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EDITORIAL NOTES

We are delighted to announce a new Editorial Board for the *Journal of Economics* & Commerce (***jec***). The Board includes academicians in the fields of Economics and Commerce, who have marks of records of accomplishment in their respective disciplines. Ever since its inaugural publication in 2010, ***jec*** has emerged as one of the most respected publications, encompassing both Economics and Commerce. We intend to build on this tradition with our present issue.

Over the years, ***jec*** has endowed with a platform for the progression of knowledge and the quest of academic excellence. Many prominent scholars from different part of India have published inspiring high quality articles analogous to those in leading journals in the field. Even as maintaining its focus on contemporary developments in the broad areas of Economics and Commerce, the journal is now also pledged to the spreading out of research frontiers further.

Within this orientation the present issue of the journal is special issue on poverty and provides a set of seventeen articles and one book review. As per our commitment we have selected few articles from the output of the National Seminar on *"Discourses on Poverty Issues : Some Myths and Realities"* organised by the Department of Economics, Dr. Anup Kumar Mishra as orgnising secretary, DAV PG College on 25th & 26th February 2012. In addition to this we have also kept our commitment towards promotion of new contributors and young researchers on the issue of poverty in particular. Last but not the least, as customary, we have preferred to write the review of the book "Poor Economics" by Abhijit V. Banerjee and E. Dullo, as this book is of much relevance to the theme of this present issue of JEC.

As the last words, we would like to tell our respected readers that our forthcoming issues intend to focus for theoretical, applied, and methodological work, with emphasis on development of critical issues with the use of empirical evidences, and the edifice policy measures. The Editors welcome submissions in this spirit on vital issues concerning our economy and commerce, **with a token of note that these will strictly be referred before acceptance.**

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MEASUREMENT OF LINE OF POVERTY WITH HUMAN DIGNITY AND HUMAN RIGHTS

Anil Kumar*

ABSTARCT

Today the subject of poverty becomes more relevance to sociology. Now it is widely recognized that poverty is more social problem then economic. And this problem cannot be solved by ignorance of sociological aspects. Earlier it was thought that poverty is a subject matter of economics because poverty is related with monetary circulation and how much property and wealth you have.

This is important question that who are poor? The answer will depend on what parameter we are adopting to determine the poverty? The one traditional way to determine poverty is per capita monetary calculation of income; and another is per capita food intake calculation. Per capita food intake calculation is looks like a modern but this was also determined by economists. And now this is not acceptable by sociologist and most of social scientists.

This paper sees the theoretical perspective of determining the poverty with human dignity and referred the studies, case studies and reports from both India and aboard. Data are both primary and secondary in nature.

This paper will serve the purpose of understanding the poverty with human dignity.

Key Words : *Chronic Poverty, Culture of poverty, Inequality***.**

INTRODUCTION

The question of poverty is age old question. This is fact that every society is stratified and everyone cannot be equal, even in ancient or imagined egalitarian society. But how much differences or gap should be treated as equal? If the gap is much wider then we can say that, that society is not bases on the idea of equality. In fact every society has idea of equality, hierarchy, inclusion and exclusion. But that idea must be on the basis of achieved status not ascribed status. But in Indian the status which is dominated is ascribed status. This is not only working and function in family, marriage and kinship or at village level or at social behavioral level but also at the level of humanity and human dignity. Also working and dominated at the level of which called economic activities. The basic aim of economic activity is get food, shelter and clothes. But when we started talking about socialized society then the concept of just food, shelter and cloths are only treated as need for sustain the body alive. Then the question arise, is a person or a particular group of people are just a living object or just a human body? The answer is no. This human body has sense and it need an emotional attention, to live like a human you need many things beyond food, clothes and shelter, to live in a human society, with human dignity. So the human deficiency or gap or distinction should be measure in the context of human dignity and human values.

As we see that Indian society is based on caste society, hence the social and economic parameter is

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decided by this, whether it is counses or uncounses. The question and motive to how to eradicate the poverty is fine. But how one can cure any diseases unless until one has no idea that what that disease is, and how deep it is already infected? So to cure the disease of poverty we must know that what poverty is, its symptom, cause and how much Indian society already infected by this? In this paper I am going to examine how social phenomenon is the main cause of poverty, dimensions of poverty, poverty in human rights prospective, how to draw and design line of poverty and measure it with humanitarian perspective and dignity.

POVERTY AS A SOCIAL PROBLEM

Poverty is a social problem. The **first** step in the solution of a problem is to identify it and this requires a definition. The **second** step is to assess the size of the problem which involves the construction of way to measure it. Once the problem has been identified, defined and measured, the next step is to discover what cause it. Only after answer have been obtained to the questions, 'What is poverty?', 'What is the extend of poverty?' and "What are the solution to poverty?

There have been many attempts to define and operationalize - put into a form which can be measured the concept of poverty. For example Malinowski and Scott in their 'Level of Living Index' define and operationalize 'basic physical needs' in the following way nutrition, measured by factors such as intake of calories and protein; shelter, measured by quality of dwelling and degree of overcrowding; and health measured by factors such as rate of infant mortality and the quality of available medical facilities.

From a Marxian perspective, poverty in capitalist society can only be understood in terms of the system of inequality generated by a capitalist economy. Wealth is concentrated in the hands of a minority but now we have many perspectives to see poverty and we cannot ignore any of it. It is interesting that PC Joshi said that, India have poverty not among the people but, it also a marked characteristics of journalism, literature and social science in comparison to western countries. He is arguing that western countries people are more about social concern and welfare. Green [2006] has argued that the term 'durable poverty' should replace 'chronic poverty', as it better contain the social and structural nature of the problem. Chronic poverty is a key policy challenge of the 21st Century Hundreds of millions of people exists in conditions of extreme deprivation throughout much or all of their lives. The chronically poor are unable to develop their personal capabilities or provide a good start in life for their children, and often die prematurely of preventable causes.

Poverty has been described as a situation of "pronounced deprivation in well being" and being poor as "to be hungry, to lack shelter and clothing, to be sick and not cared for, to be illiterate and not schooled…Poor people are particularly vulnerable to adverse events outside their control. They are often treated badly by institutions of the state and society and excluded from voice and power in those institutions." (IBRD, 2000-2001: 15.) Using income as a measure of poverty, the World Development Report (2000-01: 3) refers to the "deep poverty amid plenty" in the world and states that a fifth of the world's people live on less than $ 1 a day, and 44% of them are in South Asia. Latest (Aug 2008) report of poverty by World Bank and Asian Development Bank raised things there study based on "purchasing power parities" where purchasing power is more important. Poverty line for India is $ 1.25 and $ 1.35 for World Bank and ADB respectively. The World Bank said that out of an estimated population of about 100 crore in 2005, "the number of poor people living below $1.25 a day has increased from 42.1 crore in 1981 to 45.6 crore in 2005. This is the biggest challenge facing India."

As I said that the poverty is social problem and I am looking into the prevalence of hunger from the angle of social factors. However we succeed in economic development and on the political front, unless these social factors are tackled, the starvation and hunger cannot be eliminated from a traditional and complex society like ours. Typically, the chronically poor have access to little or poor quality social capital, with the consequence that access to important information may be a major constraint. For example, they may lack information on job opportunities, on changing input and output markets, or on new farming or agro processing enterprises and techniques.

By above it is clear that we cannot estimate poverty only in terms of monetary scale. It has a social implication which neglected for a long time. The parameters of determining the poverty includes -

Per Capita income
Quality Education
Health Facility
Living with Dignity/Social Relation
Sanitation Facility
Political Freedom
Rest Time/Recreation facility
Child Mortality Rate
Freedom of Women
Human Rights
Human Dignity

Many progressive literatures are yet to include the Human Rights and Human Dignity to determine the status of person, group or society to whether they are under poverty or not.

THE CONCEPT OF CHRONIC POVERTY

In Indian like many developing countries they not only have poor population but they have a large section of population who are living under venerable condition and society taken them as guaranteed. Apart from the concept of poor or poverty, we also distinguish this with chronic poverty. The distinguishing feature of chronic poverty is its extended duration. We use chronic poverty to describe extreme poverty that persists for 'a long time' many years, an entire life, or even across generations. The chronically poor are commonly deprived across multiple dimensions. Combinations of capability deprivation, low levels of material assets, and socio-political marginality keep them poor over long periods. Poverty that has caused a preventable death must also be considered to be chronic poverty, as the person is permanently deprived of wellbeing.

For me this is cause of not the long economic crisis but a long social crisis and denial of social justice. In fact this condition occurs more because of social crisis and denial of social justice then economy. The social structure are always prevail and more important than economic structure and activity. The most population under poverty is suffering from chronic poverty.

DIMENSIONS OF POVERTY

Poverty has three key dimensions: breadth, depth and duration. It is important for policy that poverty is disaggregated along these lines. Poverty **breadth** refers to the multidimensionality of poverty, the many ways in which people can experience poverty. This can be in terms of, for example, 'money-metric' or material indicators; 'human capital' indicators; or 'socio-political' indicators. Poverty **depth** refers to how far below a poverty line however measured someone fall falls. Poverty **duration** refers to the length of time someone experiences a particular poverty state, and also implies an interest in movements into and out of poverty, known as poverty dynamics.

CAUSE OF POVERTY : SOCIAL STRUCTURE

The factors that push people into poverty and keep them poor operate at different levels, ranging from the intra-household level to the global level. Overall, there are six poverty traps that must be considered by academician and policymakers when tackling poverty. These are-

1. Surrounded Security. Those who live unprotected within insecure environments often experience an extended duration in poverty. Conflict and violence are obvious sources of insecurity, as are economic crisis and natural hazards. The poor households, with few assets and entitlements, have little capacity to cope with them.

