1.1 Introduction

Economic theory endorses direct relationship between investment and economic growth to saving rate. It is implied that financial exclusion of a vast majority represents a missed opportunity of an enormous potential for economic growth. Finance and poverty are highly interrelated terms; financial inclusion of the poor can ultimately result in reduction of poverty instigating inclusive growth. Inclusive growth means growth with equal opportunities which focuses on both creating opportunities and making opportunities accessible to all. Growth is inclusive when it allows all members of a society to participate in and contribute to the growth process on an equal basis regardless of their individual circumstances. Developing countries all over the world has been constantly emphasizing reduction of poverty, one of the basic agenda of Millennium Development Goals (MDGs). The State, formal financial system and community based organizations are incidental in annihilating poverty while poising as the three pillars in achieving societal transformation (Thorat, 2006). Financial system can play a role in reinforcing many of the objectives of the MDGs involving savings, livelihood and economic infrastructure apart from providing an efficient payments system. Financial exclusion epithets limited accessibility of individuals to formal financial
services. It is estimated that more than three billion people are financially excluded around the world (estimates based on ownership of accounts). India has the second world’s largest financially excluded population after China. According to the estimates of Sinha and Subrahmaniam, 2007, in India, 135 million people were financially excluded (in terms of ownership of an account) which accounted for 66 per cent of the population. The report provides an estimate of the potentially bankable group of people who are termed as “the next billion consumers’ hitherto neglected by the mainstream financial institutions. Formidably, India is estimated to have 91 million households that fit into the profile of next billion consumers.

Formal financial services in most developing economies serve only a minority, often not more than 20-30 per cent of the population. Financial inclusion denotes delivery of financial services at an affordable cost to vast sections of disadvantaged and low income groups (GOI, 2008). An inclusive financial sector provides effective, ongoing access to all sections of the population and all scales of enterprise. It has the potential to unleash a virtuous cycle, enabling poor households to contribute to economic growth while drawing benefits from it. Bank accounts facilitate better savings and money management in addition to facilitating protection from inflation, access transaction/transmission facilities like remittances. Savings and insurance help reduce risk and vulnerability and prevent a slide into stressful coping strategies such as sale of livestock or other assets (Arora and Leach, 2005). Access to loans and savings ensure much greater choice in managing liquidity and risks, thereby enhancing capacity to invest in emerging opportunities. Effective access to formal resources by a majority of the population can have sobering influence on the informal sector due to competition, hence benefiting those who were otherwise excluded from it. However institutional financing in India is risk averse; concentrating on returns on investment, leaving out low profile clients whose credit worthiness is unknown. Diligence of the financing institutions has resulted in financial exclusion of the poor, with limited physical and financial assets to fall back upon. Though supply side of institutional finance in the country bears a sound financial assets position, its coverage among low income clients is grim due to above mentioned apprehensions. There is
significant disparity in the distribution of commercial bank branches in rural and urban centres and between regions. Financial illiteracy and lack of knowledge of financial products have grappled the poor that they do not even dare to approach any financial institution. In provision of credit to rural poor, there is still dominant hold by informal agencies who charge exorbitant rates of interest. This points to the fact that inspite of significant achievements in spreading bank branches over the country, services that reach poor and marginalised segments of the community are less. Banks remain unapproachable and credit terms are often not suitable to poor borrowers. Even those who have gained access, owing to recent developments in financial services for the low income people are underserved.

Access to affordable financial services, especially savings, credit and insurance opens up livelihood opportunities by empowering the poor. Infact such empowerment aids social and political stability (Thorat, 2007). One common measure of Financial Inclusion, the percentage of adult population having bank accounts estimates that 59 per cent of the adult population is financially included, in other words, 41 per cent of the population is unbanked. In rural areas, the coverage is 39 per cent against 60 per cent in urban areas. North Eastern and Eastern Regions of the country are far behind other regions depicting regional disparity. Extent of exclusion from credit markets is still high that only a meagre 14 per cent of the adult population has access to formal credit. Rural credit is still inaccessible that only a 9.5 per cent comes under its purview. According to Government of India estimates, 2008, out of 203 million households in the country, 147 million are in the rural areas-89 million are farmer households, 51.4 per cent of farm households have no access to formal or informal sources of credit while 73 per cent have no access to formal sources of credit. It was estimated that there are 7.82 lakh non indebted farm households in Kerala, forming 35.6 per cent of the total farm population. Incidence of financial exclusion among all non cultivator households was estimated at 78.2 per cent which comprises of 78.8 per cent of agricultural labour households, 71.4 per cent of artisans and 79.7 per cent of other rural households (GOI, 2008). Though penetration of institutional agencies has increased over the years, the share of
moneylenders in the debt of rural households in the country increased from 17.5 per cent in 1991 to 29.6 per cent in 2002.

Indian economy has been registering fast growth; however there is significant decline in the share of GDP contribution of agriculture sector (from 25 per cent in 1999-2000 to 18 per cent in 2005-06) with the focus shifting to manufacturing, trade and other sectors. Marine fishing community, bound to the coastal transects of the country is characterized as one of the least-developed sector in terms of low level of socio economic status. This is paradoxical in the context of increasing contribution of fisheries sector to forex earnings (Rs.8,363.53 crore in 2006-07) and GDP (fisheries sector GDP constitutes 1 per cent in 2003-04). Marine fisheries play an important role in the coastal economy of Kerala. The inshore sea area falling within the territorial limit of the State (22km) is about 13,000 sq.kms. The continental shelf area of the sea adjoining the Kerala State is 39,139 sq.kms. The pioneering attempts of the State in mechanisation and motorisation led to significant developments in the fisheries sector. The share of fishery sector in the Agricultural State Domestic Product of Kerala increased from 5.18 per cent in the eighties to 9.36 per cent in nineties and thereafter maintained a stable position. The consistent increase in share of fisheries in the agricultural and allied sectors over the years establishes the significance of this sunrise sector. The contribution of fisheries sector registered an annual compound growth rate of 13.32 per cent (during 1980-81 to 2004-05). The gross earnings of marine fisheries sector in Kerala formed 20 per cent of the earnings at national level in 2005. Although technological advances have helped to enhance fish production, there are problems of decline in per capita production, disguised unemployment and growing sectoral inequity disturbing the socio economic frame work of the coastal villages. Benefits from growth of this sector are not percolated to grassroots- ie, the producers. There are a number of causes for this phenomenon. One of the reasons is increase in intermediaries in the channels of distribution, marginalizing the producers. Uncertainty in earning pattern of fisheries sector compels them to seek finances from external sources particularly in lean seasons and during monsoon trawl ban period (ban affects mechanised segment and
secondary and tertiary sectors who are dependent on fisheries for their livelihoods). Lack of institutional financial products suitable to the needs of fisherfolk coupled with procedural hassles and collateral oriented lending strategy and time lag in loan disbursement keep away fishers from the doorsteps of the banker. This leads to indebtedness of fisherfolk to non institutional agencies in the absence of well organised institutional setup, forcing them to apportion a large part of their income for debt servicing. Forced sales to traders at the point of first sales itself offsets the returns that they tend to borrow for day to day needs, thus falling into the debt trap.

