

Sustainable Development - Involvement of Financial Institution for Eradicating Poverty

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ARTICLE DETAILS

Article History

Published Online: 24 January 2018

Keywords

Sustainable development, Poverty,
Government Initiatives, healthy credit
facility

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ABSTRACT

The matter of sustainable development remains as the most debatable topic in the present era. Sustainable development is the development that meets the needs of the present without compromising the ability of the future generation to meet their own needs. Developing nation requires speedy economic growth but when it comes to effective poverty reduction, its distribution of that growth matters. Any country can be sustainable only when it's inclusive. To achieve sustainable development goal regarding no poverty and zero hunger especially in the developing nation like India, requires a healthier credit facility to the people of the nation, mainly disadvantage group and continuous government efforts with the coordination or cooperation of Indian Financial System.

This paper offers a theoretical aspect of reduction in poverty with the help of financial system of the nation which include the formal as well as informal finance source for the disadvantage group.

The study also focuses on basic concept of financial inclusion, economic development by the way of cooperative credit society and Government initiatives like "Pradhan Mantri Jan Dhan Yojna", "Atal Pension Yojna", Pradhan Mantri Suraksha Bima Yojna" for the development of each household and getting connected with formal financial source. So that target of reducing poverty can be achieved by cooperation between Government and financial system.

INTRODUCTION

The thought of sustainability discovers the relationships among economic development, environment quality, and social equity. This concept has been developing since 1972, when the international community first discovered the connection between quality of life and environmental quality at United Nations Conference on the human Environment in Stockholm. However it was not until that the term 'sustainable development' was defined as a development that meets the needs of the present without compromising the ability of the future generation to meet their own needs. Globally every nation, especially developing nations like India and China thinks desperately about it because they realize that their future generation must be suffer to lack of resources which is obviously most central to survive.

OBJECTIVES

1. To showcase the importance of financial system to sustain Indian Economy with respect to poverty eradication.
2. To highlight the Glimpse of Indian Economy especially after Economic reforms with reference to sustainable development and policy for reduction of poverty.

Defining the major term: Poverty and sustainable development

The word "poor" means the socially and economically backward and disadvantaged groups. Socially groups include people from various communities while economically groups include landless labourers, small and marginal farmers, and other producers. A disadvantaged group includes the people who are not able to access freely the various benefits getting from the Government of India.

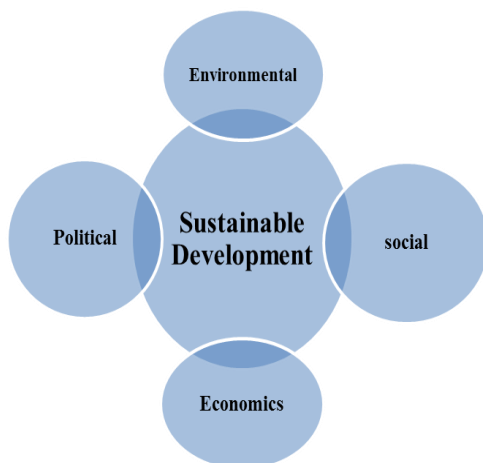
There are many definitions of poverty but in India it is income based poverty and consumption based poverty are used in statistics so that development can be known. Outside India, the World Bank and United Nations institution use a broader definition to compare poverty among nations, including India based on purchasing power parity as well as nominal relative basis. For calculating total poverty of the nation, planning commission have set up the concept of poverty line, which is define as the estimation minimum level of income needed to secure the requirement of life. The new poverty line have been set up by an expert panel under the chairmanship of former RBI governor C. Rangarajan, which says that those spending over Rs. 32/- a day in rural area and Rs. 47/- in cities could not be consider as a poor.

Sustainable development is development which considered social, environment, and economic factors together in an organized way over a period of time. Sustainable development is the establishing principle to sustain with limited resource necessary to provide for the needs of future generation of the life on the planet.

The four dimensions of sustainable development includes **environmental aspects** which includes all living things resources and life support system, **economic aspects** includes appropriate development by increasing or creating job opportunity, infrastructure, investments. **Social aspects** include peace, equality and human rights. I.e. people living together, while **political aspects** includes the politics, taking decision regarding various policy for development to be implemented or not.