2. Limited citizenship. Moving beyond the good governance agenda, 'getting institutions right' or 'strengthening civil society', I would like to argue that the poor do not have a meaningful political voice, and lack effective and legitimate political representation and power. In this sense, they have a limited sense of citizenship. This is not lacking them because they do not want to upward mobility, in fact they raises their voices every time, but because of feudal social structure of India their voices are prevented to raise and spared on and move on upward. In many cases they also succeed and so society is changing but the ratio is low because of feudal social structure.

3. Spatial disadvantage. Remoteness, certain types of natural resources endowments, political disadvantage, and weak integration can all contribute to the creation of intra-country spatial poverty traps. But spatial disadvantage includes much more than 'lagging regions' within a country.

4. Social discrimination. The chronically poor often experience traps based on their positions within households and communities. Social relationships of power, patronage, empowerment, competition, collaboration, support can entrap people in exploitative relationships, or help them escape from poverty. Such social structures evolve with local or nationally specific 'social orders' such as class and caste systems, ethnicity, or gender-specific roles, responsibilities and rights. Many of the poor and chronically poor are bound into negative social relationships.

5. Poor work opportunities. Where there is limited or no economic growth, work opportunities are limited. Where there is enclave economic growth, work opportunities are inaccessible. And where there is broad-based growth, the employment generated may be exploitative, with unhealthy working conditions. Here is not a purely economic disadvantage rather, largely because of the social structure and system rule over poor work opportunity.

6. Lack of Political Social and other representations. As a social scientist we know that the social interests and pressure group done by political, social and other representations. This representation is must because we found that the human is social animal but when interests are conflicting due to limited resources then they behave cunningly and for "their society" instead of "society". And this lacking of representation made some "other" society backward.

CAUSE OF POVERTY : THE CULTURE OF POVERTY

The theory of culture of poverty was given by Oscar Lewis. Thus theory was dominated across the world in both academic as well as public discourse domain. This theory says that poor, poor because of their cultural situation.

Lewis says [1969: 189] "Low wages and chronic unemployment and underemployment, lack of property ownership, absence of savings, absence of food reserves in the home, and a chronic shortage of cash. The conditions reduce the possibility of effective participation in the larger economic system. And as a response to these conditions we find in the culture of poverty a high incidence of pawning of personal goods, borrowing from local moneylenders at usurious interest rate, spontaneous informal credit devices organized by neighbors, use of second-hand clothing and furniture, and the pattern of frequent buying of small quantities of food many times a day as the need arises." "…the culture of poverty transcends regional, rural-urban, and national differences and shows remarkable cross-national similarities in family structure, interpersonal relations, time orientation, value system and spending patterns. These similarities are examples of independent invention and convergence. They are common adaptations to common problems."Lewis: 1969: 187]. "Lewis argues that culture of poverty flourishes in societies which are characterized, among other things, by a cash economy, wage labor , and production for profit, low wages, persistently high rates of unemployment, and "the existence in the dominant class of a set of values that stress the accumulation of wealth and property, the possibility of upward mobility, and that explains low economic status as the result of personal inadequacy or inferiority" [Lewis: 1969: 187-88]. More specifically, "The culture of poverty is both an adaptation and a reaction of the poor to their marginal position in a class-stratified, highly individualistic, capitalist society. It represents an effort to cope with feeling of helpless and despair that development from the realization of the improbability of achieving success in terms of the values and goals of the larger society" [Lewis: 1969: 187]. Lewis, however, observed that the social alienation characteristic of the culture of poverty does not prevail in the Indian society on account of the caste system [McMirriot: 1955].

This controversial observation will not be discussed here. He further wrote, at the biological level, absolute poverty destroyed the material foundations of human existence. It causes hunger, malnutrition, famine, disease and death. Millions upon millions of people in the Indian, who have for centuries been the victim of such absolute poverty, have been for centuries biological security by their own societies as well as by the international system build of biological poverty include the hundreds of millions who do not have the basic economic security that would impart a semblance of human existence and create a framework of human values for their lives. Without minimum economic security people do not have, individually and collectively, those minimum ingredients of civilized human existence, such as housing, clothing, elementary education, medicine, etc., which constitutes the essential preconditions for the development of the human personality. Without the economic security the masses of poor people lose their dignity and self-respect and suffer from a sense childhood.

From the structural point of view, they are reduced to a slave-like status vis-à-vis the classes and vested interest who can buy their labor power at a nominal price, if not for nothing.

Without economic security, and being in a slave-like condition vis-à-vis the structurally dominated classes, the poverty-stricken masses are unable in practice to realize the values of liberty and equality, or other fundamental human values in their own lives.

For the liberty of thought and expression, or other forms of political and cultural freedom, or the rule of law have little operational significance for the messes of poverty-stricken people, as every political thinker and many liberal political thinkers would readily admit, since their economic insecurity circumscribes their freedom of choice in any sphere within very narrow limits, and stultifies the espousal of these values by the classes with have enslaved them. Similarly, the values of economic, social and political equality; of equality before law; and of justice, economic and political, which are ostensibly cherished by the ruling classes of the Indian, is in fact nothing more than hollow mockery for the carors of poor people in India.

The poor masses in Indian is therefore, socio-psychologically alienated not only from their national social environment in the broadest sense of the term, but ultimately even themselves. They represent a gigantic collective degradation and social alienation of humanity which is unprecedented in history, as well as a massive structural injustice that is a bolt on contemporary human civilization.

The collective degradation of masses of people in Indian, the insult, humiliation, loss of dignity and self-respect, and collective alienation from society and from themselves, endured through centuries, have produced a collective difference, self-pity and hopelessness which had built its habitation in the collective unconscious of the people of India.

In their individual and national behavior, the people of India, for instance betrayal an all-pervasive and abysmal inferiority complex vis-à-vis the individual and nations of north that can be explained only in terms of their long history of collective degradation in the midst of poverty and squalor. I would also like to say that here what is true for Indian is true for most of the third world or developing countries.

Hence the collective historical condition of the poor masses in the Indian is the inevitable consequence of their structurally determined low status at the bottom of the stratified global society, rather than a cultural phenomenon, as some simplistic analysis of the problem would make it appear. It is true that their social attitudes and behavior patterns reveal certain common characteristics throughout the world.

The poor cannot invest money for profit even in their domestic economy, not to speak of foreign markets; and are therefore unable to develop material interests and linkages in foreign countries.

Because of their poverty, the mobility of the poor is seriously restricted within their national society and more so across their national frontier.

But Will Baker [2012] says that this is not a culture of poverty rather they are victimized by hegemonic classes. Barbra E. Coward [1973] draw our attention on the critic of theory of Oscar Lewis, thinkers such as Rodman (1964), Valentine (1971), Roacha and Gursslin (1967), and Leeds (1971), few social sciences researchers have attempted to examine the applicability of Lewis' arguments to groups of the poor and the non-poor, for more than one aspects.

POVERTY : INEQUALITY AND THE POLICY AND POLITICAL CHALLENGE

If the needs and rights of the poor people are to be addressed, they need two related but distinct forms of assistance. In the short term, to survive and improve the immediate prospects for themselves and their children, they need practical actions that meet their most pressing needs and create a platform for future improvements. In the longer term, to promote social and political institutions that give the chronically poor voice and support their demands, they need assistance in organising and developing political linkages.

POVERTY: THE HUMAN RIGHTS VIOLATION AND LEGAL PROVISION

Poverty is the condition where human values are degraded. Hence the condition of poverty is violation of human rights [Pogge: 2007] Article 25 of the UN Universal Declaration of Human Rights (1948) says - (1) Everyone has the right to a standard of living adequate for the health and wellbeing of himself and of his family, including food, clothing, housing and medical care and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control. (2) Motherhood and childhood are entitled to special care and assistance. All children, whether born in or out of wedlock, shall enjoy the same social protection.

As I seen poverty as a social problem it's important to say that the main cause of poverty is also that non implementation of the social welfare programme in proper way. Legally Government of India initiated many programmes if that would implement properly than poverty can reduce in large way. But that is not implemented and only in the law book because of segregation of marginalized people. These are not only violation of natural and legal rights but also violation of human rights. The structure of power not allowed giving them social and legal justice such as -

The Minimum Wage Act, 1948

The Payment of Wage Act, 1936

Contract Labour (Regulation & Abolition Act, 1970

Elimination of Child Labour by Art. 24, 39, 21A

The National Child Labour Project Scheme

The Equal Remuneration Act, 1976

Bond Labour System (Abolition) Act, 1975

The Trade Union Act, 1926

The Workmen's Compensation Act, 1923

The Maternity Benefit Act, 1961

The Employees State Insurance Act, 1948
National Rural Employment Guarantee Act
Tanning for Small & Cottage Industries'
And many other laws …

ISSUES IN THE DESIGN OF POVERTY LINE IN INDIA

The first attempt to specify poverty line was in 1962, when a Working Group set up by the Government of India recommended a per capita total consumption expenditure (PCTE) of Rs. 20 per month in 1960/61 price. This figure excluded expenditure on health and education, which were expected to be providing by the state. However, it is not clear whether this figure corresponded to any specific consumption basket or food-energy intake because there are no records to reveal the assumptions or calculations implicit in this figure. Nevertheless, this figure came to acquire some legitimacy, with the Draft Fifth Five Year Plan noting that "In the Fourth Plan document, private consumption of Rs. 20 per capita per month at 1960-61 prices was deemed a minimum desirable consumption standard".