The extent and quantum of indebtedness at a reasonable level of interest sourced out from the organised sector is an indicator of development since availability of finances boost up the economic activity and capital formation in a region. Extent of indebtedness and average outstanding debt per indebted households are comparatively less among fishermen as per the figures of institutional sources, but the affairs of the fisher folk is really grim as they are virtually gripped in the hands of non-institutional agencies, namely the money lenders and traders for which legitimate data sources do not exist. Fishermen are attracted to non-institutional agencies on account of simple procedures and timeliness in availing finance. They depend upon the non-institutional sources mainly for meeting their operational expenses. Since majority of the money lenders in fisheries sector are middlemen cum traders, who offer credit on the guarantee of selling of fish to them; often exploit fishermen by offering less price for produce. In traditional fishing villages where non mechanised and motorised fishing units are operating, most of the fishermen approached the traders and moneylenders (55 per cent) whereas in case of mechanised villages where more of mechanised fishing units are operating, 57 per cent of the credit requirements were financed by the banks(Sathiadhas, 1997). Average outstanding debt per indebted households worked out to Rs 60,000 for mechanised villages whilst it was Rs 12,000 for traditional villages. A study on the cost and earnings of traditional fishing units along Kerala (Sathiadhas and Panikkar, 1988) in the Trivandrum coast came out with the finding that moneylenders are supplying about
65 per cent of the credit needs of fishermen and the formal institutional structure contributed only 23 per cent towards the same. The extent of dependence on moneylenders was higher in the case of low income categories and vice versa. It was also found that, lower the income, higher the percentage of loan spent for consumption purposes. In the lower income group (less than Rs 5000) credit is mainly used for household expenditure whereas for higher income groups (above Rs 12,000) diversion is mainly towards social functions especially marriages. Dominant purposes for taking advances were for repair and maintenance of crafts and acquisition of nets etc (Bhattacharya 2002). Further finding money for meeting margin money requirement of banks / FI's created trouble to the hard pressed section of fishermen who were induced to create bondage with the informal sector.

A study of the capital structure and credit of small scale fishing units in fishing villages of Trivandrum District, Pulluvila (Rajan, 1993) revealed that in most cases, loans provided by the formal capital market are insufficient that they are forced to approach the unorganised sector to procure additional capital. As a result, benefits of the soft loans in the organised sector are offset by the high interest charged in the unorganised sector. Fishermen co-operatives contributed to an extent of 16 per cent of the credit needs of fishermen. Recent survey by the State Fisheries Department estimates that that fisheries sector debt in Kerala is about Rs. 412 crore, of which a major portion is sourced from moneylenders (Malayala Manorama, 2008).

1.2 The Financial Inclusion Architecture

With banks continuing to veer away from rural to urban India, the number of rural bank branches has shrunk even as urban branches proliferate, and the Government pays lip-service to financial deepening and economic inclusion (Punnathara, 2007). While 50 per cent of all commercial bank branches were located in rural regions in June 2000, the share declined to 40 per cent in March 2009 implying that rural branch expansion has been far behind the growth in the urban centres.

Gaps in the availability of banking services in rural areas have accentuated. Only 18.4 per cent of the rural population through savings/deposit
accounts and even a lower percentage of 17.2 per cent of the rural households by way of loan accounts through the banking network of scheduled commercial banks. Though cooperatives is said to be one of the most suited organization to serve rural India, minimal coverage of deposit and credit products and concentration in few states in addition to structural and organizational problems hamper its popularity. Decline in productivity of rural branches of commercial banks, fragility of co-operative credit structure and weakness of RRBs witnessed since early 90’s, have further accentuated the problem of inaccessibility of banking services for a large part of the rural population. Further, number of loan accounts of small borrowers with credit limit range of less than Rs.25,000/- has decreased from 5.88 crore in 1991 to 3.69 crore in 2003 denoting the preference of the bankers towards large size loans( RBI, 2005). However, it has been increasingly recognized that rural retail credit market has significant potential which hitherto had been tapped by informal lenders. Though banks experience increased cost of lending compared to urban transects and are reluctant to expand in rural areas, alternative models of financing through business facilitators/correspondents can serve the purpose. This goes in line with expansion of other corporate retailers particularly the FMCG’s tapping the rural markets with small sachets of the product or penetration of mobile phones into rural areas with easy low value recharge facilities. However, inconsistent rural consumer behaviour can be witnessed in case of consumer goods and credit. A rural consumer might prefer a low priced variant of consumer goods, but when it comes to the case of credit they are ready to pay even the highest rate of interest for taking advantage of features of credit supply including timeliness, ease of transactions etc. Undoubtedly, such qualities of credit supply apply to none other than an informal lender, where the formal financial concerns indulge with procedural formalities coupled with delays in financing. Further, consumption/emergency credit to rural people is still beyond the purview of institutional finances.

As far as financial impetus to primary sector is concerned, institutional dimension of agricultural financing is limited to priority sector advances by
Introduction

commercial banks. This follows the RBI stipulation that 40 per cent of the net bank credit should be earmarked for priority sector advances of which 18 per cent shall be for agriculture. Banks are reluctant to lend to farming sector due to risk of adding to NPAs; on account of crop failures, low production and willful default hopeful of politically driven loan waivers. Fisheries financing is far more neglected be the financing part or waivers. This is evident from the fact that loan waiver for agriculture announced in Budget 2008 was made applicable to fisheries only after constant hues and cries from the fisherfolk inspite of comprehensive marine fishing policy released in 2004 ensuring that artisanal fisheries deploying OBMs and small-mechanised boats up to 12m would be treated at par with agriculture, while small scale fisheries involving mechanised boats under 20m OAL would be treated at par with small scale industries. Fishing vessels above 20 m and fishing activity involving mother ships or factory vessels would be treated as industrial activity while full time/ occasional fishermen households not owning a boat would be treated at par with landless labourers.

