

# Micro finance and Inclusive growth an Alternate Mode for Eradicating Poverty and Hunger from India

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**Abstract:** India's recent growth and development has been one of the most significant achievements in present days, with approximately 133 crore people and expected to surpass china in coming days. A third largest economy according to purchasing power and emerging as economically superpower with largest democratic in the world but there is also other side of the coin. With the 70 years of independence, India is still engaged in struggle for freedom from lacking in social aspects like poverty, hunger, illiteracy, ill health disease and many other which the Millennium Development Goal of United Nation sought to overcome, but many remain unfulfilled. And to achieve the unfulfilled targets for India, in above mention social aspects country needs to adapt the concept of inclusive growth which means an economic growth that creates an employment opportunity, so that it can get convert into reduction of poverty. Since poverty and hunger are interrelated, so if India gets success in eradicating the poverty automatically hunger will also reduce.

The main objective of this paper is to highlight on Indian economic growth and targets for developing nations like India regarding social aspects which was set by United Nation Millennium Development Goal in September 2000 with the deadline of given target to achieve in year 2015 and later in the same year set the target for next 15 years but this time under the tag of Sustainable Development Programmes.

This paper offers the theoretical and descriptive aspects regarding removal of poverty and hunger from the India, keeping in center the concept of Micro finance and inclusive growth.

**Key Words:** Poverty and Hunger, Inclusive Growth, Micro credit, Microfinance.

## 1. INTRODUCTION:

The Indian economy is has moved on high growth rate since 1980s. After a Glitch in the growth 1990-92 liberalization process initiated for aligning the country's world in economy with the 1991, not only put the economy back on the track of higher growth path but also to sustained this growth till the 2000s. In September 2000, prime assembly of the world leader at United Nation Millennium Development with the commitment of coordinating global partnerships for development, with the aim of reducing the extreme poverty, hunger, reducing child mortality rates, to fight with epidemic disease like HIV/AIDS, and setting targets to achieve by year 2015 but till the year 2015 few targets where remain unfulfilled.

Indian economy had a notable growth story in the recent years, during 2005-06 to 2007-08. it has average growth rate of 9.4% but due to global financial crisis there was declined, even though we maintain a decent growth rate of 7.6% during 2008-09 to 2010-11, and in 2011-12 to 2014-15 average was 6.4% and in 2016 its 7.5% and expected to remain the growth rate around 7% to 7.7% in upcoming 24 months (Development, June 2016).

## 2. OBJECTIVES:

- To highlight the brief overview of Indian economy with the targets sets by Millennium Development Goal.
- To clarify the concept of inclusive growth and micro-finance for eradicating poverty.

## 3. INDIA AND MILLENNIUM DEVELOPMENT GOALS:

In the September 2000, India and other developing nations were ready to coordinate with each other for the development of their nation with the help of United Nations Millennium Development Goals. There were total eight goals which were set by Millennium Development Goals and target was to fulfil this goal deadline was December 2015 (ESCAP, 2015).

Below is the list of eight goals which were set by Millenium Development Goal in year 2000 and the end of year 2015 india was supposed to achieve the target in the given period of time.

- Eradicate extreme poverty and hunger.
- Achieve universal primary education
- Promote gender equality and empower women.

- Reduce child mortality rate.
- Improve maternal health.
- Combat HIV/AIDS, malaria and other disease.
- Ensure environmental sustainability.
- Develop a global partnership for development

In December 2015, India was supposed to achieve the above mentioned targets, but India was not on track to achieve it. According to the statistical year book brought out by Ministry of statistics and programme Implementation that overseeing progress on the MDGs shows only six out of eighteen targets adopted in year 2000 have been fully met. One more report brought out by United Nation Economic and Social Commission for Asia and Pacific shows that India has met only four of the eight MDGs. In this context, we can conclude that Millennium development goals have the most successful anti-poverty movement in the history but, for India it has worked moderately especially in eradication of poverty and hunger.

By the end of year 2015, the above mentioned eight Goals out of them few were remain unfulfilled, so to fulfill the unfulfilled goals, United Nation General Assembly adopted the new set of 17 goals for sustainable development. Finally the Millennium Development Goals were ended in the year 2015 and it is replaced by the sets of Sustainable Development Goals with the targets to achieve newly set goals like removal of poverty and hunger permanently from all corners, gender equality, quality education, promote inclusive growth, global partnerships, and many more by the year 2030.