Officially poverty estimates are based on methodology recommended by the Expert Group (EG) set up by the Planning Commission in 1993. The methodology suggested by EG can be summarized as follow [Radhskrishna: 2006: 18]: -

The poverty lines are based on poverty line norms as defined by the Task Force (1973-74) based on monthly per capita total expenditure of Rs. 49.09 for rural areas and Rs. 56.64 for urban areas at 1973-74 prices. The suggest rural food basket by the EG contained 2400 kcal per capita per day in rural areas and the urban food basket is 2100 kcal per capita per day in 1973-74. The use of calories norm was taken as an approximation to what may be consider as acceptable 'minimum needs'.

Three important issues arise in the design of poverty estimates in this context [Radhskrishna: 2006: 19]

1. The first issue concerns the poverty norms itself. As matter of fact in India, the consumption patterns have undergone significance change over time in both rural and urban areas, even among the poorer section. Broadly, the shifts in consumption patterns have taken place in favor of non-cereal food and non-food items of consumption. As a result of these shift the average cost of calories has increased across all the income groups. This in turn undermined the calories contact of the poverty line.

At the current pattern of consumption, the poverty line no longer provides the minimum calories to which it was bench-marked. In 1993-94 the per capita expenditure equivalent to poverty line yielded less than 2000 kcal per day compared to the norm of 2400 per day. The estimated calorie deficient rural population is almost 60 per cent compared to the poverty estimate of 37.1 per cent. As a result the poverty line has lost its nutrition relevance over time.

2. The present methodology does not take cognizance of non-food needs. The expenditure on health and education increased significantly over time even for the poor.

3. The assumption made by the Task Force and Expert Group that provision of public health and education services would meet the basic need of health and education of the poor is no longer valid. It is necessary to have some minimum norms (desirable expenditure for non-food such as clothing and shelter for different parts of the country) for these heads of expenditure as part of 'minimum needs'.

MEASUREMENT OF POVERTY AND CORRELATE

"The different approaches to be the problem of poverty in Indian and the developing countries can be classified into three categories: (a) structural, (b) developmental, and (c) egalitarian" [Mehta: 1993: 9].

Mehta [1993: 12] uses the structural approach to poverty in his study and he says that, these traditional and new measures of poverty cannot explain the structural process of poverty generation, and do not even represent poverty in a unique and unambiguous way; these do provide important information about the socio-economic conditions of the poor. Moreover, without developing these indicators and using them in combination with the structural variable, the deficiency in measuring and depicting poverty cannot be brought out fully. Thus various poverty indicators are used here, not as criteria for policy-decision but as representing, various parts of the reality.

THE PROBLEM OF DEFINING AND MEASURING THE POVERTY

The problem of defining and measuring poverty has to be faced squarely for obtaining an understanding of not only the extent of poverty but also its nature without which it is impossible to devise effective policies. However, the measurement problem is not independent of the objectives of this particular study [Mehta: 1993: 29].

The objectives of poverty analysis may be diverse. As for instance [Mehta: 1993: 29]:

(a) To estimate the incidence of poverty (i.e., the number of property of the population living in poverty).

(b) To identify the poor on the basis of a dividing-line (in terms of income, calories intake, land owned, caste etc.).

(c) To calculate the magnitude of the poverty problem (e.g., the poverty gap), the income generation required or the transfer of income needed to bring all those who are under poverty above it.

(d) To analysis the characteristics of the poor (e.g. distribution of income or consumption among the poor).

(e) To study the phenomena causing poverty: market exploitation, non-market exploitation, non exploitative reasons, etc.

The first four need a concept of poverty and a method of measurement of poverty (Ringen: 1985: 99), while the last one deals with the question of political economy. Ringa (1985: 99: 137) discussed two stages of measurement of poverty. In the stage, measurement of poverty is defined in relation to minimum necessities. What is necessary to maintain physical health. In the second stage (Rowntree: 1901) poverty is defined in relation to the necessity of social efficiency.

Thus, the second stage poverty measurement defines poverty in terms of relative deprivation which, of course, is an aspect of the social situation of the poor. But a crucial question arise in this respect, is income or any other single indicator (e.g. per capita daily calories intake) an adequate indicator of social stuation or welfare of the individuals? Obviously, is not. Income is only one of the several condition between income and other components has been found to be low.

Ringa argue that the concept of poverty cannot be completely relatives all people in a poor country may be poor. Secondly, poverty expresses itself in how people live- people living in want. Only those people who have a low slandered of living because they are not able to obtain a higher slandered should be considered poor hence, poverty has dead aspects:

(1) Conspicuously low slandered, and

(2) Insufficient resources

This situation can be identifying as accumulation of deprivation [Ringer: 1985: 105]. Hence, poverty indicate must

(1) Be numerous in number,

(2) Make it possible to identify desperation in objective terms, and

(3) should reflect the resources side as well as the way of the life side

Since income is an inadequate index of welfare, other measures of poverty have to be devised

DIFFERENT MEASURES OF POVERTY

This poverty cannot be treated as a unique category (Gutkind: 1986: 160-61, cited in Mehta: 1993: 32). It can be defined in various ways. There real different aspects of poverty. There is no one-to-one correspondence between the alternative, poverty can this conceptualized as

- Poverty as resources or resources deprivation
- Income insufficiency
- Nutritional deficiency, or nutritional deprivation or food inadequacy, and
- Poverty in terms of l=low quality of life.

In all the above four cases, poverty may be considered in absolute or relative terms. We, therefore, consider the following groups of indicators:-

1. Resource deprivation
   a. Physical resource (land and other assets deprivation)
   b. Human capital deprivation
   c. Rate of unemployment
   d. Measures of inequality in the distribution of land and assets which depict relative poverty
2. Insufficient come
3. Nutritional inadequacy (food inadequacy)

Hence, person eating bellow or above the average are therefore, not necessary under or over nourished.

Now it is clear that the tragedy with measuring poverty in terms of calorie intake or income parameter is that, they are failed to locate the position of man in society. Max Weber says that the status of man is defined by the position in market. Thus the intake of calories is/can also a decisive factor to determine the position of man in society where carors of people are suffering from starvation and hunger. But that cannot be parameter with human dignity. Apart from command over commodities (measured by either income or consumption expenditure), the must include at least health and education [Sen: 1985].

CONCLUSION

This paper observed and clarified that that poverty is not an economic problem. Poverty is result of social problem which is determined by social structure and function. The poor in Indian is not poor because of economic structure rather a social vicious nexus which make one section of people rich and another one is poor. This is result of Bramnical vicious nexus which rules Indian for centuries. Many humanitarian social scholars like from classical Phule, Ambedkar, Periyar to contemporary emphasized that how the Indian Brahmanical social structure are responsible for social evils in India. I am saying not out of context which may seem rather emphasized because this is also playing an important role to determine who are poor and how to define that poverty line?

This is not an accident that poverty line ware arbitrary determined by calories intake or per capita income. Here they had also something in mind that these people have no right to access the basic human needs which make the human a complete human with dignity in society; not just a living object. Ne deed to specify the reference this is visible by naked eye and also recognized by all intellectuals and study that those who are socially excluded for century on the basis of birth which philosophy derived and legitimized by the *Sastras* is still ruling the Indian intellectuals.

Above was the only reason that the Government of India makes line of poverty on the basis of food calories intake and after that per capita income. Where there was no mention of education, health, shelter, social dignity and respect of humanity as these people is an only living object for them to work and serve.

So I would like to propose that line of poverty must be socially inclusive, with human dignity and human rights. This includes all necessary aspects which is necessary to live in society with dignity and rights.

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SUSTAINABILITY OF MICROFINANCE INSTITUTIONS IN INDIA

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ABSTARCT

Dealing with low income groups is a very sensitive issue. Providing micro financial services to the poor people efficiently and then sustaining their profitability to survive in the market is a major challenge ahead of the microfinance institutions. The loan amounts are small, repayment period is very short and for efficient usage of the services provided, client training is essential. All these factors contribute in high operating cost of MFIs as compare to traditional banks. The present paper analyzes the past performances of microfinance institutions so that they can sustain themselves financially. This paper found that legal status of MFIs and their corporate governance are the major factors which help the MFIs to sustain for long. MFIs have to face dual challenge of financial sustainability and provide micro financial services to poor but most MFIs are able to keep themselves align with their mission. In sustainability of Microfinance institution, corporate governance is a very important factor. Clarity of ownership and professional and experienced management is a key factor for the sustainability of microfinance.

Key Words : *MFIs, SHG, JLG, Financial Sustainability.*

INTRODUCTION

The self help group bank linkage programme is the largest microfinance programme in the world. Self help groups follow the democratic structure where people themselves organized in groups and contributed small & regular savings, lend those saving funds to loan the group members according to their requirement. So, basically these are saving oriented groups rather than credit oriented. The Grameen concept is basically credit oriented, where small groups of 5-6 members are formed to lend the money as the lending is without collateral; the group members take the liability of each other to pay back the debt, so these groups are called joint liability groups (JLG). The microfinance institutions are basically following JLG model. In contrast to SHG model, these microfinance institutions are professionally managed. The microfinance institutions in India are growing with a rapid pace and showed the growth trends, which is much more than any other sector.