Marine fishing community, bound to the coastal transects of the country are characterized as one of the least-developed sector almost akin to the tribals. This is paradoxical in the context of increasing contribution of fisheries sector product to GDP. It can be thus stated that benefits from growth of this sector are not percolated to grassroots- ie, the producers. There are a number of causes for this phenomenon. One of the reasons is increase in intermediaries in the channels of distribution marginalizing the producers. Fisheries sector earnings are characterized by uncertainties, leading to indebtedness of the fisherfolk to non institutional agencies in the absence of institutional setup, forcing them to apportion a large part of their income for debt servicing. The potential for growth in primary sector is enormous.

Provision of institutional finance for agrarian sector was limited to credit initiatives from the cooperative movement and enactment of debt legislation during pre-independence period. After independence, commercial banks prioritized industrial and trade financing totally neglecting farm economy that supported a major chunk of the population. However policy intervention to nationalize
Commercial banks in 1969 promoted social banking on a large scale enhancing network of branches to unbanked centres. This was followed by directed institutional interventions focusing rural transects including establishment of RRBs, revival of cooperatives, priority sector advances, Lead Bank Scheme, Service Area Approach, Differential Rate of Interest Scheme and Kissan Credit card. Notwithstanding these interventions limited accessibility is available to affordable financial services such as savings, loans and insurance services by vast majority of population in rural areas. Unorganised sector is believed to be acting as a constraint to growth impetus in these sectors.

The Reserve Bank’s broad approach to financial inclusion aims at ‘connecting people’ with the banking system and not just credit dispensation; giving people access to payments system and portray financial inclusion as a viable business model and opportunity. In consonance with the above approach, during 2007-08, the Reserve Bank emphasised the need for promoting greater financial inclusion and financial literacy. In this direction, a number of initiatives were taken during 2007-08 which included revision of guidelines on lending to the priority sectors with emphasis on enhanced flow of credit to those sectors of the economy which impact large segments of the population and are employment intensive; strengthening of the rural cooperatives; and restructuring of regional rural banks, which cater predominantly to the rural areas. The Reserve Bank also continued with its policy of encouraging multiple channels of lending such as self-help groups (SHGs), micro-finance institutions (MFIs), adoption of business facilitator (BF)/ business correspondent (BC) model; and emphasising the simplification of the procedures and processes for lending to the agriculture and micro, small and medium enterprises (MSME) sectors. (GOI, 2008).

RBI initiatives to build inclusive financial growth include introduction of ‘no-frills account’ with nil or minimum balances in 2005. This target is normally achievable by the banks while the impetus should lie in applying realistic norms for financial inclusion like availability of adequate credit to all (GOI, 2008).
Introduction

It has been estimated that there was an increase of 15 million ‘no frills’ account opened between March 2006-08 (Table 1.1).

**Table 1.1. Number of no-frills accounts opened by banks in India**

<table>
<thead>
<tr>
<th>Category of banks</th>
<th>Year ended 2006</th>
<th>2007</th>
<th>2008</th>
<th>% growth over previous year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Sector Banks</td>
<td>332,878</td>
<td>5,865,419</td>
<td>13,925,674</td>
<td>137</td>
</tr>
<tr>
<td>Private Sector Banks</td>
<td>156,388</td>
<td>856,495</td>
<td>1,879,073</td>
<td>119</td>
</tr>
<tr>
<td>Foreign banks</td>
<td>231</td>
<td>2,753</td>
<td>33,115</td>
<td>1202</td>
</tr>
<tr>
<td>Total</td>
<td>489,497</td>
<td>6,724,667</td>
<td>15,837,862</td>
<td>135</td>
</tr>
</tbody>
</table>

Source: Annual report of RBI, 2007-08

In addition, regional language options for rural customers was promoted along with simplification of KYC (Know Your Customer) while opening accounts for rural customers with balance less than Rs. 50000 and credit less than Rs. 1 lakh. Banks were also permitted to use the services of NGOs, civil society organizations and micro finance institutions as Business Correspondent (BC) Models. As Mr. V. Leeladhar (Deputy Governor, RBI, on the occasion of the Commemorative lecture at the Fedbank Hormis Memorial Foundation, Ernakulam) said “Despite making significant improvements in all the areas relating to financial viability, profitability and competitiveness, there are concerns that banks have not been able to include a vast segment of the population, especially the underprivileged sections of the society, into the fold of basic banking services. The focus of Indian banks on financial inclusion i.e. delivery of banking services at an affordable cost of the low-income groups has been dismal. This may be due to emphasis on economic efficiency by banks gradually neglecting the social priorities (GOI, 2007)

The formal financial system has to recognize the huge potential from the unmet demand for financial services from those who normally tend to be excluded. The focus of financial inclusion comes from the recognition that there are several externalities that can be adept to mutual advantage of the excluded and banking system permeating benefits to society en masse.
1.2.1 Rural Financial Inclusion/Exclusion Paradigm

The rural population in India suffers from a great deal of indebtedness and is subject to exploitation in the credit market due to high interest rates and the lack of convenient access to credit. Rural households need credit for investing in agriculture and smoothening out seasonal fluctuations in earnings. Since cash flows and savings in rural areas for majority of households are small, rural households typically tend to rely on credit for other consumption needs like education, food, housing, household functions, etc. Rural households need access to financial institutions that can provide them with credit at lower rates and at reasonable terms than the traditional money-lender and thereby help them avoid debt-traps [Vallabh and Chathrath, 2006].

Financial inclusion denotes delivery of financial services at an affordable cost to vast sections of disadvantaged and low-income groups. The various financial services include credit, savings, insurance and payments and remittance facilities. Objective of financial inclusion is to extend the scope of activities of the organized financial system to include people with low incomes within its ambit (GOI, 2008). Financial inclusion and exclusion are mutually exclusive terms; those who are not financially included automatically become excluded. In India, focus of financial inclusion at present is more or less confined to ensuring a bare minimum access to a savings bank account. However, having a current account/savings account on its own, cannot be regarded as an accurate indicator of financial inclusion.

