offloaded to skill-focused institutions, reducing the net operational cost to approximately INR 4,000 per child monthly.

Figure 17: Expected per child cost of delivering childcare in industry clusters
Breakdown of monthly unit economics of industry cluster model per child (in INR)



Source: Dalberg analysis, informed by stakeholder conversations, field visits and secondary research

Women workers in MSME clusters have limited but meaningful paying capacity, with affordable childcare fees constrained to INR 1,200-2,000 monthly based on household income patterns. Low-income urban households typically earning INR 20,000-35,000 monthly can allocate 6-8% of income toward childcare, aligning with current household education spending benchmarks. This creates a substantial affordability gap of INR 2,000-2,800 per child monthly that requires external financing mechanisms to ensure service sustainability.

After accounting for user fees and infrastructure support, a financing gap remains for operational costs across cluster childcare centres. The following financing mechanisms can bridge this gap, either individually or in combination:

- **Financing through industrial cluster mechanisms**
State industrial development corporations or industry associations can integrate childcare maintenance into existing shared facility fee structures,⁸⁰ funded through property tax allocations or a maintenance fee corpus.
- **Tiered employer subscriptions**
MSMEs share contributions for childcare centres, scaled in proportion to their revenue or employee count, and employees can access the shared facilities by paying their share of user fees. The structure provides predictable revenue streams for operators while keeping per-employer contributions manageable.
- **Per-employee fee**
Employers can also match employee contributions towards childcare to cover a portion of operational costs. If actual contributions by employers are set at a lower rate than matching employee contributions, then there may be need of philanthropy, CSR capital or public financing to perpetually cover the gap.

Philanthropic capital will also be needed to bridge funding gaps during the demand ramp-up period before user fees and employer contributions reach full operational coverage. Early-stage operations typically achieve 40-60% utilisation while incurring almost full operational costs, requiring upfront grants to maintain service quality during trust-building phases. This transitional funding enables providers to demonstrate value to both users and employers, establishing the track record necessary for sustained community engagement and full cost recovery through a shared fee model between users and employers.

A blended finance prototype can demonstrate a model's viability at a reasonable scale by addressing early-stage funding gaps and revenue variability in the business model.

The prototype tests whether aggregated demand can overcome the fundamental market failure preventing workplace childcare in MSME sectors, where individual firms lack the scale to justify facility costs but collectively generate sufficient demand for shared infrastructure. The prototype specifically addresses three strategic implementation objectives:

- **Validate financial sustainability at cluster level**
Test whether pooling demand from MSMEs within industrial estates can consistently generate the minimum enrolment threshold required to break even, with employer and worker contributions covering core operating costs and external financing limited to early viability support.
- **Establish the business case for employers**
Measure the returns of childcare provision by potentially tracking reductions in absenteeism, improvements in retention, and higher female labour participation in clusters, thereby generating quantified evidence that childcare is not just a welfare cost but a productivity investment.
- **Create a scalable policy, financing, and business template**
Generate the evidence required not only for policy expansion, such as amendments to Maternity Benefit Act thresholds and integration into MSME cluster development schemes, but also for positioning childcare as a viable business opportunity for affordable private providers. By demonstrating sustainable unit economics at a cluster scale, the prototype aims to attract more low-cost operators into this underserved segment and create a replicable blended finance framework for scale.

