

Micro Finance Intervention in Capacity Building, Poverty Alleviation, Empowerment and the Resultant Financial Inclusion

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Abstract: The mission of Inclusive Growth can be achieved only through including the Below Poverty Line people also in the growth path. SARVODAYA, meaning “Universal upliftment and progress of all” was initially coined by Mahatma Gandhi in 1908 to ensure that self-determination and equality reaches all strata of Indian Society. This further go-ahead by creating an environment through positive economic and social policies for full development of Women to enable them to realize their full potential. It was only from the sixth Five Year Plan onwards that Women secured a special niche and space in the national plans and planning process primarily with thrusts on health, education and employment of women. A paradigm shift occurred in the 8th plan where ‘**Empowerment of Women**’ was recognized and accepted as a distinct strategy. The present Government in their National Common minimum programme has laid down six basic principles of governance one of which is to empower women politically, educationally, economically and legally. The Indian Government has formulated different innovative schemes and strategies to mitigate the problems that prevail in the rural sector. The community Development Projects, the National Extension Service Scheme of 1950s, the Intensive Agricultural District Programme and the Intensive Area Development Programme of 1960s were a few directed towards the upliftment of the poor and the Marginalized sections of the society.

Key Words: Microfinance, Self-Help groups, Capacity building Poverty Alleviation, Empowerment,

Micro finance as a tool for financial Inclusion

Microfinance – An Introduction

It is accepted universally that the power of financial services to the customers specifically the low-income households can be realized only through providing a wide range of services and not just by providing small loans or opening bank accounts. One such service is microfinance¹ which serves the rural and the poor as a part of the financial inclusion programme who does not have access to typical banking services. The idea behind microfinance is that, if given proper access to financial services the low-income people are capable of lifting themselves from the poverty.

The service of microfinance usually involves small savings and small loans and in this way their service is differentiated from those provided by formal banks.

Poor people mostly save all the time through informal ways like investing in gold, domestic animals and other things that can be easily exchanged for cash. They sometimes bury the cash or stash it under the mattress. They also participate in informal savings groups wherein each day or week or a month, small cash is contributed to a pot and that pot is rotated to the members. The members are also allowed to borrow from the pot. This informal savings mechanism has serious limitations like fluctuations in the prices of the assets invested in, destruction by fire, thief or illness. This has given rise to the development of a formal financial service through a formal organizational setup.

Models of Microfinance

Model I: Bank – SHG - Members

In this model the bank itself promotes and nurtures the self-help groups until they reach maturity

Model II: Bank – Facilitating Agency – SHG - Members

Her groups are formed and supported by NGOs or government agencies

Model III : Bank – NGO – MFI – SHG – Members

In this model NGOs act as both facilitators and micro-finance intermediaries. The NGOs in turn have been found to federate SHGs into apex organizations to facilitate inter-group lending and larger access to funds.

¹**Microfinance** is defined as, financial services such as savings accounts, insurance funds and credit provided to poor and low income clients so as to help them increase their income, thereby improving their standard of living

SHGs and Microfinance

Swarnjayanti Gram Swarozgar Yojana (SGSY) was led by Ministry of Rural Development started in the year 1999 wherein the rural BPL households are aimed at providing sustainable income through income generating assets or economic activities to bring them out of poverty.

Self Help Group is a phenomenon that brings together 12 to 20 rural women below the poverty line in a group, to serve collectively for the betterment of their lives individually as well as their family as a whole.

Self Help Groups (SHGs) play a major role in poverty alleviation in rural India. Number of poor people (mainly women) from across India are members of SHGs and they engage themselves in savings and credit as well in other activities like Income Generation, natural resource management, literacy, child care, nutrition and the like. The SHG system has proven to be very relevant and effective in offering the women the opportunity to fight exploitation and isolation. The Government and Non-Government Organizations support the SHGs in India in various manners and a large amount of success has been achieved in improving the life of a particular individual or the group

The SHG mechanism in India has been linked to various developmental interventions. There is enough evidence in the Indian context to prove that the SHG approach is an effective and efficient tool for organizing and empowering the rural women. However, the effectiveness of empowerment of rural women depends largely on the design, development and introduction of programmes to promote income generation activities that will generate sufficient, sustainable and regular income. It is a universally accepted fact that Economic Empowerment is a prelude to Social Empowerment

Capacity Building

Capacity Building as a term has evolved from the terms such as Institutional Building and Organizational Development. During 1950s and 1960s, these terms were referred to community development, wherein the emphasis was on building capacities in rural areas and in administrative sectors and developing countries. During 1980s Institutional Development expanded more which is viewed as a process of building up a developing country's Government, NGOs and other public and private sector institutions.