Research on financial exclusion/inclusion has assumed importance even in the developed countries to focus on a minority who are excluded, while developing countries like India have to focus on the majority who are excluded. Financial inclusion by definition assumes individuals access to financial services; whether simply having a savings or credit account non-operational for period of time denote inclusion is questionable. Incidence of financial exclusion/inclusion can be explained in relation to various aspects of finance, namely requirement of financial product, price, delivery, people and attitudes (Table 1.2).
### Table 1.2. Paradigm of Financial Inclusion

<table>
<thead>
<tr>
<th>Aspect</th>
<th>What Financial Inclusion Means</th>
<th>When Financial Exclusion Could Occur</th>
</tr>
</thead>
</table>
| **Product**        | **Range of products and services:**  
|                    | - Access to sound, pragmatic and transparent advice on financial services  
|                    | - Access to bank accounts and savings mechanisms  
|                    | - Access to affordable and flexible credit for consumption purposes  
|                    | - Access to affordable and flexible livelihood financing  
|                    | - Access to risk mitigation services like health, weather, asset and life insurance etc.  
|                    | - Access to vulnerability reducing and economic capacity enhancing financial services like Warehouse Receipt financing, Value Chain financing etc.  
|                    | - Access to other financial services like micro-pensions  
|                    | **Exclusion could occur when products are not customized and of convenient, inflexible, not customized and of low quality**  
|                    | **Exclusion could occur when alternative [informal source] is available with tailor made products**  
| **Price**          | **Affordable and competitive products and mechanisms**  
|                    | - Effective cost of product is neither usurious nor perceived as very high  
|                    | - Inefficiencies are not passed on  
|                    | **Exclusion could occur when products are unaffordable**  
| **Awareness**      | **Financial literacy of poor**  
|                    | - The product needs to be proactively promoted  
|                    | - All terms and conditions must be explained in detail and transparently  
|                    | - Focus on customer service, education and protection  
|                    | **Exclusion could occur when clients are not aware [awareness leads to doubtfulness and they don’t approach the institutional lender]**  
| **Delivery**       | **Simple and convenient process of delivery**  
|                    | - Accessible in remote areas  
|                    | - Lower transaction cost for clients  
|                    | - Documentation and other requirements are minimal and hassle free  
|                    | **Exclusion could occur when clients cannot be reached easily and at low transaction cost**  
| **Usage**          | **Usage of savings products that promotes thrift**  
|                    | - Usage of transaction banking to manage remittances  
|                    | - Usage of credit facilities to smoothen income variations  
|                    | - Usage of insurance services to guard against uncertainties  
|                    | **Exclusion could occur when clients are not using the products. Voluntary and involuntary exclusion could occur**  
| **People and Attitudes** | **Staff care for the client’s welfare always**  
|                     | **Staff deal with clients in a timely, patient and concerned manner**  
|                     | **Staff are specially trained to deal with the poor**  
|                     | **Exclusion could occur when staff services delivering are not well-suited to their role**

**Source:** Adapted and modified from Arunachalam R.S, 2008 [www.data.undp.org](http://www.data.undp.org)
Demand pattern of rural finances vary from short term production/consumption loans to investment credit (Fig. 1.1). Financial needs of the poor arise from irregular pattern of earnings where they have no or low income during lean periods. Emergencies in the form of disasters or hospitalization and death also warrant unexpected expenses requiring finances. Though not unexpected, life cycle events like marriages also require customary expenses and hence often exceed the budgeted figures or even other wise requires the poor to borrow. Savings and insurance needs are yet to pick up momentum; due to increasingly cash oriented functions coupled with lack of access to formalized investment avenues. As the rural farm based/non farm based earnings are affected by seasonality, there arises need for smoothening income to facilitate consumption in lean periods in the absence of savings. The institutional finances being averse to the small and risky financing of small and marginal farmers and landless labourers are finally routed to the informal financiers. Also the financial products and procedural hassles of formal institutional lenders do not match the requirement of the poor.

![Figure 1.1.](image)

**Figure 1.1.** Need based financial inclusion/exclusion paradigm for the poor
Financing needs of fisheries sector does not vary significantly from the above pattern. Unlike agriculture sector, inconsistency in earning pattern of marine fisheries sector is frequent, fluctuating between fishing trips besides variation due to seasonality in harvesting pattern. Most often after a fishing trip in loss, the working capital expenses for the next trip need to be borrowed. In the absence of formal system of lending, the trader or commission agent is approached for finances requiring forced sales at the time of next harvest. A series of losses in fishing trips can entangle the fishers in indebtedness with the unscrupulous traders/moneylenders. In addition, fishery management measures like the monsoon trawling ban in the coastal waters curtails the livelihoods of a number of active fishers as also of those in secondary and tertiary sectors. The situation has been aggravated by the absence of alternative avocations and inadequate State sponsored rehabilitation programs. Havoc created by disasters like tsunami and cyclones in the coastal belt are not uncommon, withering disastrous effect on lives and livelihoods of the fishers. All such situations demand finances for rehabilitation and restoration, both for short term and long term. While institutional finance exemplify financial inclusion, which is rather strenuous with limited outreach and inflexible products; informal finance meets timely requirement of the poor with tailor made assistances and ease of accessibility and hassle free lending.

**1.2.2 Cycle of Inclusion/Exclusion**

Even after sixty years of independence, in India, the reduction of poverty and the alleviation of its consequences has remained a much debated policy issue. This shows that the strategic initiatives of the policy makers have not been fruitful in assuaging poverty that has always remained a conundrum. The history of anti poverty programmes has not been different in the developing nations, where poverty has been so conspicuous.
Quite similar to the envisaged ‘vicious circle of poverty’, the financial exclusion paradigm also assumes a cyclical registry. Excluded low income population already in the ‘vicious circle of poverty’ are trapped in the ‘debt circle’ by borrowings from the informal agencies, usually the usurious moneylender or the traders who charge exorbitant rates of interest and penalty for non repayment. Once money is borrowed, earnings of the poor tend to be redirected towards replenishment of borrowed funds; often the repayment as high as double or thrice the amount of loan. On account of repayment delinquency by the poor, repeat loans are denied forcing them to approach the money lenders. The contravention of ‘cycle of exclusion’ hence requires double pronged strategic initiatives of financial outreach and deepening by expanding institutional finance and reducing poverty by infusing economic and social empowerment among the poor.

1.2.3 Micro credit - An Alternative to Financial Inclusion of Poor

Leaving behind the basic needs paradigm of the 1970’s, for most of the developing world the 80’s were a decade of structural adjustment, dominated by stabilization efforts designed to bring national expenditure in line with the national income and by attempts to increase national income through policy reforms that
promote a more rapid accumulation of capital and more efficient use of resources. There was increasing concentration on the poverty alleviation by low income countries mainly promoted by international donors. Among the recent initiatives, specialized credit programs for the poor are becoming increasingly popular (Jordan, 1993; Minsky et al., 1993). Effective design of the poverty alleviation programmes will prevent the earlier shortcomings provided it is possible to identify the critical lacunae in earlier experiments. In dealing with poverty issues it is always difficult to bridge the gap, on one hand, between moral obligations calling for public and private charity and on the other, the economic requirements that could improve the lot of the poor (Slainltz, 1992). Financial services can have sustainable economic role only when opportunities for improvement exist.

