Innovation in Finance to Finance Innovation: Supporting pro-poor entrepreneur-based innovation

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Abstract
This thesis proposed a new way of conceptualising financing of pro-poor innovation in rural areas by focusing on pro-poor entrepreneur-based innovation (PEBI) and by considering the knowledge flows in different parts of the financial system. Empirically, the thesis found that the Indian banking system does not efficiently support rural PEBI. Instead an alternative financing sector has emerged recently, in which there are three broad categories of organisations: micro venture capital firms, small-scale finance providers, and grassroots innovators and incubators. They are complementary, forming an ecosystem of finance for different types of rural PEBI.

What these organisations have in common is an integrated approach to support; an emphasis on partnerships and networks to provide better services and acquire expertise; continuous involvement in the investees; and a dual bottom line. This thesis argues that there is a need to partially shift the focus of financial support and livelihood creation in rural areas away from microfinance, to more productive entrepreneurship and innovation that hold potential for indirectly providing more livelihoods and poverty alleviation opportunities. Three broad Government policies to achieve an enabling environment in which the PEBI support organisations can flourish include: 1) supportive regulations and an overarching PEBI Agency to coordinate departmental, national and state efforts; 2) a PEBI Fund investing in PEBI support organisations; and 3) capacity building programmes in entrepreneurship, especially for MFI's, NGOs and Banks.