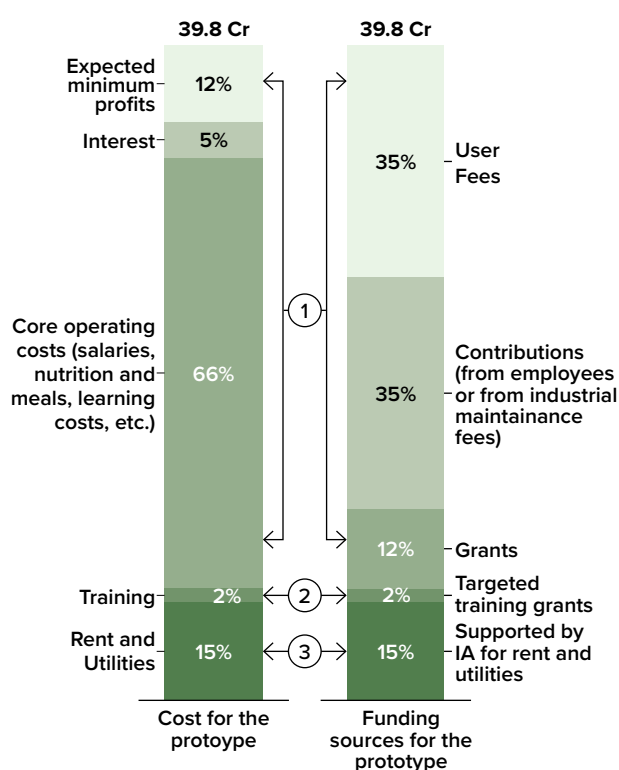
To generate meaningful evidence, the prototype should target operationalising approximately 40 centres⁸¹ and serving up to 1,800 children daily across 15-20 industry clusters over 5 years in three strategic cluster archetypes: sectors with high women workforce concentration (e.g., textile and garment clusters with 60% women participation), women entrepreneur-focused clusters (like ALEAP employing 10,000 women), and clusters anchored by large firms or associations providing institutional stability (such as Electronics City Bengaluru).

Over five years, this will require approximately INR 41 crores in total funding, comprising INR 39.8 crores in operational costs⁸² and INR 1.3 crores in set-up costs for approximately 40 centres serving up to 1,800 children daily. This can be met through a blend of stakeholder contributions, including:

- **User fees from families** will contribute monthly payments of INR 1,200-2,000 per child, covering approx. ~50% of all opex by year 3 of operations, and 35% of overall prototype.
- **Government or industry associations will offset 15% rent and utilities** cost by providing existing community spaces and covering electricity costs, reducing the operational expenses for private providers.
- **Contributions will be collected through varied financing mechanisms directly or indirectly from employers to meet up to 35% of the costs**, whether through public shared cluster-level maintenance fees/ property tax, tiered subscriptions, or usage-based arrangements.
- **Skill development institutions can further offset 2% training costs** through existing capacity-building programs, leveraging established frameworks for care worker certification.
- **The initial 12% funding gap requires philanthropic capital and CSR support** to bridge initial viability gaps during demand ramp-up, with donors providing upfront grants until user fees and employer contributions reach full operational coverage. This requirement may be higher if employer financing mechanisms do not achieve full cost coverage or if centres continue to operate below optimal utilisation during scale-up.

Figure 18: Total operational costs and funding needed to operationalise a prototype

Estimated total funding sourced for the prototype mapped to costs (In INR crores)



1. The core operating costs and operator margin are met through a combination of user fee, contributions from employer/maintenance fees, and grant subsidy:

- User Fees: Participants pay a fee (INR1,200–INR2,000), expected to increase over time as the program demonstrates value and builds trust among beneficiaries. This is ~10-15% of average wages/salaries of workers.¹
- Contributions from employer/industrial corporation: All employers share the cost of childcare expenses either directly as subscription or indirectly through the maintenance fee/property tax paid to the industrial corporation for maintaining shared services.²
- Grants for gap funding¹: Philanthropy covers the residual funding gap during early years, with support declining over time as earned revenues grow.

2. Training costs are borne by philanthropies & skill institutions

Training costs are offloaded to skilling aligned philanthropies or skill-building institutions such as NSDC. For example, under the Skill Impact Bond (SIB), NSDC provided skilling and training support to ~24K youth with support from entities like CIFF, JSW Foundation, and HSBC India.

3. Rent & utilities support is provided by industrial associations

Industrial associations (IAs) provide shared space, and utilities at no cost through their cluster-managed shared services, reducing opex needed for care. For example, SIPCOT in Tamil Nadu provided the infrastructure and space for building creches across 17 of its industrial parks, which helped significantly reduce opex need.

Notes: (i) We had considered return seeking instruments (e.g., equity) for gap funding but ultimately prioritised grants to ensure greater sustainability and financial viability of the model. See slide 23 for further details

Sources: (1) MoSPI, [Quarter-wise data of Earnings for Periodic Labour Force Survey, 2024](#) (2) Times of India, [Industries body hikes fees charged to provide service to industrial zones](#), 2019

81 The 40-centre prototype balances feasibility (requiring 2-10% capacity expansion by existing low-cost providers, participation from 15-20 Industrial Associations, and INR 41 crores over 5 years) with evidence needs (serving 10-15% of state clusters to generate sufficient replication evidence for scaling).

