



A model for addressing poverty with special emphasis on financial inclusion and entrepreneurship promotion

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Abstract

Ensuring minimum standards for various social services and amenities for people are the responsibility of the government. But unfortunately a large portion of our country's population cannot afford even the basic goods and services of food, education, health, which constitute the parameters of minimum standard of living. Poverty in India is due to low rate of economic development, inequality in income distribution and rapid population growth. In this paper a model has been suggested which when applied to goal pertaining to poverty alleviation together with countering the precedent and antecedent factors of poverty and implementing state beneficiary schemes, may yield better response. Poverty determinants attributed to the slow rate of growth in India's economy needs to be reexamined and change management in the existing system of figuring out poverty line needs to be upgraded for accuracy. Poverty is a scar for our upcoming economy and this can be ameliorated to with better outcomes when resorted to 7 P's Model that is Planning, Programs, Policy, Purpose, Process, People and Place. The model is specified paying due attention to the different dimension of the need of the poor. If we focus on the current need of the nation in the form the proposed model, it may prove effective in enhancing the prospects of measures aimed at alleviation of poverty. Every sector of the economy may grow at faster rate if decisions of the government go in right time or right place. Emphasis of the ruling Government on addressing financial untouchability and fostering self reliance by way of promoting entrepreneurial ability and skill enhancement further hold the key to empowering the poor apart from the social security initiatives resorted to by the state. Banking on recent developments as regards to governments vision and strategies towards addressing our poverty problem, the paper ends on a hopeful note that change in status of the nation with respect to the economic situation as well as upliftment of the poor is in the offing. If vision and mission are sharp and functional poverty alleviation can indeed be translated into reality and ensure the poor as active stakeholders in the nation's socio economic development.

Keywords: financial inclusion, poverty, inequality, entrepreneurship, socio economic

Introduction

It is a disturbing fact that even after seventy one years since India gained independence, a major chunk of its people still remain poor and live in extremely low standards of living featuring negligible sanitation and hygienic conditions. These underprivileged people lead a life deprived of basic necessities like adequate food lacking in necessary nutrition, basic clothing and shelter over their heads. They do not have access to educational and health care facilities. Most of them do not have access to potable water to drink. At the ideational level there prevails a broad consensus amongst the intellectuals and planners that the minimum needs for a citizen should include (i) a nutritionally satisfactory diet, a reasonable standard of clothing, housing and other essentials; and (ii) access to a minimum level of education, healthcare, clean water supply and sanitary environment. Norms for specific elements under both categories are specified, Chaturvedi & Gupta (2013). The income necessary for people to afford the elements constituting the first category define the poverty line. Ensuring the minimum standards for various social services and amenities are the responsibility of the government. One cannot turn a blind eye to the stark truth that a large portion of our country's population cannot afford even the basic goods and services, including food, education, health, which constitute the currently accepted parameters of determining minimum

standard of living. Absolute poverty determined by poverty line refers to a particular cut off in available consumption or income. Those living below the line are considered poor and those living above it are not considered poor. The income limit for households for qualifying as a beneficiary under the BPL (below poverty line) list has been pegged at about Rs. 27,000 per annum as per the Ministry of Finance. If a person earns less than this amount, he can get a Below Poverty Line Certificate issued to avail the different subsidies offered by the government using this service. Relative poverty, on the other hand is measured by assessing the distribution of income in one particular area. As suggested by economists since, poverty in India is a consequence of low rate of economic development, inequality in income distribution and rapid population growth, its mitigation can be brought about by (a) accelerating the pace of economic development, (b) reducing income inequalities and (c) controlling the population growth rate. Allocation and distribution of funds is another major problem in India as they usually do not reach the target people at appropriate time and place owing to lacunae in coordination and general lethargy in the machinery and its functionaries.

Planners all over the world and in India acknowledge that economic growth loses its appeal if it is not inclusive. Growth becomes meaningful, only if it benefits all strata of

society. Fruits of growth must percolate to the people placed lowest on economic ladder. Comprehensive measures to alleviate the menace of poverty include population control, rapid increase in per capita income, fair distribution of the gains of economic development, check on concentration of income and wealth, improvement in the condition of small, marginal and landless laborers, adoption of labor intensive techniques of production, check on regional disparities and promotion of self employment schemes, distribution of essential commodities through public distribution system, offering free elementary education to all children of school going age, distribution of mid day meals in schools and free treatment of poor in public hospitals and free vaccination programs. Many of these have been addressed and are being addressed through the poor centric government schemes. However given the magnitude and density of the population that is poor and inadequacies surmounting the implementation process poverty and its associated problems appears to show not much respite. This paper presents a model for grasping the underlying aspects holistically as a preliminary step in addressing poverty along with its precedents and antecedents towards benefiting the poor and their mainstreaming in the socio economic growth paradigm.