The Government of India have also adopted the principle of “Together with all, Development for all” and stated that first claim on development belongs to poor (ESCAP, 2015).

#### **4. DEFINING THE KEY TERM: Extreme Poverty, Poverty and Hunger:**

The World Bank defines extreme poverty as living on less than \$1.90 per person a day (Bank, 2016). The word poverty can be defined as a situation in which community is deprived of and or lack of essentials for minimum standard of well-being and life. The above definition contain a word ‘essentials’ which is divided into two parts one is material resources like food, water, shelter, cloths etc. other is social resources like education, health care facilities, and social issues etc. In other words poverty can define as “lack of ability to spend”.

In simple term we can define hunger as a very great need of food. Basically hunger means an uneasy sensation caused by wants of food, craving appetite, and also exhausted condition caused by want of food. Another definition of hunger is a situation where adult and children cannot access the food constantly and it decreases food intake without food which leads to malnutrition.

##### **4.1 What causes poverty and Hunger?**

The term poverty and hunger are interrelated terms, if efforts have been made for removing the poverty, problem of hunger can get automatically removed. The causes of poverty and hunger are given below.

###### Causes of poverty

- Increase in population.
- Increase in unemployment.
- Unskilled labor.
- Low rate of economic growth.

###### Causes of hunger

- According to an Indian Economist and a Nobel Prize winner Dr. Amartya Sen that actual reason for hunger is the lack of ability to pay for food.
- Poverty itself leads to hunger.
- The rate of hungry people increases unevenly as population increase.
- One of the major causes of hunger is an insufficient economic system.
- Climate change.

##### **4.2 Poverty and Hunger in India.**

Recently India celebrated a silver jubilee of Economic reforms. It's well-known that after changing the economic policy country achieved the high growth compare to pre-economic reforms periods. But at last the success of economic reforms depends on when there will be decrease in number of poor people.

Now a days India is doing really well especially since last 15 years in terms of economic growth with the average annual growth rate of 7% to 7.7% with better infrastructure, technology, various initiative for generating employment opportunity like Mahatma Gandhi National Rural Employment Guarantee Act (MNREGA), Swarnajyanti

Gram Swavrojgar Yojna, Sampoorna Gramin Rojgar Yojna, Swarnajyanti Shaheri Rojgar Yojna and many more. Recently initiative taken by Government of India was "Make in India" with the aim of helping for creating jobs for more than 10 million people of India. So can we say India as a 'Shinning'? Or 'Suffering'?

With the tag of second largest population, which includes young and dynamic people and it is expected that India will surpass china by coming years. If proper planning and efforts is not done by the Government of India then high population can leads to unemployment in both rural and urban area which can get converted into poverty, which is also one of the major cause of hunger in the nation.

