

Does access to finance alleviate poverty? A case study of SGSY beneficiaries in Kashmir Valley

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Purpose

The purpose of this paper is to question and analyse the basic tenets of financial inclusion and to understand the relationship between access to finance and poverty reduction. The paper attempts to elaborate the importance of unrestrained access to finance in building an inclusive financial sector, which is believed to reduce poverty by enabling poor and excluded people to participate in the economic process by employing their skill sets, labour and innovations in the productive activities of the economy, thereby not only increasing their own welfare and standards of living but also contributing at very high marginal returns to the overall economic growth.

Design/methodology/approach

This study evaluates the progression of the participants/beneficiaries of National Rural Livelihood Mission Scheme (erstwhile Swarnjayanti Gram Swarozgar Yojana Scheme) across various dimensions of poverty by making use of the Multidimensional Poverty Index (MPI).

Findings

The results suggest that the participation has in fact lead to increase in the standard of living, thereby reducing multidimensional poverty. Further, the results suggest that participation does not reduce deprivations in the “education” dimension, whereas in all other dimensions reduction in deprivations is significant. The results also suggest that the programme under study seems to be seriously mistargeting by allocating the programme to non-poor sections rather than absolute poor.

Research limitations/implications

The study has been conducted without following the participants over a longer period of time. The study has adopted a pre-post methodology, collecting the responses at only one point using a reflexive quasi-experimental design which leads to a recall limitation.

The paper tries to evaluate the impact of access to financial inclusion through a new perspective – the MPI. The paper examines the targeting of government-sponsored programmes and the utility of such intervention in the changing milieu of financial services.

Keywords: [Microfinance](#), [Poverty alleviation](#), [Financial inclusion](#), [Inclusive finance](#)

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