The 7 P's Model: The causes and corrective as well as preventive measures of poverty alleviation need to be reviewed time and again in accordance with the changing times given the gaps in the implementation reach and methodology. Many causes and measures of poverty have been given due attention but these causes and measures have been unable to meet the needs of our poverty stricken nation so far. A fresh approach is thus proposed with the intention of attacking the poverty problem with more effectiveness. The proposed 7 P's model i.e. Planning, Programs, Policy, Purpose, Process, People and Place, may prove purposeful in relooking and bettering the prospects of measures aimed at alleviation of poverty. This model has been outlined paying due heed to the different dimensions of the need of the poor. Different programs and schemes are in place for poverty alleviation but some of them if redefined or reconstructed in the new frame work may usher in more efficacy. As for the present Government, the main focus on poverty control is through self empowerment and skill enhancement as reflected in its efforts in promotion of startup's and low cost skill based education aimed at ensuring service entrepreneurship. There are obstacles and challenges some of which have been discussed, which can be contained with the help of this model. The model together with thrust on self economic empowerment may have positive repercussions in terms of contribution of the economically challenged to the economic growth of the nation as a whole.

Planning: State level planning so far has been fruitful and successful to a lesser or greater extent but at the same time it has been a time taking or tedious process involving different ifs and buts, working on a traditional theoretical rather than practical frame work. Poverty statistics in our country is estimated using data from the large sample survey on household expenditure carried out by National Sample Survey Organization every five years. It defines poverty line on the basis of monthly per capita consumption expenditure or MPCE. As per the erstwhile Planning Commission now NITI Ayog, "the poverty line keeps all those under ceiling,

who cannot afford 2400 calories per day in rural areas and those in urban areas, who cannot afford 2100 calories per day". However grave questions have been raised by several thinkers on the methodology of estimation of poverty adopted so far for reasons of being unrealistic and not practical. Issues on practicality and authenticity of the figures reported by the state as well as sensitivity with regards to definition of poor are always raised. Inferences thus far by and large have been drawn by not actually touching and feeling the lives of economically disadvantaged as evident in explicitly visible gaps and state failures in terms of coverage statistics. Identification of an effective platform wherein state and centre can work with mutual understanding such that both prove helpful to each other and beneficiary to each other is the need of the hour for a huge country like ours. A symbiotic planning may render better results.

Programs: A host of programs and schemes with purposeful intentions have been launched by the Government of India from time to time. If the poor cannot altogether be converted to non poor, the least a state can do is initiate a slew of measures to ease their lives within their strained financial conditions. Some of these are Employment Generation Schemes, Fixation of Minimum Wages, Government Transfers, Promotion of Micro, Small and Medium Industries, Minimum Support Prices or MSP, and Social Security Benefits. But when it actually comes to the usefulness aspect, very few of them can be considered to be actually useful for the simple reason that up gradation of such programs based on changing circumstances and developments is not targeted upon. The MSME program holds promise as it emphasizes skill based development with the aim of poverty alleviation. As for security some social security measures hold potential for efforts aimed at alleviation of poverty, similarly Minimum Common Program, MCP and Minimum Support Price Benefits, MSPB should also be encouraged to actually reduce poverty and not confining just to lip service or being inked on paper. One popular decision of the present Government which has been in favor of poor or common man is regarding the withdrawal of ceiling cap on LPG cylinder. Public distribution system, PDS aimed at ensuring food security is also a major tool of poverty alleviation program but this system has many shortcomings when it comes to its operation in open market because of transparency and inefficiency issues. Honing of the public distribution system with a check on spoilage and diverting the surplus to the needy is required on a war footing. According to the organization Bhookh the number of hungry people in India is always more than the number of people below official poverty line. Needless to mention that government statistics is never raw but a processed one that does not raise much questions on its credentials. To promote wage employment and self employment programs, schemes of integrated rural development program, IRDP, Drought Prone Areas Program, DPAP, Desert Development Program, DDP are in force. The flagship program Mahatma Gandhi National Rural Employment Guarantee Act, MNREGA is popular however the questions of it propagating corruption are raised off and on.