82 This accounts for a higher per child cost in initial years due to lower utilisation

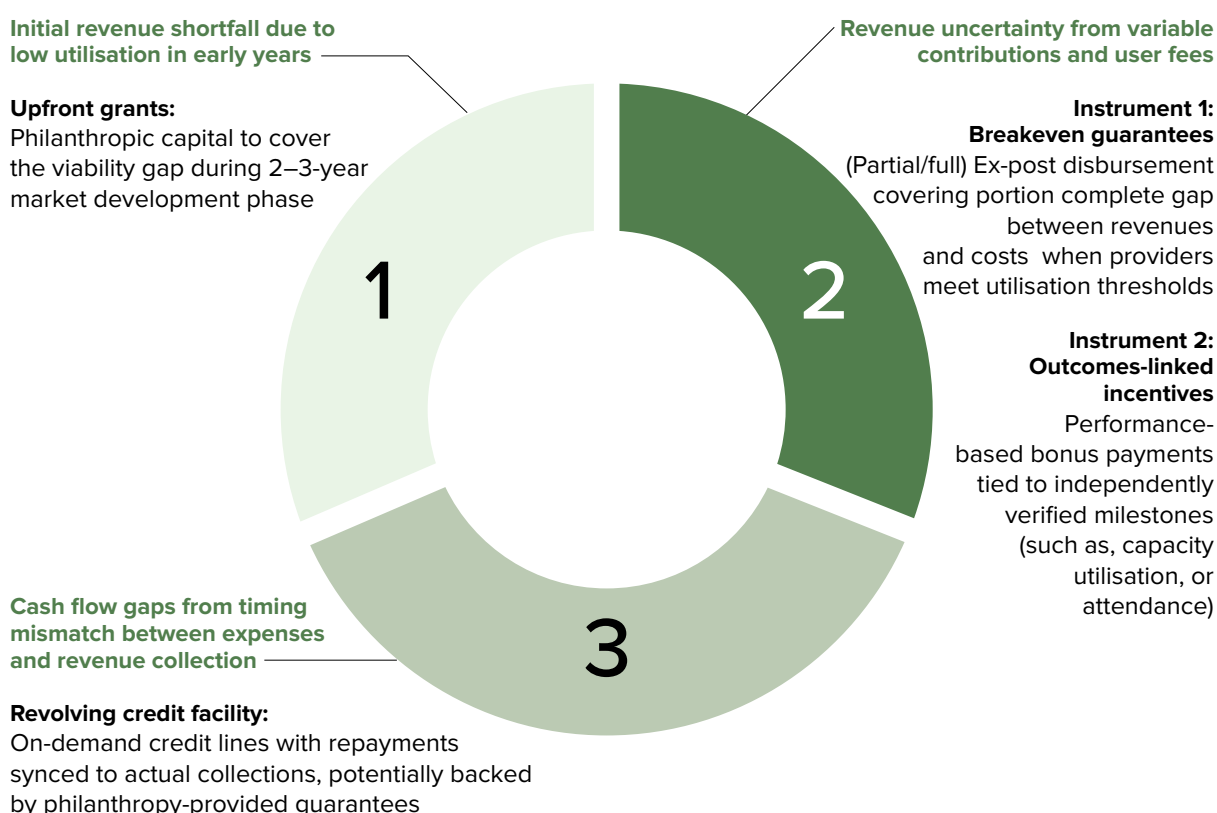
Setup costs of INR 1.3 crores for centre fitouts, equipment, and basic infrastructure modifications⁸³ can be financed through CSR and philanthropic contributions, focusing on retrofitting existing cluster spaces rather than new construction to minimise deployment timelines.

The prototype will require targeted blended finance instruments to address key financing challenges.

During implementation, the prototype is expected to face three distinct financing challenges that can be addressed through a combination of blended finance instruments.