In spite of the commendable expansion of branch network and progressive policy initiatives, large number of rural population continue to remain outside the formal banking system for a variety of demand and supply side reasons and constraints. A new paradigm that essentially promotes poor out of the vicious circle of indebtedness is required. The financial products should be moulded such that they contribute to reduce the risk and vulnerability arising from the existing livelihoods. It should essentially create security nets for the poor and ensure them to pursue diversified and migratory livelihoods. Also there should be varied interest in re-inclusion of those who are excluded out of the financial arena after being included for a short while. Sustainability of inclusion is yet another concern; that they remain included within the existing fragile livelihoods [Arunachalam, 2008]. UNDP recognizes financial inclusion paradigm as an integral part of the overall livelihoods framework and any effort towards financial inclusion requires multi-pronged strategies at every level of value chain or bundled financial services integrated with the overall livelihoods framework and not just credit/loan finance. From the experiences gained from the success of the SHG-Bank linkage programme and other micro finance initiatives in India and abroad, it has been established that interfacing NGOs/CSOs and other socially conscious organizations/ persons between the banks and the ultimate customers would prove rewarding in the philosophy of "Financial Inclusion"(RBI, 2005)
The SHG movement in India has enabled social and economic inclusion of the poor by focusing on women (Thorat, 2006). The SHG bank linkage has been proved as effective in promoting savings in the initial stage and then linking with financial institutions in subsequent stages. It is also to be reckoned with that microcredit fails to promote an ultimate solution to poverty alleviation and promotion of livelihoods; that they are far too small or narrow to facilitate income generating capabilities and accumulation of assets. Micro credit is considered a palliative and not a panacea in the context of promoting sustainable livelihoods through 'livelihood finances'.

The SHG bank linkage programme coordinates 15 to 20 people under a homogenous environment (it can be on the basis of profession, location, age, education etc.), where they begin with thrift and small loans to the needy among themselves in rotation and are later linked to the banks that provide credit based on their savings. As on March 31st 2008, more than 34.77 lakh SHG’s have been formed in the country (Bhandyopadhyay, 2008). Joint Liability Groups (JLG) is another mechanism in similar lines targeted at mid segment clients initiated during 2004-05. This programme grants the facility of obtaining credit for those who cannot afford to offer collaterals. Further there are rural specific products like Kissan Credit Cards (KCC), General Credit Card (GCC), Grameen Credit Card, Bhoomiheen Credit Card etc.

In 2004, the RBI appointed an internal group to examine ways of increasing financial inclusion and came out with a report in July 2005 (Khan Committee Report). Pursuant to its recommendations, the RBI issued a circular in January 2006 providing for the use of specified agencies including MFIs, as intermediaries in the provision of banking and financial services. The intermediaries were to be of two kinds, Business Facilitators and Business Correspondents. The above development has led to private sector banks increasing their exposure to this sector, using business correspondents [Arunachalam, 2008].

NABARD has been incidental in taking up the concept of ‘Neighbourhood groups’ into the rural transects; an articulate act of empowerment through self
manageable finances with the provision for earning an income to support the family. An SHG would have an incubation period of six months in which they mobilize funds and distribute as loans in turn after which they could be linked to banks for providing loan on the basis of the corpus of funds mobilized by the group. This has been time tested that a host of agencies including the State and Central Governments have come up mobilising groups for poverty alleviation. The present coverage of the NABARDs activities across the country has been given in Table 1.3.

Table 1.3. Spread of SHG Bank linkage programme

<table>
<thead>
<tr>
<th>Year</th>
<th>SHGs credit linked (All India)*</th>
<th>SHGs credit linked (Kerala)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No.</td>
<td>Amt (Rs. Million)</td>
</tr>
<tr>
<td>2004-05</td>
<td>7974572</td>
<td>29943</td>
</tr>
<tr>
<td>2005-06</td>
<td>964611</td>
<td>44991</td>
</tr>
<tr>
<td>2006-07</td>
<td>1105749</td>
<td>65704</td>
</tr>
<tr>
<td>2007-08</td>
<td>1227770</td>
<td>88493</td>
</tr>
<tr>
<td>2008-09</td>
<td>1609586</td>
<td>122535</td>
</tr>
<tr>
<td>2009-10</td>
<td>1586822</td>
<td>144533</td>
</tr>
</tbody>
</table>

Source: Adapted and modified from Suran and Narayana, 2009 till 2006-07 and rest from Status of Microfinance in India 2008-09, 2009-10

OS- outstanding, NA- Not available

* Figures of SHGs provided bank loans (includes fresh and repeat loans) during the year.

The status report of microfinance by NABARD states that 4.2 million SHGs maintain savings bank accounts with banks as on 31st March 2007 with an outstanding savings of Rs. 35127.10 million. With an average size of 14 members in each SHG, the programme now connects with 58 million poor households across the country (Suran and Narayana, 2009). As indicated in Table 1.2, the banks had collectively issued loans amounting to Rs 65703.90 million to 1.1 million SHGs during the year 2006-07, which increased to financing 1.6 million SHGs with Rs. 122535 million during 2008-09. Thus credit provided to SHGs suggests that the programme (credit linkages) now touches the lives of almost 40.6 million...
households across the country. Kerala state has seen a massive expansion of the SHG Bank Linkage programme under the stewardship of the Government initiative called Kudambasree, the poverty alleviation programme of the state which provides credit to about 17.7 million households in the state.

The key to the process of drawing majority of the economically marginalised population into economic mainstream is providing the unbanked population with access to financial services – especially capability to conduct transactions. As Amartya Sen has pointed out, availability and access to finance can be a crucial influence on economic entitlements of economic agents. Good financial services require “products that suit the poor’s capacity to save and their needs for lump sums so that they can save (or repay) in small sums of varied value, as frequently as possible; access the lump sums (through withdrawals or through loans) when they need them; in the short-term for consumption and emergency needs, in the medium term for investment opportunities and recurrent life cycle needs, and in the longer term for other life cycle and insurance needs like marriage, health care, education and old age” (Rutherford, 2000). To enable these envisaged objectives, the Indian financial sector requires transitioning from a supply-oriented approach to a demand-oriented one, sustainability of which would be dependent on profitability of financial services to the poor.

The prevailing financial institutions in the country have left out a major chunk of the masses out of their fold. Primarily this may be due to the reason that their financial products often fail to offer resilience to the demand of the poor. Alternatives for this problem; in designing a credit delivery mechanism, offering savings and loan products, simplifying procedural hassles etc has culminated in emergence of micro credit innovations.