Policy: The efficacy of policies need to be explored for instance the policies followed so far by the Government at

the time of sanctioning loans or credits to loan seekers, has been by and large helping those who are already rich and have enough collaterals to offer. Poor and needy entrepreneurs usually have nothing worthwhile to offer as security against loan. In the absence of poor friendly credit policy of these institutions, poor businessmen or entrepreneurs are forced to seek the support of money lenders who lend with very high rates of interest, which restricts the power to compete for these poor businessmen. Many a times poor entrepreneurs give up their goals of making investments for expanding or modernizing production or business. As for tax policy it is observed that minimum exemption limit of direct taxation is not revised upward in tune with rising prices. There is no doubt that the direct tax system is progressive, but large numbers of rich people like capitalist farmers are not covered under income tax. On the other hand, the proportion of revenue from indirect taxes is higher than that of direct taxes and indirect taxes on electricity, grass and water, items of daily consumption paid by poor people further reduce their disposable income. In the direction of putting in place an appropriate and friendly banking system for the large poor Indian population, the Prime Minister Jan-Dhan Yojana, PMJDY has been undoubtedly one of the biggest inclusion programmes, calling for an end to financial untouchability prevailing so far. Spreading the banking net wide has been one of the key policy focus areas of the present administration. Under the scheme, a person opening an account gets a Rupay debit card, Rs 1 Lakh accident insurance policy as well as a Rs. 30,000 life insurance cover. If clarity and transparency are maintained at each and every level actual rights of poor people may be met. Towards this appropriateness of fiscal policy can play a major role in examining the efficiency of the process of the banking system in meeting the needs of the poor.

Purpose:- This model lays emphasis on demarcating the purpose of the scheme and program and actually outlining the motive and identifying which group is exactly the needy which will benefit from the program. Towards this the class of poor and the category wise definition in terms of location, time, age, size, skill, or the nature of work can be explored to the minutest level in order to have best understanding of the need of the poor target group. It should be growth oriented or empowerment oriented both economically and socially. Some benefits include the payments to people for accidents, sickness, maternity, death relief, etc. Adequate compensations are also required for low cadre workers who get injured while performing their duties in factories or government establishments. One goal of the scheme or the program should be to provide maximum financial aid and facilities through stipend or scholarship for education and food at low rates of poor. Accountability and transparency is required in the scheme of providing old age pensions to elderly people of poor families who are no longer economically productive. The scheme of providing scholarships to the students of SC/ST/OBC categories and poor families for higher education needs an overhaul in terms of ensuring zero corruption, zero bias, so that it can be implemented sincerely and benefit eligible targets in every nook and corner of the country.

Process: It should be clear, transparent and faster connecting the channels of whole system which is governed by the government or any authorized agency. It means it

should be action oriented or dynamic, not a time consuming process and also not take a long time in delivery of the funds, which should be time bound adopting the electronic transfer system. Poverty eradication is not possible without the trickledown effect of high growth rate to the large scale poor population. One integral object of social justice is to offer concessions, special favors and incentives to improve the lot and living conditions of the economically weak and marginalized strata of the society viz. artisans, landless agricultural laborers, members of SC/ST groups etc., in order to guard them from social injustice and economic exploitation. This process aspect is also applicable to special employment programs for the poor, land reforms to favor the landless or small farmers, supply of subsidized items for consumption and production. Ideally a check on the population growth rate can help in reducing the formidable problems of poverty and unemployment. Process should involve minimal paperwork and be free from red tape and fruitful with the help of an instrument like Unique Identification no. or UID which captures all basic and biological information about an individual, facilitating easy transactions made with plastic money that is debit card or credit card as ATM's are simple to operate. Also mode of payment is simplified through systems like ECS/ OTC, e transfer etc. Direct benefit transfer scheme ensures authentic and corruption free delivery. When applying these modern processes every beneficiary needs to be made aware of the procedure of the system and the particular involved scheme of the government so that poor can get the right information and adopt the right clear path in money matters a path that leaves no room for befooling. Digitization of the process guarantees fast delivery and minimizes corruption. In India where inequalities of income continue to grow against the backdrop of mass poverty, one of the most important needs is to check this growing concentration of economic power in the hands of the lesser few, to reduce the gap between rich and poor. The government machinery and system pertaining to operation processes of any of its scheme from the beginning to end that is process to delivery of the program is usually laden with many hurdles and turnings so transparency checks are required at every step.