1. Operators are expected to face a viability gap as centres have lower utilisation during the initial 2-3 years while incurring near-full operational costs, potentially creating operating losses that can deter commercial providers from entering without de-risking mechanisms. The lower expected utilisation in the initial years stems from the challenge in persuading employees to use the daycare centres.
2. Revenue uncertainty compounds this challenge: the difference between actual and expected contribution levels from employers or industry associations and user fee collection rates can challenge the model's financial sustainability.
3. Additional working capital constraints can emerge from timing mismatches between upfront expenses (like salaries, nutrition, rent) and delayed contributions from users, employers, or industry associations.

Figure 19: Potential financing mechanism to address challenges in prototype implementation



⁸³ Assuming fit-out cost per centre with a capacity of 50 children costs ~INR 3 lakhs. This does not include costs of land and construction, which may be additional.

1. Upfront grants can help meet the revenue shortfall due to growing utilisation in early years

Upfront grants will be needed to bring in philanthropic capital to cover the expected funding shortfall between operating costs and revenues during the first 2-3 years. This instrument addresses the expected initial viability gap that emerges as centres achieve 40-60% utilisation during the first 2-3 operational years while incurring near-full costs.

- **Disbursement mechanism**

Upfront or milestone-based disbursement as centres operationalise and enrol children

- **Potential terms**

- › **Tenure:** Covers first 2-3 operational years
- › **Size:** ~INR 5 crores for the prototype covering 40 centres⁸⁴

- **Potential providers**

Philanthropies and CSR funds, DFIs, or industry associations

- **Potential risks and mitigation**

May require robust monitoring and evaluation systems to verify outcomes if subsequent grant tranches or sizes are linked to performance milestones

2. Revenue uncertainty from variable contributions and user fees can be addressed through a combination of breakeven guarantees and outcome-linked incentives

Option 1: Breakeven guarantees (partial/complete) can bridge the gap between actual costs and revenues from operations, limiting care providers' downside risks in case of loss and creating a safety net that makes the model attractive to care operators despite demand-side risks. This instrument can address uncertainty in quanta of user, employer, and industry association contributions by providing ex-post support, if total revenues fall short of breakeven due to lower-than-expected uptake or the actual fees charged is lower than expected rates.

- **Disbursement mechanism**

Paid ex-post, with potential trigger linked to operators meeting minimum utilisation thresholds

- **Potential terms**

- › **Tenure:** Complete duration of the prototype (~5 years)
- › **Size:** Covers partial/full difference between cost incurred and revenue generated (including upfront grant)

- **Potential providers**

Philanthropies, catalytic capital platforms, and CSR funds

- **Potential risks and mitigation**

- › **Moral hazard:** Operators may underperform if the breakeven guarantee is too generous
- › **Mitigation:** Guarantee should be partial and conditional on achieving utilisation thresholds or developmental outcomes

Option 2: Outcome-linked incentives offer top-up payments when operators achieve specific performance outcomes such as enrolment or attendance thresholds or pre-decided developmental milestones, creating upside opportunities that make it attractive for providers to take on performance risk. This instrument addresses revenue uncertainty from the opposite direction compared to breakeven guarantees, rather than protecting against downside, it rewards performance through bonus payments based on predefined milestones, incentivising operators to maximise quality and utilisation while independently verified metrics ensure accountability.

- **Disbursement mechanism**

Paid upon achieving pre-decided attendance/break-even/developmental outcomes, verified independently (e.g., through MEL-certified attendance tracking)

⁸⁴ Assuming 40% and 60% utilisation for new centres and per child monthly fees of INR 1,200 and 1,500 in year 1 and year 2 respectively. Centres reach financial sustainability year 3 onwards.

- **Potential terms**
Tiered incentives based on predefined performance milestones. Examples include:
 - › **Attendance-linked tiers:** e.g., bonus percentage of monthly fee when average capacity utilisation is $\geq 85\%$
 - › **Break-even proximity:** e.g., percentage of costs being covered through revenues
- **Potential providers**
Outcome funders, CSR funds, and foundations aligned with social impact objectives
- **Potential risks and mitigation**
 - › **Data reliability:** High risk of over-reporting enrolment/attendance to unlock bonus payments
 - › **Mitigation:** Deploy robust MEL systems including random audits, third-party verification, and tech-driven monitoring (e.g., CCTV sampling, parent attendance apps)

3. Lag between expenses and revenue from user fees/guarantee

Revolving credit facilities provide working capital credit lines that operators can draw on as per demand to bridge timing mismatches between upfront expenses and delayed revenue collection, with repayments synced to actual user, employer and industry association fee inflows. This instrument addresses operational cash flow gaps that emerge from seasonal variations in user fee collection, delays in employer or industry association contributions, enabling providers to maintain consistent service delivery and staff payments despite temporary revenue disruptions.

