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Beyond Financial Inclusion - Access and Impact of Microfinance-plus Services : Lessons from Rural India

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Abstract

Microfinance (MF) is the unique and robust financial inclusion (FI) model evolved for the poor and contributed for economic and social wellbeing. The sector enabled the clients' to access various financial and non-financial services (FNFS), which is popularly known as microfinance-plus services (MFPS) and has transformed non-bankable customers into a bankable segments. This paper analyses two important aspects, access to various MFPS and its impact on customers and their households. The data studied through a field study from the State of Karnataka, India. The study finds that the MF program facilitated the customer's access to various MFPS, such as credit, savings, insurance, enterprise development, training, and capacity building, etc. The MFPS have positively impacted on improvement in household income, assets, expenditure, and employment conditions of clients and so on. The study has very important policy implications to broaden the current MF program with a focus on MFPS to target the 'income poverty' along with 'knowledge poverty'.

JEL Code : E44, E69, G21,I31, I32, J16
Keywords : Financial Inclusion, Micro-Finance, Rural, Empowerment, FNFS, MFPS, Well-Being, India

I. Introduction

"FINANCIAL INTERMEDIATION" IS an important impetus for economic growth and critical input to improve the welfare of vulnerable households (Levine, 1997; Hulme and Mosley, 1996; World Bank, 2001; Pearce, Davis, Onumah and Butterworth, 2004; Quartey, 2005; Hassan, Sanchez and Yu, 2011; Uddin, Sjo and Shahbaz, 2013). Many developing economies in the world need to develop a viable and sustainable financial sector for inclusive growth and fight against poverty (Aryeetey, 1996; World Bank, 2004; Jalilian and Kirkpatrick, 2005; Asiedu-Mante, 2011). However, globally financial exclusions of the large segment of the population, particularly women and children are a matter of great concern for the policymakers and development institutions (World Bank, 2001). Improving

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Notes

1. The MF in the selected districts/villages was extensively developed. As a result, finding the (eligible) household/s that is/are not a part of MF as a control group was difficult task. Therefore, in this study we have considered that the new entrants into the microfinance programme with the membership of less than 2 years as a control group (even finding a meaning full control group of less than one year membership was also found difficult).
2. Care has been taken to avoid the selected households that are having dual membership – more than one SHG membership and many members from the same households are having membership in the same SHG.
3. The poor have no access to formal financial institutions due to their poverty and high transaction cost for the banks to handle the very small amounts of money.
4. ' Shree Dharmasthala SIRI Gramodyoga Samsthe', a company under Section 25 of Companies Act with share capital from SHGs, in order to provide forward and backward linkages to the SHG members for taking up income generation activities

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