The major objective of microfinance services is poverty alleviation. The various ways to achieve the objective can be through increasing income, raising employment opportunities and smoothening consumption etc., but these objectives cannot be achieved in short span of time. For the effective results, microfinance should be sustainable that means permanent. In a short time span it is not possible to uplift the social and financial status of the poor clients. The clients should get financial services for a longer period of time to improve the standard of living.

Providing financial services to poor is an expensive business as operational cost is very high. These microfinance institutions get their funding from the various sources like donor funds from national

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and international organizations, subsidized funds from government banks and also borrow at commercial rates. When the availability of donor funds or the subsidized funds exhaust, it is difficult for these institution to continue their operations, which leads to ineffectiveness of microfinance programs. So, to achieve the objective of poverty alleviation continuous and uninterrupted supply of services must be needed to the target groups. The sustainability should not only mean to financial sustainability but it also included other dimensions.

SUSTAINABILITY OF MICROFINANCE INSTITUTIONS :

FINANCIAL SUSTAINABILITY

A microfinance institution can be called financial sustainable if it can cover all its cost from its operations. The financial sustainability is achieved by many factors such as controlling cost, using economies of scale, adding more products to the cart etc. To provide uninterrupted services to the clients, it is necessary that MFIs must cover their operational cost. If we take the case of Grameen bank, we can say that it is sustainable as it shows remarkable growth in client outreach and loan disbursement and recovery performance over the years, but at the same time it is also true that Grameen bank is survived on donor funds and subsidized funds. If it replaced its funding with market funds, it is very difficult for it to cover its operational cost at present rate of cost of services. So Grameen bank is sustainable but not self sustainable. A leading microfinance institute BASIX reached breakeven in the first year of its operations, but the reason behind it subsidized funds. Actually with the market cost of funds, it achieved break even in about three years of time.

Although there is tremendous scope in microfinance, but there is a challenge in front of professional microfinance institutions like they have to provide financial services to low income people, so they can't charge high interest rates, but as the loan amount is very small, so operational cost is very high. They have to use various strategies to be self sustainable. These strategies are basically achieving economies of scale by adding more and more number of clients and providing multiple financial products such as insurance to the clients to compensate the cost.

Let us evaluate, if the professional microfinance institutions are able to financially sustain themselves for a long period of time.

If we compare the performance of microfinance institutions for last four years, we are able to make out that the growth trends of these MFIs are much more than any other sector. According to Access state of sector report 2009, the MFIs are grown 13 folds in four years time i.e from 2005 to 2009. In 2005, the total outstanding of MFIs was just Rs 8.97 billion as compared to Rs 117 billion in the year 2009.

Although it was predicted that the sector has enough potential but the figure of 22 million household using micro financial services in short span of time is beyond expectations. Some professionally managed microfinance institutions have shown extremely extraordinary performances in client acquisition and loan disbursement. Equitas Microfinance has acquired 3.39 million clients in just 18 months of commencement of its operations. SKS has shown a growth of 65 percent in 2009 over the year 2008 in its loan client acquisition. SKS and Spandana have recorded 99 and 115 percent growth in loan disbursement respectively.

Table 1.1 Comparative performances of top five MFIs

	No. of Clients(in mn)		Growth Rate (%)	Loans (in Rs bn)		Growth Rate (%)
	2008	2009		2008	2009	
SKS Microfinance	3.52	5.80	65	24.6	49	99
Spandana Sphoorty	2.43	3.66	51	18.7	40.15	115
Share Microfin	1.50	2.36	57	12.2	19.21	57
Bandhan	1.45	2.30	59	6.4	16.96	165
Asmitha Microfin	0.89	1.34	51	7.1	16.09	127

Source: www.mixmarket.org

The lowest performers (Spandana & Asmitha) of the top five MFIs group have shown 51 percent growth in client acquisition. Share Microfin recorded lowest growth of 57 percent in loan disbursement. In the context of microfinance 57 percent growth is called low growth. Is it not the irony with the other sector growth trends?

Table 1.2 Average Loan size of top five MFIs

	Average Loan Size per Client (2008)(in Rs)	Average Loan Size per Client (2009)(in Rs)	%growth in average loan Size
SKS Microfinance	6989	8448	21
Spandana Sphoorty	7695	10970	43
Share Microfin	8133	8140	0
Bandhan	4414	7374	67
Asmitha Microfin	7978	12007	51

It is clear from the table 1.2 that growth of portfolio is caused due to the larger loan sizes rather than acquiring new clients. Asmitha Microfin has the largest average loan of Rs 12007 out of the group of top five MFIs followed by Spandana with Rs 10970. Only Share Microfin has maintained its average loan to Rs 8133 over the two years. Average loan size of SKS microfinance is increased by 21 percent and that of 43 percent of Spandana Sphoorty**.** It indicates that microfinance institutes are not only penetrating vertically but also thriving horizontally.

If we talk about the sustainability of these MFIs, let us look at the figures of last five years of these five MFIs. Table 1.3 represents the number of active borrowers for the five years that from 2005 to 2009. SKS has 172,970 active borrowers in the year 2005, while it grows to 5,795,025 in the year 2009 i.e 33 times growth in number of active borrowers from the year 2005 to 2009. Spandana Sphoorty has 3,662,846 active borrowers in the year 2009 as compared to 721,621 in the year 2005. Share microfin has shown comparitievely low growth in active borrowers in 2006 and 2007, but in the year 2008 and 2009 it has 1,502,418 and 2,357,456 active borrowers associated with it. Bandhan and Asmitha have 2,301,433 and 1,340,288 active borrowers in the year 2009 as compared to 149,886 and 393,538 in the year 2005 respectively. So, these numbers of active borrowers help us to withdraw the fact that these MFIs are enough capable to sustain the number of active borrowers over the years and these numbers are growing year by year. Therefore MFIs are supplying regular services to its clients.

Table 1.3- Number of Active Borrowers of top MFIs

	2005	2006	Growth Rate(%)	2007	Growth Rate(%)	2008	Growth Rate(%)	2009	Growth Rate(%)
SKS Microfinance	172,970	513,108	197	1,629,474	218	3,520,826	116	5,795,028	65
Spandana Sphoorty	721,621	916,261	27	1,188,861	30	2,432,000	105	3,662,846	51
Share Microfin	814,156	826,517	2	989,641	20	1,502,418	52	2,357,456	57
Bandhan	149,886	449,304	200	896,714	100	1,454,834	62	2,301,433	58
Asmitha Microfin	393,538	416,829	6	565,806	36	890,832	57	1,340,288	50

Source: www.mixmarket.org

OVERALL PERFORMANCE

According to the Sa-Dhan report for the year 2008-09 in which a total of 233 MFIs has reported their detail, following are the main observations:

1. There are 27 MFIs with a loan portfolio exceeding Rs 500 million (regarded as large), 65 MFIs have a loan portfolio of Rs 50 to 500 million (regarded as medium) and 138 MFIs have the loan portfolio of less than Rs 50 million (regarded as small).

2. 96 MFIs are functional for less than 5 years, 85 MFIs are functional for a period of range 5 to 10 years and 41 MFIs are working for more than 10 years in the sector.
3. Large (27) MFIs (which have a loan portfolio of more than Rs 500 million) covered the 82 percent clients while medium (65) MFIs have a clientele of 13 percent and small MFIs only accounts for 5 percent clientele.
4. The large MFIs have a share of 88 per cent of loan portfolio. Medium MFIs have a share of 11 per cent of loan volumes. Small MFIs shared only 1 per cent of loan portfolio.
5. During the year 2008-09, there is addition of 8.5 million clients, which means a 60 percent growth in client outreach over the previous year.
6. There is a growth of 97 percent over the last year in the loan portfolio which accounts for Rs 117.3 bn.
7. The 27 MFIs have a loan outstanding of Rs 500 million as there were 21 in the previous year i.e. six MFIs have grown to large MFI.
8. Nine small MFIs have crossed the Loan portfolio of 50 million.
9. There are a total of 22 .6 million clients served by MFIs by the end of March 2009.
10. A total of 122 MFIs enlarge their client outreach with an addition of 8.2 million clients.
11. 46 MFIs recorded a decrease in clients with a loss of 0.35 million clients.
12. 47 MFIs achieved the growth rate of 100 percent and 17 MFIs decrease their client base by 50 percent.
13. The loan outstanding per client account for Rs 5,200 as compared to Rs 4,200 i.e. a growth of 24 percent.
14. A total of 38 percent clients has loan outstanding more than Rs 10,000, while it was 20 percent in the previous year.
15. A total of 13.2 million rural and 16.8 million female borrowers are served by MFIs
16. Sa-Dhan reports that MFIs have reached 234 of the 331 poorest districts i.e.70 percent identified by the Government of India are served by Microfinance Institutions

The above mentioned data help us to conclude that microfinance sector is growing with a rapid rate, however the figures are comparatively small as compared to self help groups, but the growth rate is much more. In the year 2007 eight Indian MFIs are succeeded to make a place in top fifty microfinance institutions of the world in MIX MARKET list. In 2008, ten Indian MFIs are succeeded to occupy a place in global top hundred MFIs. Sa-dhan data exposes that regardless of liquidity restraints faced by some microfinance institutions, the numbers of clients as well as loan portfolio expanded with a great pace. According to state of sector report, the overall coverage of the sector as narrowly defined (outstanding accounts of members of SHGs and clients of MFIs) is estimated to have reached 76.6 million against 59 million last year. After adjusting for overlaps the net client base of the micro finance sector is estimated at 70 million. The adjusted growth in outreach is estimated to be 14 million clients which is about 50 per cent more than the 9.9 million new clients added during the previous year. The average loan size had increased and the proportion of clients that is offered lower size of loans has come down significantly. This is a greeting progress as it recovers the chances of clients getting viable size of loans to pursue livelihood activity and moderates the persuasion for multiple borrowing. It also improves the profitability and the revenue to cost ratio per client in the case of MFIs and banks. But still the average loan sizes are too low compared with the necessities of livelihood activities that can produce a poverty-mitigating income for households. We should take cognizance of the fact that efforts continue on part of MFIs and bank to incrementally get deeper their commitment with clients as echoed in the increasing average loan sizes.