- **Disbursement mechanism**
Drawn on-demand by operator; repayments synced to actual user/employer collections
- **Potential terms**
 - › **Tenure:** Complete duration of operations
 - › **Size:** Up to INR 4 crore (equivalent to ~ 6 months operational cost outflow)
 - › **Interest rate:** At par with prevailing market rates, expected between 15-18% per annum
- **Potential providers**
NBFCs, banks, and DFIs, backed by philanthropy-provided guarantees
- **Potential risks and mitigation**
If collections underperform, repayment burdens may accumulate; NBFC willingness to participate hinges on the strength of guarantees provided

Beyond women and children's outcomes, the prototype should measure employer productivity gains and model profitability to build a business case for employer-supported childcare.

The prototype should track social impact outcomes similar to the hyperlocal community model, measuring metrics like children's nutritional growth and reductions in women's unpaid care responsibilities. Target metrics include 30-45% reduction in stunting within one year of enrolment and $\geq 15\%$ reduction in unpaid care time with shifts toward paid work or productive activities. This will be crucial to secure buy-in from impact focused stakeholders like the government, CSR, and philanthropies.

Figure 20: Expected outcomes for the aggregated industry cluster prototype

	Financial sustainability outcomes		Economic impact outcomes		Social impact outcomes	
	User enrolment rate	Model profitability/break-even	Women's workforce participation	Employer productivity gains	Child nutrition	Women's unpaid care responsibilities
Metric	% seats filled with paying users	% gross profit (loss) (including income realised upfront grant for the year)	% of mothers retained in employment	Employer productivity gains (measured as reduced absenteeism / attrition)	% of children stunted / undernourished	% of time on unpaid vs paid work
Baseline	40–60% of seats typically filled in inanganwadi centres ¹⁾	<30% of operating costs covered by user + employer contributions in early pilots	Urban FLPR in bottom 5 deciles <18% (2021–22 PLFS data) ⁴⁾	Productivity losses due to childcare gaps estimated at 7–10 working days per woman annually	>36% of children served by anganwadi centres severely/moderately stunted	Indian women spend ~299 min/day on unpaid care (vs. 97 min for men)
Target	≥90% seat utilisation by year 3 ²⁾	100% of core opex + 20% profit covered by user + employer contributions by year 5 (no subsidy)	≥60% increase in retention of women with children within 6 months ⁶⁾	≥20% reduction in absenteeism and ≥10% reduction in attrition among employees using centres	30–45% reduction in stunting within 1 year of enrolment	≥15% reduction in unpaid care time, with shift toward paid work or productive activities ⁷⁾

Sources: (1) Central Monitoring Unit, M&E decision, [Visit to Anganwadi Centres, 2017](#) (2) Based on typical attendance of Mobile creches in workplaces (construction) (3) Poshan Tracker Dashboard, [Poshan Tracker](#), accessed in June 2025 (4) ADB, [A Statistical Portrait of the Indian Female Labor Force, 2023](#) (5) Aulo Geli et al., [Using a Community-Based Early Childhood Development Center as a Platform to Promote Production and Consumption Diversity Increases Children's Dietary Intake and Reduces Stunting in Malawi, 2018](#) (6) Field visits by Dalberg to Apnalaya and Mobile Creche operated centres; (7) Nandi et al, [Access to Affordable Daycare and Women's Economic Opportunities](#)

Since the model targets financial sustainability, the prototype should monitor profitability metrics for operators to demonstrate commercial viability at scale. Key indicators include the percentage of centres achieving break-even by year 3, quantum of profit margins beyond cost recovery, and the payback period. The financial model projects 100% of core operational costs plus approx. 20% profit margin covered by user fees and employer contributions by year 5, with no ongoing subsidy requirements, creating a template for private sector replication.