Capacity Building – as defined

United Nations Development Programme (UNDP) – Capacity building is a long-term sustainable process of development involving Government Ministries, Local Authorities, Non-Governmental Organisations, Professionals, community members, academicians and more.

United Nations Office for Disaster Risk Reduction (UNISDR) defines capacity development in Disaster Risk Reduction domain as “ the process in which people, organisations and society stimulate and develop their capability systematically over time in order to achieve the economic and social goals, including through improvement of knowledge, skills and institutions – in a broader social and cultural enabled environment.

For the Organisation for Economic Co-operation and Development (OECD) capacity development is the process wherein the people, organisations and society as a whole releases, strengthen, create, and maintain capacity over a period of time.

The discussion so far is related to Community Capacity Building and there is another form of capacity building i.e., Organisational Capacity Building which is focused on developing capacity within organisations like NGOs. It is the building up of organisations abilities to perform specific activities. This approach as used by mainly NGOs helps in developing them internally to fulfill their defined mission.

Capacity Building and SHGs

During the mid-90s, the social and economic status of women was absolutely poor. They were performing tasks like giving birth, caretaking the children and other family members, doing some household and domestic work.

This prompted the Governmental organisations and the NGOs to promote capacity building through Self Help Groups. These SHGs were given in-house training and handholding support to build their capacities. The Government has allotted budgets for strengthening the groups by providing capacity building training i.e., SHG member training, Animator and Representative training and Enterprise Development Training for SHG women. The major objective of training is to unleash the hidden talents and capacities of all the SHG members through providing systematic modular training. The members who attend the training will be given a training cost irrespective of the size of the group. This training commences immediately after the group formation. Member, Animator and Representative trainings are for all and is for a short duration of time. But Enterprise Development Training is given for a longer period i.e., more than a month and is given to the members who are

interested in taking up some form of economic activities. These trainings are provided by Community Resource Persons (CRPs) who were drawn from the SHGs and PLFs and are trained as trainers. The Government after careful consideration has sanctioned Rs.51,60,31,000 during 2009-10 for taking u capacity building and youth skill training activities.

Poverty Alleviation and Empowerment

Poverty- As defined

Extreme Poverty is a global challenge and is observed across the world including developed countries. (Poverty and Equity – India, 2010 World Bank Country profile”.Povertydata.worldbank.org. 30 march 2012. Retrieved 26 July 2013).

World Bank: “Poverty is pronounced deprivation in well-being, and comprises dimensions such as low incomes, inability to acquire the basic goods and services needed of survival with dignity”

Absolute poverty refers to a set benchmark or standard consistent over time and between countries. The World Bank defined an International poverty line as \$1.25 a day in 2005 which was reset to \$1.90 a day in 2015.(Ravallion, Martin: Chen, Shaohua: Sangraula, Prem (2013) “Dollar a day”, The World Bank Economic Review. 23 (2) Pp163-184). Absolute poverty is a condition of severe deprivation of basic needs such as food, drinking water sanitation facilities, health, shelter, education and information. It depends not only on income but also on access to services.

Extreme poverty defined as, "a condition so limited by malnutrition, illiteracy, disease, squalid surroundings, high infant mortality, and low life expectancy as to be beneath any reasonable definition of human decency." (Robert McNamara, Former President, World Bank).

In 2012, given a poverty line of \$1.25 a day, 1.2 billion people lived in Poverty. (Ravallion Martin. “How long will it take to lift one billion people out of poverty?” The World Bank Research Observer 28.2(2013); 139)

As per the World Bank Reports, the percentage of the world’s population living in extreme poverty fell from 37.1% to 9.6% between 1990 and 2015.