PROFITABILITY

Sustainable microfinance needs profits such that in unavailability of donor and subsidized funds, it has not to limit its size or scope of operations. Profitability is an important factor for the sustainability of microfinance institutions. Not even sustainability but self sustainability is very important. Self sustainability can be achieved if there is enough profitability. As it is mentioned earlier, subsidized and donor funds are not available forever, it is for limited period. If a microfinance institution wants to be going concern it should be self sufficient to operate independently i.e. without subsidized and donor funds. If a microfinance institution is getting subsidized or donor funding, it should maintain real value of funds in its equity.

Table 1.4 represents the yield on the gross portfolio of top five MFIs for the five years i.e. from 2005 to 2009. In the year 2009, Share Microfin recorded 31.48 percent yield on its gross portfolio while SKS, Spandana and Asmitha have yield on portfolio something around 25 percent. Bandhan is the lowest performer of the top five MFIs group with 22.16 percent yield on its gross portfolio. We can also make out by looking at the figures that all the top five MFIs are continuously showing steady figures of yield for the five years and maintained their status, which is a symbol of going concern organizations and i.e. long term players.

Table 1.4- Yield on Gross Portfolio of top five MFIs

	2005	2006	2007	2008	2009
SKS Microfinance	21.57%	23.77%	25.28%	26.33%	25.64%
Spandana Sphoorty	25.23%	13.55%	20.74%	23.75%	25.71%
Share Microfin	32.04%	14.96%	22.27%	25.52%	31.48%
Bandhan	23.72%	27.01%	25.44%	27.01%	22.16%
Asmitha Microfin	21.06%	14.97%	17.21%	25.39%	25.64%

Source: (www.mixmarket.org)

OVERALL COMPARISON

According to the Sa-dhan report 2008-09, a total of 153 MFIs reported their data. 21 out of 25 large MFIs, 40 out of 50 medium MFIs and 45 out of 78 small MFIs have reported profits. It means 16 percent large MFIs, 20 percent medium MFIs and 42 percent small MFIs recorded loses.

As we discussed earlier, due small size of loans, short repayment periods & for some other reasons (like providing training etc.), the operational cost is very high. Economies of scale can be achieved by adding more and more clients and providing other services. So, it seems small organizations cannot go with their small resources. Large organizations also have approach to cheap resources of funds which is not available to small MFIs. So, for profitability and hence sustainability, it should be necessary to have enough resources to serve large client base.

Table 1.5

	Profit Making	Loss Making	% of profit Making
NBFC	27	6	82
Section 25	16	5	76
Society	82	48	63
Trust	22	10	69
MACS	5	1	83
Bank	1	2	33
Total	153	72	68

If we go by legal status of the MFIs, 83 percent of Mutually Aided Cooperative Societies (MACS) and 82 percent Non Banking Financial Corporation (NBFC) has shown profits (Table 1.5). 76 percent of section 25 companies and 69 percent of trusts have registered profits in the year 2009. Societies i.e. most popular form of MFIs are the least performers as only 63 percent societies are registered growth.

There have been different reasons for these figures as if we talk about MACS in which 5 out of 6 have shown profits but just six MACS is not the appropriate sample size to draw the conclusion that this structure is excellent structure for MFIs. Section 25 companies 25 performed better as these can easily scale up and have capacity to establish funding and other linkages due to their professional status. Societies which showed lowest performance may be due to unavailability of equity funds and on the other side and the lack of returns for the investor in society form had possibly made funding costlier in this structure.

Out of 27 large MFIs, 13 MFIs recorded more than 25 percent yield, 11 large MFIs produced a yield of 10 to 25 percent and remaining 3 has a yield of less than 10 percent. So 48 percent shows more than 25 percent yield, 40 percent shows yield between 10 to 25 percent, and only 11 percent large MFIs have a yield below 10 percent. The yield performance of medium MFIs is seems satisfactory as 80 percent MFIs recorded more than 10 percent yield. Again, only 58 percent small MFI has a yield more than 10 percent, while 42 percent recorded yield below 10 percent. Small MFIs shared only 1 per cent of total loan portfolio of the sector and accounts for only 5 percent clientele, so it does not make an effect on overall losses, but to survive in the market for a long time, the small MFIs should taken care of. There are several issues like lack of resources, legal restrictions etc, which hinders growth.

Table 1.6- Yield on Portfolios

Size of MFIs	No. of MFIs with25% or more yield	No. of MFIs with 10-25% yield	No. of MFIs with 10% or less yield
Large	13	11	3
Medium	26	26	13
Small	42	38	58
Age of MFIs			
upto 5 years	48	25	26
From 5 to 10 years	21	30	34
Above 10 years	12	19	10

There are 41 MFIs which have been working in the sector for more than 10 years of time, 75 percent of which reported yield more than 10 percent. 85 MFIs have been working for more than 5 years but less than 10 years, 60 percent of which reported yield more than 10 percent. 73 percent MFIs which have been working in the field for less than five years have reported yield more than 10 percent. 29 percent of mature MFIs, 24 percent of moderate MFIs and 48 percent of new MFIs show the yield more than 25 percent. New players in the microfinance sector are laced with the advance knowledge & technology, professionally constituted, have a well defined vision and mission and better idea of market as they launched with proper homework. Equitas Microfinance, a newly established MFI, acquire 10th place in the top ten MFIs with 3,39,158 client outreach only in 18 months of commencement of its operations. It is basically due to presence of experienced professionals in its board of directors, incorporation of technology and provision of better services to the clients.

Table 1.7- Financial Ratios of select MFIs

Standard Ratios	2008(%)	2007(%)	2006(%)
Operational Self Sufficiency	125.8	112.9	104.6
Portfolio at Risk (60 days)	0.9	1	1.8
Current Repayment Rate	99.1	97.9	94
Operating cost Ratio	8.5	9.7	15.4
Total Cost Ratio	17.6	17.4	23.4
Active Borrower per credit officer	411	339	239

Source- From Side by Side report 2008, Sa-Dhan

If we look at the figures in the table 1.7, which included various financial ratios provided by the Sa-dhan report 2008 over a sample of MFIs we can analyze that performance of MFIs over the years is improved remarkably. Operational self sufficiency increased from 112.9 to 125.8 percent in 2008 in comparison to year 2007 i.e. improved by 11.42 percent. Portfolio at Risk (60 days) declined from 1.8 in 2006 to 0.9 in 2008 i.e. remains jus half in two years time, while 10 percent decline in 2008 in comparison to 2007.

Current repayment rates improved to 99.1 percent, which is an excellent figure. At the same time operating cost is declining remarkably i.e. from 15.4 percent in 2006 to 8.5 in 2008, which is very good and also necessary for the financial health of MFIs. Although, cost ratio showed a decline from 23.4 percent to 17.4 percent in the year 2007 than the year 2006, but it increased slightly in 2008 i.e. to 17.6. Cost of funds and operations is a very sensitive and crucial issue for the MFIs, which need extra attention to handle. Average Client per credit officer is increased, but it can make adverse effect on the performance of officers. It must be checked out.

MARKET SUSTAINABILITY

Microfinance institutions seem quite successful in retaining its market sustainability. The microfinance institutions are providing diversified products that suit the needs of their clients. There is a huge gap in demand and supply of microfinance services in India, so there is tremendous scope in the market. But a great challenge in front of MFIs is mainstream banks, which cross-subsidized their micro lending with commercial lending and charge interest rates lower than the cost, but it can overcome with better services and lowering operational cost.

MISSION SUSTAINABILITY

There comes a challenge in front of MFIs, they have to provide financial services to poor clients at reasonable costs, but at the same time have to maintain profitability to sustain themselves in the market. In most cases MFIs are promoted by NGOs with donor funds. At their initial stage they have social objective of reaching poor. But later on, when donor and subsidized funds squeeze, they emphasizes on attaining financial sustainability. At this stage MFIs are started looking for alternative sources of funds like deposits, share capital etc. Although, dual objective of reaching poor as well as attaining self sustainability appears contradictory but many MFIs are able to achieve the both. The large MFIs have a total of 88 percent market share of loan outstanding and also these MFIs are showing profit something around 20-25 percent continuously for years. Large MFIs, are sustaining their mission by providing multiple financial products to a large clients. As we seen that average loan size is increasing, it means large MFIs not only widening their operation but also deepening its approach. Although MFIs alleged for charging high interest rates on the poor clients, but we cannot generalize it and cannot underestimate their efforts. May be it is true for some but not for all. It is true that these MFIs are able to reach to those poor and low income clients which are not served by mainstream financial institutions for various reasons.