1.3 Statement of the Problem

Even after years of implementing mass banking in the country; committed to extend services of financial intermediaries to the poorest of the poor and downtrodden, a vast majority of rural households are excluded from the formal banking services forced to remain in the grip of non formal agencies. Not different
is the case of marine fishery sector which support 3.5 lakh population who depend
upon fishing and allied activities for their livelihood. RBI’ strategic initiatives for
increasing the level of financial inclusion in the country by means of opening ‘no
frills’ account by banks and relaxing the KYC norms has been intended to increase
individual’s access to banks in terms of mere possessing an account with the
bank, and should focus on availing its services like mobilizing savings, availing
credit or usage of money transfer mechanisms.

Availability of cheap and easy credit has been accorded prime importance in
the financial inclusion agenda as the poor requires access to timely and adequate
credit more than any other financial service. Despite the spread of formal banking
in rural areas as part of the nationalisation drive, rural indebtedness to
moneylenders has remained unaltered due to inherent issues. The main hurdle
faced by banks in financing poor is the high transaction cost in reaching out to a
large number of people who require small amounts of credit at frequent intervals.
This is found true for savings as well. The poor can afford to save smaller amounts
at frequent intervals rather than depositing a lump sum amount. Interestingly the
poor also find banks as an institutional set up favouring elites and even when they
tried to access it foregoing their employment days, they had to face a number of
hurdles including the procedural hassles, not very sure of getting the loan in time.
This mutual inconvenience has made the poor and the banks to avoid each other,
the poor being attracted to the local moneylender who would attend their
immediate needs without bothering to pledge or to comply with the procedural
formalities at the expense of foregoing employment days.

Though it appears that fishing community is supported with multiple
agencies involved targeting the welfare of the fishing community, several studies
indicate that there is considerable proliferation of non institutional agencies like
money lenders and traders. These agencies take advantage of the credit gap
where the institutional counterparts fail to respond. Fisheries sector is
characterized by seasonality of earnings and regulatory measures like trawling
ban which create a demand for consumption credit. The seasonality and
uncertainty in earning pattern is primarily responsible for their lower socio
economic profile coupled with a host of internal and external factors. Fluctuating earnings often necessitate them to borrow; that any institutional agency is unapproachable (due to lack of security to furnish, procedural hassles etc) and they are forced to move towards informal agencies who supply immediate finance at a higher cost. Further earnings generated are subject to debt servicing, necessitating additional borrowings entangling them in the debt trap. In the given scenario, financial inclusion (that entails mere access to bank accounts) cannot alone serve as a solution. A sustainable relationship with institutional financiers is required, that caters to tailor made requirements of this downtrodden segment. Though solution is apparent, implementation of this alternative is difficult because of aversion of institutional agencies to risky credit. Further, procedural hassles, including need to furnish collateral serves as a major obstacle to formal credit.

Micro financing offers optimal solutions for extending reach of financial inclusion into the coastal hamlets. Microfinance services (depositing savings, taking loans) are made available at low cost and are easily accessible (available next door) and flexible enough to meet poor people’s needs. In Kerala also, the microfinance movement has gained popularity among the poor with the success stories of the state poverty eradication mission popularly known as Kudambasree. There are various agencies that has opted the model of microfinance for their operations. In fisheries sector, the Department of Fisheries has given their assistance to fisherwomen to form SHG groups through their programme called Society for Fisheries Assistance (SAF). Matsyafed and SIFFS organized on cooperative principles have also co-opted the concept of micro groups in fishermen societies. NGOs working in this field like ESS (Emakulam Social Service Society), QSS (Quilon Social Service Society), TSSS (Trivandrum Social Service Society), Jeevana, Win Centre etc. have also opted for formation of groups for their working. In all cases the groups were provided credit after an initial incubation period which promotes financial inclusion. Considering this proliferation of microfinance into rural settlements, it was considered appropriate to take up a study in the maritime districts in Kerala probing the role and prospect of micro financing in supporting financial inclusion of coastal fisherfolk with the following basic questions.
1.4 Research Questions

The study attempts to probe into the following specific research questions

a) What is the status of financial inclusion among fisher households in Kerala?

b) What factors determine the level of financial exclusion/inclusion and is there any significant influence of microfinance models?

c) How far the entry of microfinance has restricted the households from accessing exploitative money lenders?

d) How far microfinance has succeeded in serving the credit gap?

To answer the afore said questions, the study was taken up with the following objectives

1.5 Objectives

a) To estimate the status of financial inclusion among fisher households in Kerala

b) To study the socio economic factors determining level of financial exclusion/inclusion with a view to understand the role of microfinance

c) To estimate factors influencing informal borrowings of households

d) To estimate the existing demand for credit and analyse the role of microfinance in serving the credit gap

1.6 Hypothesis

a) Members of SHGs/SHG with bank linkage have more access to financial services than non members

b) There is decrease in informal borrowings by households with increasing level of financial inclusion

c) Access to microfinance reduces dependence on informal borrowings of households
1.7 Methodology

Working Definitions/ Terminology

Following are the working definitions used in the study which is derived from various published research reports and papers came across during the course of the research work. All the terms used in the study are used in the context mentioned below.

Fishermen family/Households

A family in which at least one member is engaged in marine fishing or associated activities or both (CMFRI, 2005). The study has administered fisher household as the basic unit of inquiry.

Fish workers

International Conference of Fish Workers and their Supports (ICFWS) held at Rome in 1984 defined fish workers as “children, women and men engaged as crew members, small fishers, processing workers and settlers”. The term excludes all those involved in the fish economy solely for income from profit or rent, by virtue of ownership of capital alone or involvement in arbitrage or speculation. (George and Domi, 2002). For the purpose of the study families of fish workers are being considered as the basic unit. This provides broad classification of fish workers as those who are involved in fishing activity, not necessarily being from the fishing community which is rather considered as a social group than an occupational group.

Fishing community

“Fishermen community or fishing community means - the society of those who are part of the ancestry and culture of fishing” (Thadeus P, 1999). Hence, fishing community includes families/individuals not actively involved in fishing but belong to the castes considered to be following fishing as traditional occupation. Hence the membership is not voluntary and individual but necessarily compulsory and familial. Fishing community signifies a social rather than an occupational group (George and Domi, 2002)
Financial Inclusion/ exclusion- Definition and Dimensions

Financial inclusion may be interpreted poor households’ access, availability and usage of basic financial services from formal service providers which include savings, loans and insurance in a manner that is reasonably convenient and flexible in terms of access and design and reliable in the sense that savings are safe and that insurance claim will be paid with certainty.