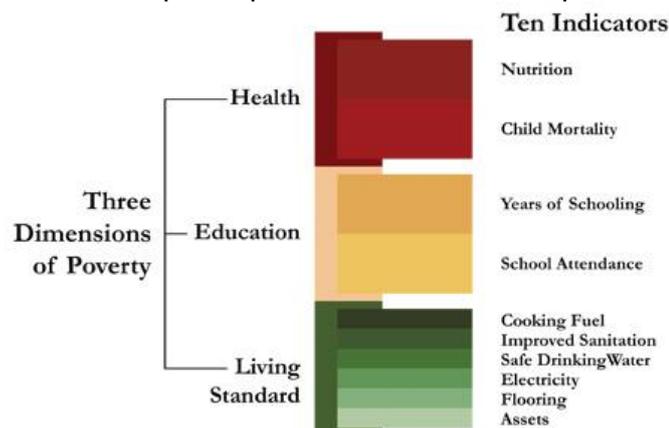
Percentage and Number of poor Estimated (Poverty Estimates) by Expert Group Tendulkar Method

	Poverty Ratio %			Number of Poor(Million)		
	Rural	Urban	Total	Rural	Urban	Total
Expert Group 2009 (Tendulkar methodology)						
1993-94	50.1	31.8	45.3	328.60	74.50	403.70
2004-05	41.8	25.7	37.2	326.30	80.80	407.10
2009-10	33.8	20.9	29.8	278.21	76.47	354.68
2011-12	25.7	13.7	21.9	216.50	52.80	269.30

Source: Planning Commission Estimates (Hand book for PC, Dec 2014, Pp 99)

Measuring Poverty

There are many approaches to measuring poverty in India. The focus was given on the deprivations when the analysts attempted to measure the poverty. But there are many difficulties involved in it if the deprivations measures are aggregated which is derived from different data sources. The best approach is looked at in terms of certain minimum consumption expenditure per person or per household. If the person or the household fails to meet this level of consumption expenditure can be treated as a poor household.



Source: UNDP Multidimensional Poverty Index

The dimensions of health and education has two indicators each viz., Nutrition and Child Mortality and Years of schooling and School attendance. The standard of living has six indicators including usage of cooking fuel, improved sanitation, Safe drinking water, Electricity. Flooring and Asset holding.

The indicator thresholds of the households to decide on their poverty status are as follows:

1. Education:
 - School attainment: No household member has completed at least six years of schooling
 - School attendance: A school-age child is not attending school regularly.
2. Health
 - Nutrition : A house-hold member is malnourished and is fallen sick during the last five years
 - Child Mortality: A child under age five has died in the family within the last five years.
3. Standard of Living:
 - Electricity: Access to electricity.
 - Drinking water: Access and proximity of clean drinking water
 - Sanitation: Access to improved sanitation
 - Cooking fuel: usage of cooking fuel
 - ownership and type of house
 - Assets: Asset related to access to information (radio, TV, telephone) and asset related to mobility (bike, motorbike, car, truck, animal cart, motorboat) or asset related to livelihood (refrigerator, arable land, livestock).

Empowerment

Empowerment includes all the measures designed to improve the degree of autonomy and self-determination in people and in communities. It enables them to express their interests in a committed, responsible and self-determined way within their own authority. Empowerment enables them to handle an individual's sense of powerlessness and lack of influence and to recognize and use their resources. Empowerment results in developing the skills of self-sufficiency with the focus of eliminating the individual's dependency. Our topic of discussion is oriented towards women empowerment. It is the ability of the women to enjoy their rights to take control and to attain benefit from the resources, assets and the income, control over their own time and thereby improving their economic status and wellbeing.

Education plays a major role in empowering the women by increasing their self-confidence and earning potential. It empowers them to make choices for improving their own as well as their children's health, choices on improving their standard of living and welfare.