CORPORATE GOVERNANCE OF SUSTAINABLE MICROFINANCE

For sustainable microfinance it is very important to have good governance to lead the MFIs to a long way just like other sectors. Good governance is essential for all form of MFIs whether they are for profit or for non-profit. In microfinance literature, the term was first used by CGAP in 1997 when governance was defined as, "a system of checks and balances whereby a board is established to manage the managers. Governance is sometimes conceived as a virtuous circle that links the shareholder to the board, to the management, to the staff, to the customer, and to the community at large". For attaining self sustainability, MFIs has to expand their operations, increase client base, manage various resources of finance and investors, stared earning profits etc. At this stage corporate governance becomes a necessity. The dual mission of MFIs (financial as well as social) makes the corporate governance issue more challenging.

The large and medium microfinance institutions, which expanded their operations in a very short span of time, maintained their profitability over years by providing financial services to poor and low income people. Inspite of having different organization structure and legal forms, they all have one factor in common i.e. these intuitions are led by industry professionals, whether it is Ela Bhatt & Jayshree Vyas of SEWA bank, Vikram Akula of SKS, Vijay Mahajan of BASIX, P. N. Vasudevan of Equitas, Padmja Reddy of Spandana etc. Large and medium MFIs have group of professional either in the management or board of director to manage and to provide the guidance. As we have discussed earlier most MFIs have incorporated as societies, but they only 63 percent societies have reported profits. The societies set up and organized with professional attitude recorded profits. The eminent examples are Bandhan, Aadarsh Welfare Society, Adhikar, ASOMI etc.

Another challenging issue in corporate governance is ownership of MFIs. There is no single legal structure of MFIs with different pattern of ownership and each pattern has is pros and cons. Governance basically originate from the ownership pattern.

As mentioned earlier, the societies are the most popular form of MFIs in India and legally speaking these are not owned by anyone. These societies are registered under Society Registration Act, 1860. It is quite easy to register a MFI as society as there is no minimum capital requirement, no capital adequacy or any prudential norms. An NGO-MFI is able to get access to various subsidized funds and grants from different government or semi government organizations like NABARD, SIDBI, RMK, FWWB etc. as they fulfill the legal requirements to get the funds. As there is no clarity of ownership, corporate governance is a major issue in such type of MFIs. Actually, there is no proper system of monitoring the loan disbursements, practices, services etc. which results in poor management practices. But it is not with all the societies, as mentioned above, there are some excellent examples of MFIs working as societies, leaded by professional individual and get eminent success in their operations.

In case of Co-operative Societies and trusts which are for mutual benefit, governed by members. SEWA Bank in Gujrat, Women's Thrifts Cooperatives in Andhara Pradesh, Women's Kalanjiams in Madurai, Indur Intideepam MACS Federation Ltd in Hyderabad, Pragathi Mutually Aided Cooperative credit and Marketing Federation in Andhra Pradesh etc. are some very good examples of member controlled MFIs, which are able to make its place in top fifty MFIs of India. It is very difficult for a cooperative to expand its size geographically and physically because as soon as numbers go beyond certain limit, governance issues are started to arise, which is only possible to handle with experienced professional and charismatic leader.

If we analyze the legal status of top fifty microfinance companies by their loan portfolio size, it is found that there are 56 percent companies are Non Banking Financial Corporations, 24 percent are registered as societies, 8 percent are trusts, 4 percent each cooperative society, Bank and section 25 companies. By this data we can analyze that NBFCs are most successful form of microfinance organization.

By looking at the figures we can easily make out that NBFCs are most succeeded form of MFIs by legal status. There can be various reasons behind this success, but good corporate governance is surely one of them. However, most of NBFCs cannot take deposits, but due to professional attitude, strategical use of resources like technology, products, supply chain, financial as well as human capital make them the market leader. Again we can say that, good corporate governance is the key of sustainable microfinance sector.

CONCLUSION

Self Help Groups as well as professionally managed microfinance institutions are growing in India with a very fast pace. The growth trends are much more than any other sector. Client outreach and loan disbursements are increasing very rapidly. Average loan size per client is also increasing which shows that the microfinance is not only widening but also deepening its scope. Moreover, sector is able to keep its mission sustainability i.e. reaching the poor. The self help groups and MFIs are serving poor and low income people for years. However, MFIs have to face dual challenge of financial sustainability and provide micro financial services to poor but most MFIs are able to keep themselves align with their mission. Small MFIs are facing difficulty to keep them in the market due to high operational cost which is only covered by economies of scale and adding more products to serve the clients. In sustainability of Microfinance institution, corporate governance is again a very important factor. Clarity of ownership and professional and experienced management is a key factor for the sustainability of microfinance.

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CONTRACT FARMING BEST TOOLS FOR DEVELOPMENT OF AGRICULTURAL SECTOR AND ATTACKS ON POVERTY

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ABSTARCT

Commercialization of Agriculture refers to aligning the farm management decision to the market signal. It may, thus, get reflected on the output front through increased share of marketed surplus, introduction of new crops/ activities, growing commercial crops.

Small farmers in both developed and developing countries share certain basic goals. For the most part, they wish to increase the security and income of their families while retaining their independence as owners and operators of a farm enterprise. It has become increasingly difficult to pursue these goals simultaneously. Farmers have been pulled by the increasing demands of the market and the state into a nexus of relationships that extend beyond the farm to the national and international level. The interaction between small holders and more powerful economic and political agents is not new. Through this paper, we want to examine importance of contract forming to provide an active market for agriculture outputs and technology in special context of India.

Key Words : *Commercial crops, Labour Shrinking, Contract Forming.*

INTRODUCTION

[1]The Indian agri-food system is undergoing rapid transformation and there is growing evidence that contract farming will have an important role in this transformation. An important concern in Indian agriculture is that while "front end" activities including wholesaling, processing, logistics, and retailing are rapidly expanding and consolidating, the "back end" activities of production agriculture have been continuously fragmenting (Gulati, 2008). The challenge lies in linking the two ends and ensuring viable business opportunities for both farmers and agri-businesses. Establishing farm-firm linkages is not only about providing assured markets, reducing risk, and ensuring 'remunerative' prices, but also providing critical services such as credit, insurance, grading and inspection, technology extension, and market information. These institutional services can help elevate the scale at which small holders can operate, raise their productivity and income, and mitigate the risks involved in participating in markets for high value horticultural, livestock, and fishery products. The recent growth and diversification of consumer demand and the expansion of organized agricultural processing and marketing ventures in India has the potential to boost the market opportunities, productivity, and incomes of farmers, including small holders. However, achieving these goals will likely require creation of new institutions and innovations to develop supply chains and facilitate linkages between farmers, wholesalers, processors, and retailers. Among these institutions and innovations are various models of contract farming, including those led by cooperatives, by farmer groups, and by various types of private sector?

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Growing demand for processed food products is an important component of India's expanding food and grocery business, providing a boost to India's food processing sector, including those led by cooperatives, by farmer groups, and by various types of private sector resource intermediation that develop backward linkages to growers

The Central and the various State Governments of the Indian Union have pursued an array of policy measures. Among those measures, promotion of private sector participation in agriculture has emerged as interesting alternative. Private sector engagement in agriculture is observed in different areas: important ones being, promotion of agricultural inputs market and output market, agricultural Research and Development (R&D) and in different formats- vertical integration, contract farming and also open market participation. This paper gives attention towards effectiveness of contract farming in India. The recent literature on agricultural management views contract farming as a new institutional arrangement encompassing agriculture and industry which could help to reduce the risks and uncertainties involved in agriculture. In this context, it is important to revisit the Indian agricultural experience to comment upon the potential benefits and beneficiaries of the contract farming system. Specifically, our concern is to comprehend why do above problems persist in Indian agriculture, how severe are they, and what are their causes? Further, it is important to know the extent to which weak institutions and imperfect agrarian market are a matter of cause? In this regard, the present paper critically reviews the existing literature presents some insights on the institutional rigidities inherent in Indian agriculture and tests the suitability of contract farming under alternative conditions. The rest of the discussion is planned as follows. Section II examines the nature of constraints prevailing in Indian agriculture. Section III explores the hypothetical argument regarding effectiveness of contract farming. Section IV deals with conclusion and some policy implication.

Credit is crucial in determining the cultivation practices of farm households as it forms an important means to purchase inputs such as seeds, fertilizers and chemicals as well as durable productivity inputs such as machinery. Because of the presence of constraints in self-financed agriculture, small and marginal farmers often adopt bias investment strategy towards marginal variations within the traditional technology. Parthasarthy and Prasad (1978) found that small and marginal farmers were unable to adopt capital goods and HYV technology during the mid sixties and seventies because of difficulties and inadequacy of institutional credit. Much of the criticism in this regard could be attributed to the fact that India as such had limited resources for investment purpose and whatever minimum, that was invested appropriated by the big farmers due to cumbersome institutional procedures and network. Though there had a significant increased the formal credit in the 1970s in

Low equilibrium means low investment leading to low growth leading to low level of better paying employment. 4rural areas across states with the establishment of a large network of Rural Financial Institutions (RFIs) and a subsequent decline in that in the 1990s and henceforth with the gradual shortage of formal credit in situation operations in rural areas. As a result there has been increasing the dominance of informal sector for providing credit to farmers. For instance, around 58 per cent of the total agricultural loans are coming from institutional sources and non-institutional sources like moneylenders, traders etc. who charges very high interest rate account for 42 per cent (Bhalla, 2006). As a matter of fact it could be argued that most of the small and marginal farmers would be coming under the purview of the latter informal credit authorities (moneylenders) rather than falling in the domain of institutional loans. This has manifested an illusionary impact of rising agricultural credit because what is observed for the decade of nineties is a decline in agricultural credit for small and marginal farmers but not for large farmers during the same period3 Because of. inability to satisfy lenders' (Commercial Bank) collateral requirements small and marginal farmers have restricted access to formal credit. Sometimes even when collateral does not restrict access to formal credit, transaction costs associated with acquiring bank loans is high, does not permit farmers to borrow credit from banks. Further, wherever co-operative credit structure exists, its monopolistic nature limits the choices to people. This induces farmers especially small and marginal ones to borrow from informal credit sources such as pushing them into distress condition. Successful agricultural development in most developing countries today requires