Elements of Financial Inclusion

Outreach of financial inclusion refers to breadth of financial services, in other words it measures how many people have access to financial services including savings, credit, transferring money and other services. Having a bank account is being considered as a key to access these services (Beck et al, 2006; Mohan, 2006, Littlefield et al, 2006, Ramji, 2009). The study takes into account individuals’ access to savings, credit, transaction banking and insurance as indicators of financial inclusion.

The Committee on Financial Inclusion, 2008 has stressed that Financial Inclusion does not essentially focus on providing credit and offering facilities for savings alone, but also includes the whole gamut of financial services including money transmission mechanisms, insurance and savings mode suited to the income pattern of the poor. This study attempts to measure financial inclusion as a composite measure that takes into consideration access to transaction banking, savings, credit and insurance. Each of them are examined in detail

Transaction banking

Refers to access to bank’s financial services other than savings, credit and insurance. Individuals require money transmission mechanisms for storing, saving and accessing money safely and for making payments to third parties including services like debit cards, direct debits, automatic transfers etc (Kumar, 2002).
Following can be classified as banking transactions

- usage of banking services with the help of cheque-book and ATM card/Debit Card
- making or accepting remittances through bank
- Receipt of money from various sources as part of social security measures.

Transaction banking usage can be used as an indicator to measure financial inclusion

**Savings**

It is said that lesser savings leads to lesser capital formation implying lesser development. However savings has been considered as a crucial indicator for measurement of financial inclusion in the study. Savings can be in the form of savings bank account, recurring deposits, fixed deposits with any of the financial service providers including Commercial banks, Cooperative banks, Regional Rural Banks or SHGs.

**Credit**

Credit is the most valid indicator for assessing the status of financial inclusion. Though other indicators are measured, credit access and indebtedness of a family determines the level of well being achieved. This is because access to credit is widely regarded as a financial service (Schilling, 2003). credit from formal and semiformal sources has been accounted by the study. Commercial banks, cooperative banks, RRBs etc come under the formal service providers, while microfinance has been treated as semiformal finance (Basu, 2006). Leverage through credit is regarded as a standard and crucial financial strategy for a small business; lack of access to credit may place such a business at a distinct competitive advantage (Chant and Link Associates, 2004).

Credit measured as a sole measure of financial inclusion can also be useful that it may provide status of the stakeholder considering aspects like source, cost of borrowing, adequacy, proximity etc.
Insurance

Insurance provides coverage to the accidents/emergencies arising in a society affecting human lives, assets or livelihoods. Research suggests that those consumers those who are least well placed to stand the risks are often those without insurance cover (Whyley and McCormack, 1997). Recent developments have increased popularity and access to insurance. Also Government has enacted insurance policies for the benefit of sea faring fishers. Insurance inclusion is measured as sub element in the financial inclusion designating appropriate weights.

Monitoring Financial Inclusion- Unit selection

Following the NSSO methodology, used in the All India Debt and Investment Survey, households has been identified as the basic unit for measurement of financial inclusion. So compared to the individual’s access, it was found appropriate to find the family’s access to institutional sources of finance and informal credit market.

Approach to measurement of financial Inclusion

Following the definitions, the study has taken into account a mixed approach; ie measuring the access to institutional as well as informal credit markets which often co-exist in poor settlements due to lack of supply of need based financing by institutional financiers. The extent of association with informal credit markets is considered as a negative and impinging on the aim of financial exclusion which is taken into consideration. (Thorat, 2007; Samantharay, 2008).

Financial Inclusion has been monitored in the study in two ways

a) Exclusion from payments system, ie. not having access to a formal financial service.

b) Exclusion from formal credit markets, requiring the excluded to approach informal and exploitative markets.

Efficacy of microfinance in facilitating financial inclusion and keeping away from informal financing has been examined
Micro Finance Provider (MFP)

Microfinance Provider includes all agencies that provide finance (credit/grants) to the SHGs as part of their financial assistance to poor. In the study, MFP includes commercial banks, cooperative banks, Matsyafed, NGOs and other voluntary agencies.

Database and Analysis

The study is predominantly based on primary information and is being supported by secondary information. Secondary information was gathered from published sources like government publications at the national, state and district level, publications of RBI, NABARD, NSSO, CSO and journals and books. The primary information was collected from fisher families through pre-structured tested schedules and by conducting focus group discussions and interviews.

Data were collected from the selected sample households using pre-structured schedule. The data analysis was done using statistical tools like percentages, averages and modelling was done using multiple regression analysis and binary logistic regression.

Sampling Design

Multistage sampling was employed to select the samples. Sampling has been done in two stages and each stage is described in detail. The study area covers twelve coastal fishing villages from four selected coastal districts in Kerala.

Stage 1: The first stage of sampling was of selection of the maritime districts for carrying out the study. Demographic indicators of fishing families and fishing villages of districts in Kerala sharing coast of the Arabian sea where marine fishing activity is present is given below. It is observed that Thiruvananthapuram district has the highest number of fishing families and Kasargod has the least (Table 1.4).
At this stage, through proportionate sampling based on the number of fisher households in the district, four districts were selected, namely Kozhikode district representing northern region (accommodating 22.21 per cent of the fisher families in the State), Ernakulam district from the central region (21.53 per cent) and Kollam and Thiruvananthapuram district from the southern zone (56.27 per cent). These four districts represent 58.91 per cent of the marine fishing families in the State. In the northern region concentration of fishing families was found to be in Kozhikode district, where more than half of the people resided. Hence sample was decided as Kozhikode. In the central region, Malappuram was seen as the populous district. However, as already Kozhikode was selected from the northern region, selection of Malappuram would show similarities between regions. To avoid this problem, Ernakulam district was selected from the central region which was found as the next populous district after Malappuram. From the southern