When we talk about the progress in India, we mostly focus on growth and we assume that it means economic growth; our strategies, our policies, and our budget are all focusing on maintaining a GDP growth of 8 to 10%. Where does development features in all this? In economics, the term “growth” and “development” are used interchangeably, but in reality it has a different meaning. The world is regularly talking about the Sustainable development and sustainable development does not mean only economic growth

It is a combined method to development, encompassing the environment, society and economy. Sustainable development is development that meets the wants of the current generation, without compromising the ability of future generations to meet their own wants.

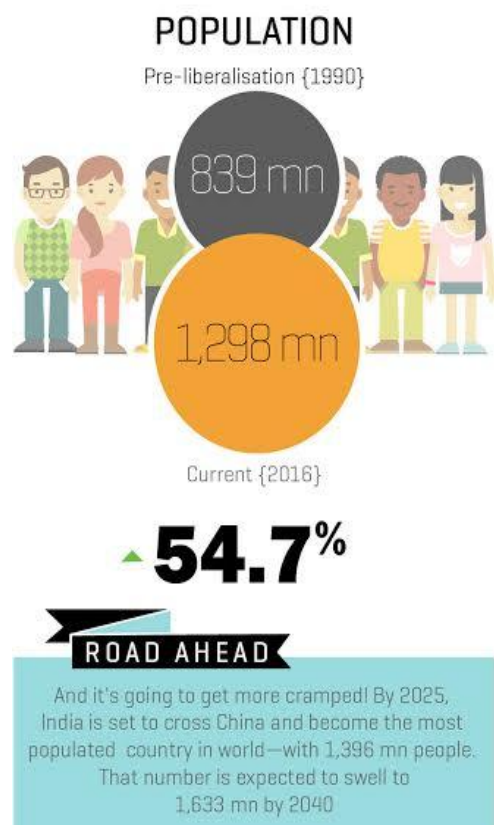


SUSTAINABLE DEVELOPMENT FOR CURRENT INDIAN SCENARIO

Indian economy is divided into two parts. Firstly Indian economy before 1991, in which there was slow economic growth with heavy dependency on primary sector. Secondly Indian economic gone for shifting the economic policy in the early 90s, and the new economic model commonly known as Liberalize, Privatize and Globalize. The major aim of the new policy was to make the economy of India the fastest developing economy in the world with capabilities that help it match up the largest economics of the world and to eradicate poverty and Presently with completion of 25 years of new economic policy India is emerging as an economic superpower, as well as most vibrant democracy in the world but in contrast there is another profile of India. Twenty five years since the reforms were initiated, it’s not just an occasion to evaluate what has happened in the earlier, but also reconsider the challenges of economic growth and poverty reduction in next 25 years.

“Economic resources of the country should be utilized for the well-being of the poor. The change will commence from

this point.” - Honorable Prime Minister of India Shri Narendra Modi



Source: www.livemint.com, 2016

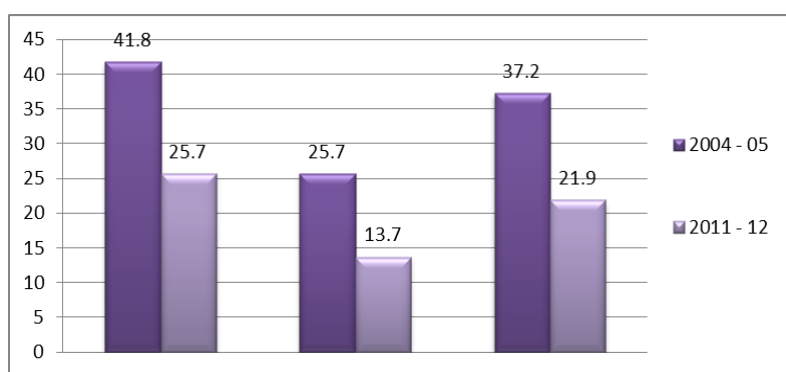
At present India’s population is around 1.33 billion and it’s predicted that by the end of year 2030 India’s population will be 1.53 billion, nation’s population is increasing at explosive rate and it may result in high number of unemployment, both in rural and urban, and also it can leads to difficulties like food deficit, pollution, having disparities in the distribution of income, backwardness of industrialization, operation of economic vicious circle, market imperfection, existence of traditional society.

