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Financial Inclusion to Livelihood Entangled to Gain

by
Veerashekharappa and B P Vani

Foreword

India's financial inclusion has become one of the prime objectives of inclusive growth. It aims at providing financial access to the needy and vulnerable section through a well-developed financial system to facilitate poor people into the mainstream of the economy and to contribute more activity to their personal economic development.

Considering the importance of financial inclusion, the Central Government has designed a new credit policy adopting the concept of financial inclusion as recommended by Rangarajan Committee in 2008 by opening of no-frill accounts, SHG-BL programme and using intermediaries in provision of banking services, such as Business Correspondents/Business Facilitator, etc.

The financial inclusion, which ensures physical access to banking facilities to the poor and unbanked population, has proven to pave way for livelihood formation. Thus, most of the livelihood programmes are linked with financial services, and rely on group approach. In recent years, 'Federation Models' are taking up the sustainable livelihood programme along with financial access, with the intervention of state and other development agencies.

This study evaluates the livelihood programme, SUJEEVANA, which literally means better livelihood, implemented with financial access provided from the formal credit institutions. The model includes the stakeholders of different background, financial institution, NGO as Business correspondent appointed by financial institution and a donor agency to improve the skills among the persons involved in the programme. The key objective of the programme is to improve the household economy of the poor in Kungal taluk of Tumkur district of Karnataka.

The study brings out the positive achievements of this programme in household economy development of skills and knowledge with access of timely finance. The instruments used for this achievement are the farmer Field Schools (FFS), which imparted knowledge to reduce the costs, improve productivity and mitigate risks on usage of the banking system through Kiosks which save their time and cost, promoting thrift and investments in livelihood assets. In addition, provision of timely credit subsidy to the group members enhanced their timely repayment capacity of loan. The social benefits include building up social capital, especially to SHG members, in terms of their empowerment both at home and in society.

In sum, the incremental income for the household in the programme can be attributed to three factors: (a) Reduction in the expenditure at livelihood and household level (b) Reduction in the financial costs at household level (c) Increased livelihood productivity and earning opportunities enabled by even cash flows and liquidity due to multiple but integrated livelihood activities at household level (field crops, short term flower and vegetable crops, live stocks etc).

This successful experiment can be adopted in other places with suitable changes for the local factors with utmost care for not allowing a space for non performing assets.

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Bangalore | Director in Charge, ISEC