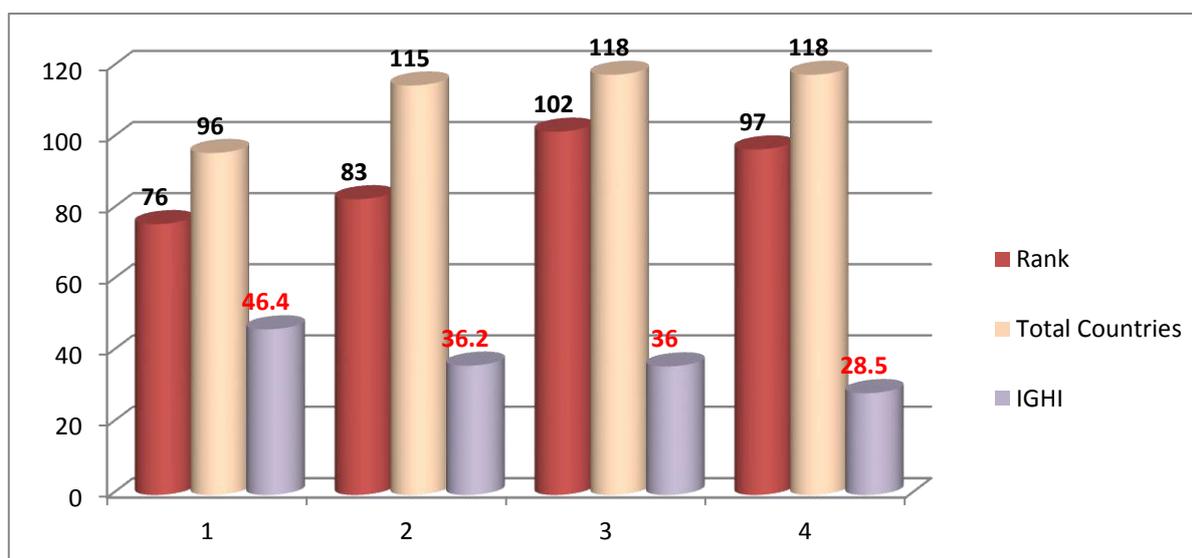
There are many socio-economic problems in developing country like India. Poverty in India is one of the major issue and most debatable since independence. India has got fast economic growth but other hand issues like poverty and hunger still exist. In this context India's position of poverty and hunger with the comparison of other countries must be examined. Here it can be seen in table 1 and table 2.

**Table 1 : India's Global Hunger Index**

Year	India's Rank	Total Countries	IGHI
1992	76	96	46.4
2000	83	115	36.2
2008	102	118	36
2016	97	118	28.5

(India, 2016), A higher rank implies a worsening the hunger situation.

**Figure 1: India's Global Hunger Index**



In the year 1992 India's Global hunger index score was 46.4 with rank 76, after eight years i.e. in the year 2000 India's Global hunger index score was 36.2 with rank 83. During global financial crisis India's rank was 102 out of 118 countries and global hunger index was 36 and finally present status of India's global hunger index is 28.5 out of 118 countries and we secured ranked 97. IGHI constant decreasing that is good compare to other countries. India's rank was 76 in 1992 out of 96 countries which continuously increased till the year of 2008 compare to other countries. In the year of 2016 it has decreased from 102 to 97. In this case it can be said that India is in a better situation with decreasing IGHI which is 28.5 per cent.

**Table 2: How India stands with Neighbors**

Country	Rank	GHI Score
China	29	7.7
Nepal	72	21.9
Myanmar	75	22
Sri-Lanka	84	25.5
Bangladesh	90	27.1
India	97	28.5
Pakistan	107	33.4

(India, 2016), A higher rank implies a worsening hunger situation

In the year 2016, when Global Hunger Index was calculated by taking four main parameters which includes undernourished, wasted children(over 5 years), stunted children(below 5 years age group), under mortality. India ranked second lowest i.e. 97 with the score of 28.5 among neighbor counties. Afghanistan, Pakistan and few African countries are score worst in Global Hunger Index. Other neighboring countries like Sri-Lanka, Nepal, Bangladesh are ranking above India. (Table.2)

It is found that India is in a better situation compare to other countries in calculating Global Hunger Index. But compare to neighboring countries India is in worst situation. In spite of doing well specially in economic growth and considered fastest growing economy compare to other neighboring countries India is with worst GHI. Why it is so?

## **5. AN ALTERNATE MODE – Microfinance and Inclusive growth**

To achieve the targets set by United Nation's Sustainable Development Goal by the year 2030, especially for India the concept of "Inclusive Growth" and "Micro Finance" is few of the key drivers which can help to reduce the poverty and hunger.

Since last few years growth rate of the country is an impressive which shows an increase in income but it failed to provide the benefits to the poor people. Only economic growth is not sufficient to reduce the poverty, we also need to focus on creating various jobs for the people which will help to reduce the poverty is called 'inclusive growth'. In Indian economic, inclusive growth don't have any particular definition but it is interpreted by policy makers in different ways like "Shared growth", "pro-poor growth", "proper equal income distribution through subsidies." This leads to confusion for making the policy. So to recognize the definition of inclusive growth, Thangavel Palanivel the chief economist UNDP, had pointed out some characteristics like growth is inclusive when it takes place in the sectors where poor work (for e.g. agriculture), where poor lives (for e.g. under develop areas where having few resources, use the factor of production that the poor possess (e.g. unskilled labor), and reduce the price of consumption what poor uses (e.g. food, fuel, cloth). (Thangavel Palanivel, 2015)