India’s rank is 110 out of 149, followed by Pakistan (115), Myanmar (117), Bangladesh (118), in achieving the target of sustainable development goals. While Sweden, followed by Denmark and Norway is on top three positions in the chart. (Economicstime.indiatimes, 2016).

INDIA’S POVERTY STATISTICS

The planning commission has updated the poverty line and poverty ratio for 2011-12 based on the recommendation of Tendulkar committee using household consumer expenditure survey data 2011-12 data of 68th NSS (National Sample Survey). Accordingly, with the poverty line at all India level at monthly per capita expenditure of Rs. 816/- for rural and Rs. 1000/- for urban area. In 2004-05 poverty ratio was 41.8% and 25.7% in rural and urban respectively, while in the year 2011-12 poverty ratio was 25.7% and 13.7% in rural and urban respectively. The overall poverty ratio of the country has declined from 37.2% in 2004-05 to 21.9% in 2011-12.

Figure 1 - number and percentage of poor (Poverty ratio in percent)



Source: Planning Commission, 2011-12

Committee	Year	Per-Capita Expenditure per day (Rs.)		Per Capita Average Monthly Expenditure (Rs.)		All India Poverty Line (Average month Expenditure per family of 5)	
		Rural	Urban	Rural	Urban	Rural	Urban
Rangarajan	2011-12	32.4	46.9	972	1407	4760	7035
	2009-10	26.7	39.9	801	1198	4005	5990
Tendulkar	2011-12	27.2	33.3	816	1000	4080	5000
	2009-10	22.4	28.7	673	860	3365	4300

Source: Planning Commission, 2011-12

According to C. Rangarajan panel, who has suggested to the government that those spending more than Rs. 972/- in a month in rural area and Rs. 1407/- in a month in urban area in 2011-12 do not fall under the definition of poverty. Thus for a family of five, all India poverty line in terms of consumption expenditure as per the Rangarajan committee, would amount Rs. 4760/- per month in rural area and Rs. 7035/- in urban area.

If calculated on a daily basis, this gets converted into per capita expenditure of Rs. 32/- per day in rural area, and Rs. 47/- in urban area in 2011-12. According to Tendulkar methodology for 2011-12 the poverty line was Rs. 816/- in rural area and Rs.

1000/- in urban area, which if calculated on a daily basis comes out at Rs. 27/- per day in rural area and Rs. 33/- in urban area. The Tendulkar committee had fixed this at Rs. 4080/- and Rs. 5000/-.

GOVERNMENT OF INDIA’S EFFORTS FOR REMOVING RURAL POVERTY SINCE INDEPENDENCE

- Antyodaya Plan
- Mahatma Gandhi National Rural Employment Guarantee Scheme
- Small Farmer Development Plan

- Drought Area Development Plan
- Twenty point Programme
- Food for work Programme
- Minimum needs Programme
- Employ
- Rural labour employment guarantee Programme
- Employment assurance scheme
- Scheme for rural craftsman
- Integrated rural development Programme.
- Jawahar Gram Samridhhi Yojna
- Swarna Jayati Gram Swarozgar Yojna
- Sampurna Gramin Rojgar Yojna
- Mahilla Samridhhi Yojna
- Integrated Rural Development Programme.
- TRYSEM scheme
- Rural housing program
- Indira Awas yojna
- Samagra Awas Yojna
- Pradhan Mantri Gramodya Yojna
- Pradhan Mantri Rojgar Yojna
- Agriculture Income Insurance Scheme
- National rural livelihood mission.