Employer productivity metrics can capture the business case for MSME investment in shared childcare infrastructure, tracking quantifiable workforce improvements. The prototype can measure changes in childcare-related leave usage, average worker tenure improvements, and productivity gains through reduced absenteeism rates. These indicators will help estimate the return on investment that employers experience from supporting shared childcare facilities and providing evidence of business benefits that justify ongoing contributions to care.

Scaling from prototype to nationwide adoption will require enabling government policy, budgetary allocations, and market development for low-cost childcare provisions.

The prototype demonstrates a viable pathway to expand childcare access in MSME clusters but sustaining and scaling this approach will require systemic policy shifts, market changes, and mobilisation of private capital. Policy reforms are necessary to create an enabling environment that mandates and supports childcare provision. Changes to the market must strengthen the supply of affordable providers, stimulate employer demand, ensure quality systems are in place, and ensure mobilisation of private capital.

Policy Interventions

Increased enforcement of the Maternity Benefit Act creates direct incentives for early adoption of childcare

provisions among small and medium industrial enterprises. Currently, only a few states like Karnataka and Tamil Nadu⁸⁵ have notified implementation guidelines for the Maternity Benefit Act's childcare provisions, limiting enforcement across industrial zones. Increased enforcement of this act will directly create policy incentives, particularly for small and medium enterprises to set up and contribute towards employer supported creches.

Beyond compliance, other policy levers that institutionalise childcare within the industrial ecosystem will also be needed for scaling childcare in industry clusters. This could include mandating dedicated space for childcare within industrial estates and treating childcare as part of worker welfare infrastructure alongside hostels and canteens. Government schemes such as the MSE Cluster Development Programme or sectoral initiatives like the Scheme for Integrated Textile Parks could earmark allocations for childcare as common facility centres.

Market interventions

Building evidence linking childcare to reduced absenteeism, higher retention, and productivity gains is critical for motivating employer investment. Employers will only consistently contribute if they view childcare as a business investment rather than a welfare cost. This bottom-up narrative shift can generate collective momentum for MSMEs to integrate childcare into their standard business operations.

Innovation challenges and social enterprise competitions can accelerate development of cost-effective childcare delivery models specifically designed for industrial cluster environments. Governments and philanthropies could launch innovation challenges that support testing new business models, pricing strategies, and technology solutions at proof-of-concept stages. By providing seed grants, mentorship, and visibility, such initiatives can help unlock models that are financially viable at low user fees, attract impact investors, and build a pipeline of providers willing to serve MSME clusters.

Other enabling shifts focused on childcare would also be required for the market development of low-cost private childcare providers. For example, investments in standardised training programs and certification pathways for childcare workers would ensure a steady pipeline of skilled, professionalised labour for sector expansion, addressing both quality concerns and employment generation objectives.

Separately, private financiers, such as impact investors, getting involved will have a critical role to play in expanding the affordable quality childcare provider base and scaling quality childcare infrastructure. Mobilising private and blended capital at scale can help bridge the financing gap that public and philanthropic resources alone cannot meet. For instance, impact investors can deploy patient, outcome-linked capital to strengthen and expand sustainable childcare enterprises.

85 IndiaSpend, [Mandatory Creches in India: Compliance and Challenges](#), 2021

Conclusion



India's childcare challenge is no longer about proving why childcare matters. That case has been made — by the data, by the lived experience of women, and by decades of frontline work. The question now is how to build real commitment and collective action to pay for childcare sustainably and at scale.

The two prototypes in this report — a hyperlocal, community-led model and an industry cluster-based model — show that solving India's urban childcare gap is as much about coordination as it is about capital. Quality childcare will always need public support. The real opportunity lies in bringing government, CSR/philanthropy, private employers, and development finance together to share responsibility, test ideas, and build the systems that make care work viable.

What is needed now is the willingness to try new, shared ways of working. To step forward, collaborate, and pilot solutions while building evidence along the way. If we can demonstrate real social and economic outcomes for women and children, we can unlock further capital and commitment for scale.

Ultimately, building a strong childcare system is not only an investment in women and children, it is an investment in the social and economic infrastructure that will underpin India's growth. Quality childcare will shape how families work, how communities thrive, and how the country moves toward a more equitable and prosperous future.



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