People: It should be kept in mind what type of people are needy and which people actually require what funds or scheme. In India allocation of funds and implementation of schemes does not work in transparent manner such that misutilization and proper distribution become major barriers in poverty alleviation. Awareness generation on schemes needs to be prioritized and this aspect should be woven within the implementation framework of the program. Government should launch and implement more and more developmental programs in backward regions of the country so that employment and income levels of the people living in backward areas may rise. This step will go a long way in maintaining congeniality between the masses of developed and not so developed regions. The People part should not be confused with the Purpose part discussed above. It can however be considered as a specific aspect of the broader Purpose part. The government's step to refine and redefine the nature of midday meal and rescheduling the time fixed for such programs and also encouraging discussions on the same with lower level to higher level stakeholders with view to maintaining standards has been in the right direction. On the same lines the government's efforts to provide toilets in

every school in rural as well in urban areas of India to augment school retention especially for female children has received rave reviews.

Place: It can be selected as per the requirement of the particular section of the poor, be it rural, tribal, remote or urban area but it is important to work out the factors of poverty prevailing in that place. With the present thrust on rural - rural and urban mix, economic and social growth is projected to be achieved at faster rate. This promising concept is focused at urbanizing rural areas of the country. Control in migration of people from rural to urban areas for livelihood by ushering in social and economic progress in villages and empowering the rural infrastructure and rural lives can have a bearing on both rural and urban poverty along with integration of the rural growth with the country's growth profile.

Promotion of Entrepreneurship as a Solution: Against the backdrop of poverty and closely related job scarcity in our country self employment through entrepreneurial endeavors offers great hopes. Labor absorbing nature of micro enterprises and entrepreneurship that has further job creation capacity inherent to it serve as a viable option for income generation. In order to maximize the outcome of micro enterprises inputs like credit, insurance, market accessibility, dissemination of information on raw material and technology, design inputs, product development, hygienic packaging, appropriate storage, accountancy and costing need to be given due attention. Nonfarm, food based and forest based enterprises which carry high potential for value addition are able to create more jobs so they need to be actively pursued. The Ministry of Rural Development has relentlessly been involved in its task of promoting rural livelihood sources. The livelihood options available are innumerable. The challenge is to locate them, identify the prospective workers who could fit into these vocations, cultivate their entrepreneurial skills, provide the conducive work culture through appropriate education and training and support to take care of finance and marketing issues. When livelihood enterprises take the shape of the skill based growth oriented micro and small enterprises, the goal of sustainable livelihoods becomes achievable. These initiatives carry potential for uplifting the poor populations from penury and give a boost to our national economy given the dearth of employment opportunities in the country.

Financial Inclusion as a Resourceful Option:

Microfinance is the provision of a broad range of financial services as deposits, loans, payment services, money transfers, and insurance to the poor and their microenterprises. Both skill and credit enhancement of the economically disadvantaged is of significance. According to Johari (2017), there is a growing recognition that the poor need and use financial services beyond credit to expand their choices and manage their financial lives and that financial inclusion ventures ought to incorporate job generation aspect as well. He further reiterates that only when our understanding of financial inclusion transcends the charity aspect, is treated as a sustainable and profitable business activity, the potential of the economically weak and vulnerable as active stake holders for nations economy is widely acknowledged, our goal of universal financial inclusion can be accomplished. A right mix of technology

dependent micro finance, skill training and entrepreneurship promotion is needed towards creating sustainable livelihood opportunities. Millions of the excluded have already been drawn into mainstream financial institutions. Financial inclusion is instrumental in arresting India's disturbing issues of income disparity, poverty, financial illiteracy, exploitation susceptibility, joblessness and low economic development writes Johari (2017).

Progress and efforts made thus far: Towards ensuring an inclusive and sustainable growth, social infrastructure like education, health and social protection are always on the priority list of the Government. The Government has been enhancing the expenditure on human capital along with adopting measures to improve the efficiency of expenditure by convergence of schemes. Several labour reform measures including legislative ones, are being implemented for creation of employment opportunities and for providing sustainable livelihoods for the population who are largely engaged in the informal economy. Bridging the gender gaps in education, skill development, employment, earnings and reducing social inequalities prevalent in the society have been the underlying goals of the development strategy to enhance human capabilities according to the annual report of the Ministry of Finance. Remarkable milestones have been achieved towards the betterment in life conditions of the poor through a slew of measures a snapshot of a few of which is presented below.