GOVERNMENT OF INDIA'S EFFORT FOR REMOVING URBAN POVERTY SINCE INDEPENDENCE

- Emphasis on vocational education
- Nehru Rojgar Yojna
- Financial Assistance for Constructing Houses
- Prime Minister's Rojgar Yojna
- Social Assistance Program
- Swarna Jayanti Shaheri Rojgar Yojna
- National Urban livelihood mission
- Urban basic services for poor
- Prime ministers integrated urban poverty eradication programme
- Self-employment to the educated urban youth programme.

RECENT INITIATIVES

Government initiatives like "Pradhan Mantri Jan Dhan Yojna", "Atal Pension Yojna", Pradhan Mantri Suraksha Bima Yojna" for the development of each household and getting connected with formal financial source. So that target of reducing poverty can be achieved by collaboration between Government and financial system.

ROLE OF FINANCIAL SYSTEM TO TACKLE THE POVERTY IN INDIA

Economics development is the multi-dimensional process, the development of any country depend upon the optimum and well-organized use of available resources. India is suffering from three "P". I.e. POVERTY, POPULATION, POLLUTION. Poverty in India still remains; overall poverty is 29.5% of the total population. Poverty is clearly declining but slowly and remains widespread. To achieve the faster growth or high growth and to attack the poverty, the policy makers must give the continuous efforts.

Banks are doing best in promoting the sustainable development, developing nation like India, require rapid growth so financial resources are key driver to implement various polices decided by Government of India to achieve the targets.

Nation's financial system is the composition of formal and informal source of credit. Formal credit source includes money from Central Bank of India while informal credit source includes money from friends and relatives, landlords, chit funds, money lenders (Guruswamy, 2009). Recently micro finance became the favorite intervention for development the financial institutions because of unique potential, for financial inclusion, poverty eradication and financial sustain.

CREDIT COOPERATIVES SOCIETIES AND POVERTY REDUCTION

Major portion of the nation still residing in rural area, which is dependent on agriculture, so to fulfill the require needs of people, they has to borrow money from the informal source with higher interest rates, and later on establishment of various credit cooperative societies, regional rural banks, and NABARD helps rural people for the development and to sustain the life of the rural people, still cooperatives are main route for rural people to access financial services, get lower cost inputs or raw material, get there product market, and they serve to secure the livelihood so that poor can benefits.

In developing country like India, cooperatives are defined as an autonomous association of individuals to fulfill their required needs and aspirations through a jointly owned and democratically controlled business model. Generally cooperatives are based on self-help, equality and equity, which tie the people or an individual with the aim of creating wealth, but it must be sustainable. In India poverty is measured in terms of money, which means if the people's income is under particular limit he/she is considered as a poor. So to reduce poverty gender inequality should be abolished, with the help of providing a credit facility through the credit cooperatives society which can encourage the growth of small business, especially those in rural areas with the aim of making better standard of living.

Credit Cooperative society is a charitable association of individual having common needs that join hands for the achievement of common economic interest with the aim to serve the interest of poorer section of the society through the principle of self-help and mutual help. For example SEWA bank in Ahmedabad. Cooperatives societies are useful for the economic and social structure of country since they use local initiative and local economic strength. To provide meaningful employment, alleviate poverty, provide dignity of work and life to a large population there has to be some planned intervention. So the cooperatives can be an alternate and a meaningful form of development activity with reference to India. (Kochar, 2014)

Credit Cooperatives societies are also one of the largest providers of micro-finance institutions. It provides various services like saving, credit, money transfer and insurance, housing facility, health facility to the poor people, and allowing them to access the financial support whenever they need to for the improvement of their livelihood. (Mishra, 2010) Cooperatives have played important role worldwide in poverty

reduction and it will be continue, till the poverty does not become zero, and development can be achieved.

CONCLUSION

The above concept would be helpful to reduce the poverty from the country. India is one of the vibrant economies on the back of healthy banking and insurance sector. To eradicate

poverty in all form and dimensions including extreme poverty is the greatest global challenge and an indispensable requirement sustainable development. The papers concludes that development of financial institution can make an important contribution to economic growth and decreasing the poverty by providing credit to the needy people, so finally for the long run the development of financial institution can play a vital role.

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