



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

वेबसाइट : www.rbi.org.in/hindi

Website : www.rbi.org.in

इ-मेल email: helpdoc@rbi.org.in

संचार विभाग, केंद्रीय कार्यालय, एस.बी.एस.मार्ग, मुंबई-400001

DEPARTMENT OF COMMUNICATION, Central Office, S.B.S.Marg, Mumbai-400001
फोन/Phone: 91 22 2266 0502 फैक्स/Fax: 91 22 22660358

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**Meaningful Financial Inclusion hinges on
Commercial Banks' Ability to meet Credit Gaps of the Poor:
Finding of RBI's Research Project Study in Kerala**

The Reserve Bank today released a Research Project Study titled "[How the Poor Manage their Finances: A Study of the Portfolio Choices of Poor Households in Ernakulam District, Kerala](#)" on its website. The Research Project Study is a collaborative outcome of researchers associated with the Centre for Socio-Economic and Environmental Studies (CSES), Kochi and Reserve Bank of India.

A survey was conducted for the purpose of this Study, on a sample size of 107 poor households in Ernakulam district in Kerala. The Study also employed a case study approach in tracking the financial lives of poor households.

The information on both stock and flow variables pertaining to 107 households was collected through the survey based approach. While the financial diary method was employed to collect information on cash flows, a questionnaire was administered to collect information on stock variables. The Project Study thus also presents a collection of case studies showcasing the cash management strategies followed by the poor households.

Major findings of the Project Study include:

- (i) The challenges faced by the poor households in the sample are not only insufficient income, but also irregular and unpredictable income flows. The poor need credit for meeting frequent gaps in income inflows and consumption outflows.
- (ii) A never ending cycle of lending and borrowing small amounts is observed among the poor households. When the shortfall is for meeting daily expenses, the households mostly depend on hand loans from friends and neighbours. However, if the need is for raising large amount for purposes, such as, house construction, purchase of land, etc., poor households also seek the support of formal institutions, mostly cooperative societies. The Study finds that cooperative societies have been more flexible in meeting the cash needs of the poor as compared to commercial banks.

The Study concludes that meaningful financial inclusion of the poor by the commercial banks depends on their ability to meet the credit gaps of the poor households.

The Reserve Bank has introduced a "[Research Project Study/Report Series](#)" with a view to disseminating the research output undertaken with the support of external experts under the Reserve Bank's Scheme for support of economic research in areas like real economy, monetary sector, financial economics etc. This would be available in its website under 'Publications>Occasional>>Project Research Study'

Research Project Studies/Reports are another effort made by the Reserve Bank for encouraging policy-oriented research and also providing data and reports for researchers at large. The Research Projects being funded under the scheme are assigned to external research institutions/scholars wherein internal researchers are also associated for collaborative research. On completion of these research projects, these studies are released on the Reserve Bank's website for wider circulation with a view to generating constructive discussion among economists and policy makers on subjects of current interest.

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Sangeeta Das
Director