- a) Linking a substantial proportion of SHG women members to various welfare schemes.
- b) Crediting monthly interest subsidy to entrepreneurs account through PAISA portal.
- c) 15.13 crore poor have been covered under the micro insurance scheme PM Suraksha Bima Yojana.
- d) 5.82 crore poor have been covered under PM Jeevan Jyoti Bima Yojana.
- e) 7 crore smoke free kitchens for poor households have been made available.
- f) Encouraging entrepreneurship through oil PSU's start up fund of 320 crore.
- g) Free treatment to 50 crore poor people through Ayushman Bharat yojana.
- h) MSP raised to 1.5 times production cost.
- i) 2.5 crore families have got electricity. 18000 villages electrified for the first time.
- j) 10 crore new toilets built. 5.5 villages are now open defecation free.
- k) Farmer's income enhanced through agro and processing technologies of medicinal and aromatic plants cultivated in 3000 hectare area of land.
- l) 16,578 new startups have been recognized across 499 districts with about 1,66,385 new jobs created.
- m) Benefits of Kisan Credit Cards, KCC have been extended to fish farmers to meet their working capital needs. They are also covered under group fishermen accidental insurance scheme.
- n) 13,700,000 poor under 40 years of age covered under Atal Pension Yojana.
- o) 1,17,351 gram panchayats connected by optical fiber.
- p) 34,73,00,000 beneficiaries under Jan Dhan Yojana aimed at total financial inclusion.
- q) 16,35,93,627 loans sanctioned under MUDRA yojana.
- r) Standup India Scheme that caters to promoting entrepreneurship among women, SC

- s) & ST Category by facilitating bank loans between Rs. 10 lakh to one crore had as on 10.01.2018, benefited 50887 entrepreneurs.
- t) Under MGNREGA during 2017-18, about 4.6 crore households were provided employment totaling 177.8 crore persons as on 14th January, 2018.

Conclusion

Towards inclusive development, India has been implementing programmes for social sectors like education and health to include women and the marginalized sections of the people to bridge the gaps in educational achievements, health outcomes and employment opportunities. Though macroeconomic growth and efficient markets are essential, it is necessary to equally ensure that the benefits of growth are equitably accessible to all citizens to make growth broad based. The policies and institutional systems for inclusive growth are progressively being built by the Government of India in the form of digitalization to transform governance and achieve social inclusion through financial inclusion initiatives, gender mainstreaming and measures to reduce all forms of social inequalities inherent in Indian society as ratified in the Annual Report of the Ministry of Finance, GOI. For India even if we overlook the debate on authenticity of official estimates or claims of poverty ratios, can we actually say that poverty has declined? Irrevocably it can be stated instead that whatever growth has been achieved during the years post independence, it has failed to trickle down to the poorest people of the country. Ironically in India those who grow food grains for the entire population themselves constitute the lowest income group. A large number of farmers in the country annihilate themselves unable to bear the brunt of poverty and indebtedness. Poverty and lack of sustainable alternative means of survival have denied them fundamental rights guaranteed by the Constitution of India. Poverty factors attributed to the slow rate of growth in India's economy needs to be reexamined and change management in the existing system of poverty line needs to be upgraded. As regards state sponsored benefits for the poor major breakthroughs can be listed however the vision of a New India that is liberated from the shackles of poverty still appears too distant.

In this paper a model has been suggested which when applied to goal pertaining to poverty alleviation together with countering the precedent and antecedent factors of poverty and implementing state beneficiary schemes, may yield better response. Based on the suggested model all through this paper ideas which may be applicable towards poverty amelioration and employment generation have been listed. Poverty being a curse for upcoming economy, measures to alleviate it can be formulated applying the framework of the proposed 7 P's Model i.e. Planning, Programs, Policy, Purpose, Process, People and Place with two pronged emphasis on attaining financial inclusion of every poor citizen of the nation and basic economic self reliance by way of fostering entrepreneurial ability, and encouraging skill development. Both of these objectives are integral towards achieving inclusive growth. Emphasis of the ruling Government on addressing financial untouchability and fostering self reliance by way of promoting entrepreneurial ability and skill enhancement further hold the key to empowering the poor apart from the social security initiatives resorted to by the state. The model

can serve as guideline for benefiting the lives of the marginalized and the economically disadvantaged taking care of duplication, delivery speed, corruption, wastage and lack of reach due to general apathy and inefficiency on the part of the state machinery and its functionaries.

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