Increased output per hectare and per worker. This agricultural intensification depends on the availability and financing of new, often manufactured inputs such as fertilizer and pesticides, new seeds, irrigation systems, mechanical power, and supplemental minerals. Access to such inputs is often unavailable and sometimes costly. This is worse in case of small farmers particularly those who are living in remote regions and upland areas. Or the remoteness and lack of infrastructure hinders the distribution of chemicals fertilizer to farmers. It is manifested that 80 per cent farmers depend on farm-saved seeds and seed replacement is very low despite the fact that there has been an increase in annual growth of certified/ quality seed distribution. What ever is available more than 80 per cent of planting/seeding materials do not meet the minimum standards of Indian Seed Act, 1968 (Swaminanthan, 2006). Although organized sector has been dominating the market for seed production but it is unable to meet existing market demand and to further create marketing opportunities for their product. Apart from the private sector limitations, the marketing, production, certification, and availability of quality seeds at reasonable prices are not gaining proper attention even among the public.

The distribution of credit by land size shows that the share of marginal farmers increased from 28 percent in 1981-82 to 29 percent by 1991-92 but declined to 25 percent in 2003-04. The share of small farmers increased from 21 percent in 1981-82 to 25 percent in 1991-9, and remained at that level thereafter. The share of cultivator above five acres fell from 52 percent in 1981-82 to 46 percent in 1990-91 but rose again to 52 percent in 2003-04. Where as the share of marginal and small farmer in total area increase and large farmers' share of area remained same port of the Export Group on Agricultural Indebtness, 2007). 5 institutions. The input market is also plagued with problems, such as poor enforcement of the Seed Act, because of a number of seed traders in the market cheat the cultivators and reliability of the seed quality sold is questionable (Singh, 2005). Because of supply constraints the application of fertilizer declined from 55-65 per cent in eighties to 50-55 per cent in late nineties though it increased recently. Availability of fertilizer and pesticide at a reasonable price with minimum transaction costs could lead to their wider application and, perhaps, contribute towards productivity growth in agriculture. In this context, the effectiveness of agricultural research and extension services has to be scrutinised. It is observed that despite consistent evidence of higher rates of return to agricultural research there are undue pressures to reduce public funding for it. Although India has successfully established a chain of agricultural laboratories and advanced agricultural research systems its potential, however, has not been fully realised.

On the other hand firms face problems. Like labour shirking and supervision problem when they follow vertical integration strategy. For some crops, the performing the labour makes many decisions, and monitoring these decisions is very expensive for firm. It is more difficult and costly in case of labour intensive crops because it requires more labour supervision. For example harvesting gherkin requires the farmers to judge each day which crop is ready for harvest, with repeated passes through the same field as the crop matures.

Contract farming overcomes above these problems by generating more employment in economy and transferring the production risks from firms to farmers. In contract farming, farmer cultivates the firm's crop under its supervision and supplies to firm only under pre-agreed quality. As a result firm easily monitor the labour supervision. Most of the small farmers are not able to lease in land due to ban on tenancy and imposing restrictions leasing out (Hansted et al 2004). In addition due to resources constraints small farmers could not access the financial market. This has discussed earlier. 12th low or without any costs. This is common phenomenon, which has observed in all contracting schemes in India. Generally, two types of employment created in contract farming system, employment associated with non-farming activities and employment associated with farm activities. Non-farming employment includes the job generated in offfarm activities and in on-farm activities (Little,1994). A number of jobs are created by the ventures in their staff and management structures could be seen as off-farm employment generated under contract farming.

On-farm employment comprises indirect employment generated among the various service providers and supporting services to the activities such as cleaning, grading etc which needs more unskilled labour. But, the employment created in off-farm activities has not studied in India properly or not at all. Employment created in farming activities includes unskilled labour generated in cultivation process during planting to harvesting period. Because of labour intensive and perishable in nature of crop under contract farming, it generates more employment than the non-contract crop (Key and Rusten, 1999). Singh (2002) observed that employment created under contract farming crop such as tomato is five times higher than non-contract crop such as paddy12 He also observed.that contracting has led to more and better employment opportunities for women, which accounted for almost 60 per cent of the total labour hours in case of tomato cultivation. But because of weak bargaining power among them, they are being paid very less compare to their effort (Singh, 2003). Gherkin cultivation in Andhra Pradesh (Dev and Rao, 2005) also observed this crop increased employment opportunities to family labour as well as other labours and also wages. The question here is regarding realization of employment under this system if processor would mechanize these highly labour intensive crops. Another question arises regarding quality of employment generated in this system. Coordination Failure in Inputs MarketSeeds, Fertilizer and Pesticide We discussed before the inputs market in India is not functioning properly because of prevailing of weak market structure along with inadequate infrastructure. As a result, vicious circle develops whereby low demand for inputs provides no incentive for the development of commercial distribution networks and this, in turn, further adversely affects input availability and use. This affects the production and productivity of agriculture. So there is need for an alternative institutional arrangement to enhance availability such inputs to all regions as well as all sections of farmers. Contract farming overcomes these problems through bulk ordering and by management (Eaton and Shepred, 2001). In this arrangement farmers have direct link with inputs provider. It becomes easier to access such inputs without any transaction costs. The main objective of firm to enter into contract agreement is to It has observed that labour intensity was 640 h per hectare for potato, and 3,600-4,000 h per hectare for tomato, as against 740 h per hectare for paddy (Singh, 2002 pp 1632). 13access steady supply of certain quality and quantity of commodities. This may not available in spot/open market. So firm supplies basic inputs such as advanced seeds, fertilizer and as well as machinery at free of costs to growers.

PRIVATE SECTOR INITIATE

With the launching of economic reforms, India's private sector has begun showing increased interest in non-tradition items of agriculture such as floriculture, fruits, vegetables, aquaculture, mushroom and tisueculture. Entrepreneurs have begun designing large projects. Over the last 3 years a large number of agricultural projects have gone to capital market and thus the commercialization process of agriculture has begun in India. Market opportunities for the above its have been explored. Term landing institutions such as ICIC and IDBI have shown interest in appraisal and issue management of agricultural projects. The private sector is actively promoting high tech agriculture in the country.

INHERENT STRENGTH FOR HIGH TECH AGRICULTURE

India has natural strength for expanding high tech agriculture. Land prices are low and labored is very cheap. India has climatic advantage over most of the countries. It has a good capital market. It has numerous research organizations capable enough to emulate, replicate and even invent new techniques needed for high tech agriculture. The government has modified/removed bureaucratic procedures. Besides, as a late comer India has the advantage of utilizing the technological backlog. This can be used for promoting efficient high tech agriculture. India's strength competitiveness with respect top floriculture is presented in table 1.

Likewise, India has comparative advantage over the other developing countries in respect of aquaculture, mushroom, fruits and vegetable and even tissue culture.

UTTAR PRADESH

Sl. No.	Area of Reforms	Position of the Act before amendment	Position of the Act after amendment	Remarks
1	2	3	4	5
1	Title of the Act	The Uttar Pradesh Krishi Utpadan Mandi Adhiniyam 1964	Act not amended.	
2.	Allowing setting up of Competitive Markets by private persons, farmers and consumers.	Under section 7 – The State Govt. may by notification in the gazette, declare such portion of the market area as may be specified as the principal market yard and such other portion as may be specified as sub-market yard.	Act not amended.	
3.	Direct sale/ procurement from the farmers field	No provision exists. However it is allowed through Govt. order No. 240/12/5/2002 – M/s. Kargil India Ltd. and M/s. ITC Ltd. are making purchase.	Act not amended.	
4.	Institutional support to contract farming through i. Registration of sponsoring company ii. Recording of Contract Farming agreement iii. Time bound dispute resolution mechanism iv. Indemnity to farmers land	No provision exists. However contract farming is included in Govt. order No. 1766/80-1-2005-600(42)/2005 dated 2/9/2005 relating to reputed companies.	Act not amended.	Contract Farming is being practiced in respect of selected commoditi es.
5.	Promote Public-Private Partnership in financing, construction, operation and management of agricultural markets.	No provision exists. However Govt. order has been issued for allowing reputed firms.	Act not amended.	