Inclusive growth is the concept that includes equal opportunities for participating during economic growth with the benefits must be incurred by every people of the society. The concept of inclusiveness was already begin in 2000-01 to analyse the performance of economic reforms and it was found that reform process was enabled economy towards faster and higher 'wealth creation' but everyone was not able to be a part of it. So to include the unbeneficiaries group the actual attention was given in 11<sup>th</sup> Five Year Plan and in the present Five Year Plan (2012-17) given the slogan 'Faster Sustainability and more Inclusive Growth'. The on-going Five Year Plan is focused on two policy namely Short-term policy and Long-term policy. But due to some limitations Short-term policy were fail to produce an expected result and Government involved in long-term policy with the aim of sustainability and targeting the group of disadvantage which includes the various policies regarding eradication of poverty and employment generation, and in recently times we see Government is emphasizing more on skill development among the population. At present country's population is approximately 134 crore and many of them are not having a formal financial access or many of them are not able to get an access from bank due to lack of money or status of being "poor".

While making a quantitative planning, increasing the credit facility is one of the main objectives of Government of India. With the collaboration of financial system which includes formal and informal finance. Government of India had given the continuous efforts to eradicate poverty.

Banking is a business and it plays a very important role for economic development. To get the benefits from growth, people required an access to formal finance system, so that subsidy can be directly transferred to needy people. Recently Government of India had initiated "Pradhan Mantri Jandhan Yojna" with the aim of to provide financial assistant including insurance facility, mobile banking, and loan benefits from the date of opening an account so that every citizen can the avail the advantages. So to reduce the poverty, financial structure is an alternate mode. Financial institute provides various services to the society, so that people can deal with loans, fixed deposits, and securities and so on. Various services provided by the financial system cannot get success easily especially at macro level but at micro level it can get some benefits by providing the small amount of 'credit' to the needy people, so that socio-economic status of the people can improve and they can do productive as well as self-sustaining activities.

At international level sometimes micro-credit is used as a micro finance because, the word micro-credit refers to a small amount and the micro finance refers to broader sense which covers the other services related to insurance, saving.

After getting a remarkable success of the micro-finance concept in a country like Bangladesh, India had also adopted the modified concept of microfinance which can make a difference as well. In India microfinance model is working of following type:

- Self Help Group.

- Micro Finance Institute.

In India, Self Help Group includes the group of people especially women who come together to fulfill the common objective and agree to meet the emergencies on mutual help basis. Some organizations like SHARE and BASIX in Hyderabad, Oriental Bank of Commerce who provide micro-finance at 9% in Punjab and SEWA in Gujarat are well involved in process of making micro-finance and micro credit success, there are also many other cooperatives that provide small lending credit facility in informal way as well.

Micro finance is not only service which provide some loan to poor, but it also include non-financial service like skill up gradation, entrepreneurship development by creating a group of the people which is called cooperatives, for the purpose of rendering to the poor to overcome of poverty. In this context Government has implemented various schemes such as “Swarnajyanti Gram Swaraj Yojana” and “Make in India”. Later on concept of micro-finance emerged as important model in developing country like India where public sector and private sectors are working together especially for alleviating poverty and women empowerment.

## 6. FINDINGS:

- It is found that India is third largest country in terms of purchasing power with better technology, and India occupies second position in terms of population with young and dynamic people and on the other hand India is suffering from hunger and poverty. So in this case there is a question arise whether India is “Shinning” or “Suffering”?
- At macro level, Government of India had implemented monetary and fiscal policies to remove poverty and hunger from the nation.
- Many micro-finance institutions are working at micro level for creating employment opportunity so that, socio-economic condition of the society can be improved and poverty can be reduced from the nation.

## 7. CONCLUSION:

There are many socio-economic problems; poverty is one of the major problems in India. Now a days India is growing faster with better technology, infrastructure facilities, still many problems like poverty and hunger are exist. So Government should focus on some effective steps for the eradicating such problems from the nation.

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