The empowerment of illiterate women living in rural areas is the major task for the Indian Government. This was made possible through Self Help Groups. The Groups were made to engage in some form of economic activities which provides them with some income. This in turn improves their decision making and confidence. The empowerment has been measured under five major areas viz., Welfare, Access, Conscientisation, Participation and control.

Role of NRLM in Capacity Building, Poverty Alleviation, Empowerment and Financial Inclusion

The Ministry of Rural Development (MoRD), Government of India has launched Aajeevika – National Rural Livelihoods Mission (NRLM) in the year 2011 through investment support by World Bank. The mission of this scheme is to create effective institutional platforms for the rural poor, to enable them to increase their household income through providing access to financial services and sustainable livelihood enhancements.

The agenda of NRLM is to cover 7 Crore rural poor households, across 600 districts, 6000 blocks, 2.5 lakh Gram Panchayats and 6 lakh villages in the country through self-formed and self-managed Self Help Groups (SHGs) and federated institutions. NRLM assists them for livelihoods collectives in a period of 8-10 years. This enables the poor to achieve higher access to rights, entitlements and other public services and better indication of empowerment. The program was renamed as DeendayalAntayodayaYojana (DAY-NRLM).in November 2015. DAY-NRLM harnesses the inner capabilities of the poor and provides them with capacities in the form of information, knowledge, skills, tools, finance and collectivization which enables them to participate in the growing economy of the country.

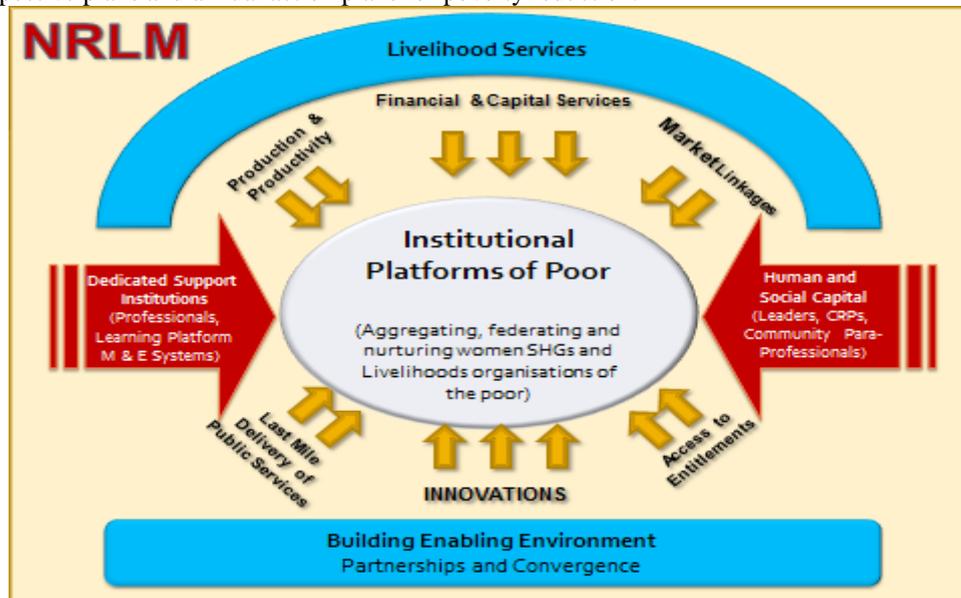
Budget allocation for NRLM

In the 12th five year plan Planning Commission has allocated an amount of Rs.29,000 crores for the NRLM projects. The Government of India has also signed an agreement with World Bank in 2011 to source a credit of US \$1billion(Rs.4500 crore) for providing additional resources to the high poverty 13 states under NRLP.

Mission of NRLM

The mission of NRLM is to enable the states to shift from the allocation based strategy to a demand driven strategy whereby the states can formulate its own livelihoods-based poverty reduction plans. The another mission of NRLM is to focus on targets, outcomes and timebound delivery. It also aims at providing continuous capacity building, skill development and linking the poor with the livelihood opportunities for the poor. NRLM ultimately monitors against the targets of the poverty outcomes.

The demand driven strategy followed by NRLM enables the states to develop their own livelihood-based perspective plans and annual action plans for poverty reduction.



Source: aajeevika.gov.in

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