Table 1.4. Demographic details of maritime districts in Kerala

<table>
<thead>
<tr>
<th>State</th>
<th>Geographic Regions</th>
<th>Number of fishing families</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kasargod</td>
<td>Northern Districts</td>
<td>4,777</td>
<td>3.96</td>
</tr>
<tr>
<td>Kannur</td>
<td>Northern Districts</td>
<td>5,929</td>
<td>4.92</td>
</tr>
<tr>
<td>Kozhikode</td>
<td>Northern Districts</td>
<td>16,058</td>
<td>13.33</td>
</tr>
<tr>
<td>Subtotal</td>
<td></td>
<td>26764</td>
<td>22.21</td>
</tr>
<tr>
<td>Malappuram</td>
<td>Central Region</td>
<td>10,462</td>
<td>8.68</td>
</tr>
<tr>
<td>Thrissur</td>
<td>Central Region</td>
<td>6,598</td>
<td>5.48</td>
</tr>
<tr>
<td>Ernakulam</td>
<td>Central Region</td>
<td>8,876</td>
<td>7.37</td>
</tr>
<tr>
<td>Subtotal</td>
<td></td>
<td>25936</td>
<td>21.53</td>
</tr>
<tr>
<td>Alappuzha</td>
<td>Southern Region</td>
<td>21,759</td>
<td>18.06</td>
</tr>
<tr>
<td>Kollam</td>
<td>Southern Region</td>
<td>11,899</td>
<td>9.88</td>
</tr>
<tr>
<td>Thiruvananthapuram</td>
<td>Southern Region</td>
<td>34,128</td>
<td>28.33</td>
</tr>
<tr>
<td>Subtotal</td>
<td></td>
<td>67786</td>
<td>56.27</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>120,486</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Marine Fisheries census of CMFRI, 2005
Introduction

region, two districts had to be selected. Without hesitation, Thiruvananthapuram, the most populous district was selected from the southern region. One more district had to be selected from the region as per the proportion of fishing families in the region and Kollam district with the least population in the zone was selected.

Stage 2: The next step in the sampling design was to select the fishing villages from the chosen districts based on the proportion of fishing villages in each district (Table 1.5).

**Table 1.5.** Sampling plan of number of fishing villages from each district

<table>
<thead>
<tr>
<th>Selected District</th>
<th>No of fishing villages</th>
<th>Sample villages (10% sample)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kozhikode</td>
<td>35</td>
<td>3</td>
</tr>
<tr>
<td>Ernakulam</td>
<td>21</td>
<td>2</td>
</tr>
<tr>
<td>Kollam</td>
<td>26</td>
<td>3</td>
</tr>
<tr>
<td>Thiruvananthapuram</td>
<td>42</td>
<td>4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>124</strong></td>
<td><strong>12</strong></td>
</tr>
</tbody>
</table>

*Source: Marine Fisheries Census of CMFRI, 2005

From the fishing villages thus selected, 10 per cent of the households were selected for the study. Fishing villages and the sample selection has been summarized in Table. 1.6. Finally a total sample of 508 respondent households was selected for the study.

As employment in fisheries sector is very diverse varying from sector to sector, samples available from the varying population of the selected villages have been randomly chosen for the study. From the randomly chosen sample, households which had no membership in SHGs, those had membership with SHGs and those had association with SHGs having Micro Finance Provider linkage were categorized to understand the effects of microfinance on financial inclusion.

As the membership in SHGs is wide spread that it is difficult to find a household without association with an SHG, it has been decided to classify
households which are inactive in SHG groups for the past three years as non members.

The study covers households engaged in fishing activity in the maritime districts of Kerala. As coverage of nine maritime districts may be impossible due to time and resource constraints, it was decided to select a representative sample of four districts. Accordingly, Kozhikode, Ernakulam, Kollam and Thiruvananthapuram districts were selected for the study.

Table 1.6. Selection of respondents from fishing villages

<table>
<thead>
<tr>
<th>Sl. No</th>
<th>District/Fishing village</th>
<th>No of households</th>
<th>Sample (10%)</th>
<th>Final Sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Kozhikode south</td>
<td>591</td>
<td>59.1</td>
<td>60</td>
</tr>
<tr>
<td>2</td>
<td>Vellayil</td>
<td>350</td>
<td>35</td>
<td>35</td>
</tr>
<tr>
<td>3</td>
<td>Thoppayil</td>
<td>450</td>
<td>45</td>
<td>45</td>
</tr>
<tr>
<td>Subtotal</td>
<td></td>
<td>1391</td>
<td>139.1</td>
<td>140</td>
</tr>
<tr>
<td>4</td>
<td>Ernakulam</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Edavanakkad</td>
<td>244</td>
<td>24.4</td>
<td>24</td>
</tr>
<tr>
<td>6</td>
<td>Munambam</td>
<td>871</td>
<td>87.1</td>
<td>88</td>
</tr>
<tr>
<td>Subtotal</td>
<td></td>
<td>1115</td>
<td>111.5</td>
<td>112</td>
</tr>
<tr>
<td>7</td>
<td>Kollam</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Neendakara</td>
<td>551</td>
<td>55.1</td>
<td>56</td>
</tr>
<tr>
<td>9</td>
<td>Alappad</td>
<td>367</td>
<td>36.7</td>
<td>36</td>
</tr>
<tr>
<td>10</td>
<td>Parayakadavu</td>
<td>202</td>
<td>20.2</td>
<td>20</td>
</tr>
<tr>
<td>Subtotal</td>
<td></td>
<td>1120</td>
<td>112</td>
<td>112</td>
</tr>
<tr>
<td>11</td>
<td>Thiruvananthapuram</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>Poothura</td>
<td>460</td>
<td>46</td>
<td>46</td>
</tr>
<tr>
<td>13</td>
<td>Kochuthura</td>
<td>258</td>
<td>25.8</td>
<td>25</td>
</tr>
<tr>
<td>14</td>
<td>Valiaveli</td>
<td>428</td>
<td>42.8</td>
<td>43</td>
</tr>
<tr>
<td>15</td>
<td>Kannanthura</td>
<td>296</td>
<td>29.6</td>
<td>30</td>
</tr>
<tr>
<td>Subtotal</td>
<td></td>
<td>1442</td>
<td>144.2</td>
<td>144</td>
</tr>
<tr>
<td>Total Sample respondents</td>
<td></td>
<td></td>
<td></td>
<td>508</td>
</tr>
</tbody>
</table>
Figure 1.3. Map of Kerala showing area of study
1.8 Limitations

Out of the nine maritime districts in Kerala, the study has covered four districts which is a representative sample. Time and resources was sufficient to cover only the samples and hence an attempt was not made to cover all maritime districts in the State. Further the study has attempted to evolve an index based on usage dimension of financial services. The information on usage of financial services given by the respondent households is subject to severe limitations. There is no particular book maintained for recording financial transactions of households. Clearly ‘under reporting’ can be expected in some of the cases. Further some of the households may have gone for ‘over reporting’ to attract Government aid by projecting over indebtedness.

1.9 Chapterisation

The chapterisation scheme shall be as follows:

Chapter 1  Introduction
Chapter 2  Review of literature
Chapter 3  A Retrospective of Financial Inclusion
Chapter 4  Profile of Marine Fisheries sector in Kerala
Chapter 5  Socio Economic Profile of respondents
Chapter 6  Financial Inclusion of fisher households and role of microfinance
Chapter 7  Vulnerability to informal sources of finance and role of microcredit
Chapter 8  Summary and Conclusion
            Bibliography
            Appendices
1.10 References


Introduction