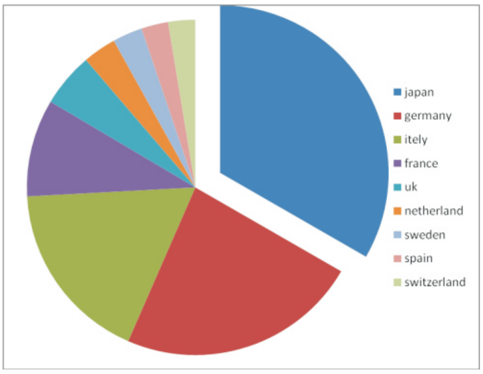
6.	Market fee/tax. 1.Single Point levy in the entire process of marketing 2. Fee on i. Direct Marketing ii. Contract Farming iii. Processing iv. Exports (3) Whether any rationalization/ Simplification done in the levy of market fee.	Under section 17 – Market committee shall levy and collect market fee on specified agricultural produce in the market area. Under section 17 (4) – No market fees shall be levy on transaction or sale of specified agricultural produce on which market fee has been levied in any market area. No provision exists. No provision exists. No fee. No fee. Yes	Act not amended. Act not amended. Act not amended. Act not amended. Act not amended. Act not amended. Act not amended.
7.	Licensing : (i)Whether licensing system is simplified (ii)Whether provision made for issue of a single license to operate in the entire State or part of the State	Under section 17(1) Market committee may grant license. Provisions made vide administrative order for bulk purchased which is allowed under single licence. No provision exists.	Act not amended. Act not amended. Act not amended.
8.	Whether Marketing Board has set up: (i)Separate extension cell to provide market led extension services to the farmers (ii)Separate Agricultural Produce Marketing Standard Bureau to promote grading and standardization of agricultural commodities.	No separate provision exists. However it is being carried out by the Board. No separate provision exists.	Act not amended. Act not amended.

Market opportunity for products of high tech agriculture are immense the demond for flowers in high income countries is estimated at 42 billion US dollars that is represented by table-

Demands for flowers in select developed countries

Country	**Market demand**
USA	10827
Japan	10250
Germany	7128
Itely	5415
France	2889
Uk	1604
Netherlands	984
Sweden	880
Spain	882
Switzerland	796
Total	41655

There is a lot of empirical evidence regarding inputs supplied firms. Singh (2002) and Kumar (2006) found that both local firms and MNCs are supplying inputs such as seedlings on credit (with part payment in advances) and various equipments, free of costs on returnable basis. In Andhra Pradesh (Dev and Rao, 2005) observed that it becomes easier for gherkin growers to access drip irrigation facilities and other inputs such as seeds, fertilizer and pesticide. In case of hybrid seed cultivation in Haryana the processors are also providing parent seeds (Kumar and Chand, 2004; Kumar et al, 2007) to their respective growers. The poultry farming in Andhra Pradesh, (Ramswami et al, 2005) also observed that the growers are supplied by the chicks along with medicine and other inputs. Recently, many firms made joint venture with different facilitators such as seeds, fertilizer companies or dealer and banks. If firms could not provide specified inputs to farmers, it asks inputs companies to provide such inputs and send detailed accounts to the bank, which debits farmer accounts and credits inputs companies. This model of contract farming system can be noted as “Quad-Partite Contract Farming Models” (for details see Singh, 2005). Rallis India and Hindustan Level Ltd. (HLL) adopted this approach. But the impact of this arrangement has not studied. The question arises about the distribution of these inputs among all sections of farmers and all regions. This may be differing from farmers to farmer and from regions to region because of heterogeneity in nature. The argument here is that firm may provide only progressive farmers and large farmers who have more bargaining and political power compare to others. This has not address properly in India. Once the production has begun, firm could use his monopoly power over the provision of specialized inputs as these factor markets are missing. By rationing these inputs, firms restrict the supply of inputs lower than required quantity and quality. This is happening in Punjab where the quality of fertilizers and pesticides provided by firms are bad and sometimes the quantity supplied by firms also is not meeting required quantity for cultivation. Singh (2002) claims that 12.5 per cent of Hindustan Lever Ltd. (HLL) farmers, 6.7 per cent of the Nijjer growers and about 15.5 per cent of the Pepsi potato growers reported crop failure due to bad seed



There are few studies, which has discussed spill over effect of contract farming system. Most studies observed that the crop productivity of is higher in case of contract crop compare to non-contract crop

(Kumar, 2006; Tripathi et al, 2005; Kumar, 2006) and also non-contract farmer. Dev and Rao (2005) found that gherkin and oil palm growers are able to increase the productivity of non-contract crop. Nonetheless, this study did not discuss regarding productivity of non-contract farmers.

The question arises here regarding technology spillover effect. It is observed that farmers who participate in contract farming are heterogeneous and multitude of small growers. Firm may not have the managerial capacity to provide them all individual attention. The farmers who have advanced knowledge could learn faster than others. The standardization process followed by firms may have impact on farm's soil, topography and climate. Further, if farmer follows the firm's advice The South Nyanza Sugar Company (SONY) in Kenya places strong emphasis on field extension services to its 1800 contracted farmers, at a ratio of one field officer to 65 sugar-cane growers. The extension staff's prime responsibilities are focused on the managerial skills required when new techniques are introduced toSONY's farmers. These include transplanting, spacing, fertilizer application, cultivation and harvesting practices. Also, SONY promotes farmer-training programs and organizes field days to demonstrate the latest sugarcane production methods to farmers (Eaton and Shepred, 2001). 15fully then farmer may lose his traditional skills. Farmers may have abandoned traditional cultivation methods, which will be disrupted by the innovations introduced in a contractual relationship. The patterns that emerged from the optimal utilization of locally available resources might be irreversibly lost, as farmers become used to different technologies. It will be difficult to re-establish the traditional knowledge of cultivation if in case the farmer exits or the project stopped.

IMPERFECT OF PRODUCT MARKET

When buyers or sellers cannot be sure about quality of the produce except at prohibitive cost, the market will not function efficiently, possibly not at all (Akerlof, 1970). Assume buyers (firms) and sellers (farmers) are both perfectly informed about the quality and quantity of goods being sold in the market then it becomes easier for both parties to perform their activities efficiently. If the information about quality and quantity is costly to obtain, then it is no longer plausible that buyers and sellers have the same information about goods involved in transactions. Under this circumstance the process of transaction would undermine the processes of exchange and localized markets with little rural-urban linkages emerge. Because of high information costs, a negative correlation could be generating between household's supply and effective prices at a particular time. A decrease in the market price of a commodity can be expected if all households successfully produce that commodity, whereas the opposite would occur if households cease to produce it. This creates higher variability in production and price. In this environment, farmers produce only a limited range of goods and services for their own consumption, which is not supplied by market. It could reduce the total production. Contracting may solve these problems (at least partially) by overcoming the moral hazard problems. It integrates primary supplier (farmers) with primary buyers (firms). It provides market guarantees to the farmers and assured supply to the purchasers. The empirical evidences suggest the same outcome. Evidences include; Singh (2002), Kumar (2006), Dev and Rao (2005), Tripathi et al (2005), Ramswami et al, (2005), Dileep et al, (2002) and Kumar et al, (2007). These studies found that the firms are able to increase probability of achieving proper quality and quantity of product and on the other hand it also increased the probability of getting certain quantity of produce. Because of assure market outlet for producer's commodity create incentives to increase production. It allows farmers to reduce the transaction costs of selling perishable product in uncertain or thin market by organizing transport for their crops, normally from the farm gate (Eaton and Shepred, 2001). In Andhra Pradesh, Dev and Rao (2005) found firm collects commodity from farm each village. In each village firm set up one collection centre and farmer brings commodity to collection centre at his risks. In Punjab Singh (2002), Dillip et al, (2002) and Kumar (2006) found farmers bring their commodities to factory at their own cost, which takes into account by the firms while fixing the contract price for particular region. But sometimes transportation cost is very high for contract rather 16than non-contract farmer which is observed by Dillip et al, (2002). The differences in transportation costs depend on nature of product. Contracting is most commonly practiced by food processing firms. Since their processing plants have high fixed costs, these firms have an interest in keeping raw materials inflows at a steady level close to plant capacity. The firms try to keep contracting with farmer for long run. This could help stabilize the product market. To reap benefits firms invest in export oriented crop or high value crop and internalize market to avoid the competition. Gherkin and cocoa cultivation in Andhra Pradesh and basmati rice cultivation in Punjab are classic examples. The apprehension is that it could create enormous problem in traditional food market. Total food production will be decline because of shifting form traditional crops to export oriented crops. This could lead to increase the food prices. In this environment the non-farm households will suffer who previously subsist.

Generally contract is made between one weak party (farmer) and other strong party (firm). The weaker party accepts the 'unfair' contract because it has no other option. In this circumstance farmer lose his bargaining power. Further, contracting firm increases the farmer's reliance on firm by providing some social services such as provision of free transportation rides and distribution of promotional gifts (t-shirt, caps, pencils, etc). The reliance on the firm also weakens the farmer's bargaining power. Thus it strengthens the firm's ability to exercise monopsonistic power on farmers. This monopsonistic power could be observed by looking the performance of contract agreement. For example, sometimes firms break the promise on contractual terms if market circumstances changes because of changing in government policy or if other problems arise. Since the price of contract product setup based on expectations about future market behaviour, substantial variations in the realization of the expectations lead firms to force renegotiation or to engage in contractual hold-up. A disguised form of hold-up is the rejection of products delivered, under pretext of non-conformity to quality regulations-firms might refuse to receive products as a strategy for transferring the financial losses arising from unexpected market turns to farmers (Silva, 2005). In this process producers are disadvantaged in situation, in terms of both the legal and tacit arrangements.

IMPERFECTION IN INSURANCE MARKET:

An economic agent can adopt different methods to smooth uncertain socks in future consumption. These different methods could be self-insured method and insured by other economy agent by entering into a contract. Using one's wealth to smooth uncertain shocks in income and future consumption is called self-insured mechanism. Self-insured can work through several channels. Stocks of cash or accumulated saving in banks can be run down (or added to) for the purpose. It becomes difficult for small farmers because they earn very little income form agriculture, however. The same can be done with grain stocks, although holding such stocks is costly because grain is not perfectly durable. Farm households to smooth the future consumption can adopt institutional methods of coping with risk; however, these are not available and are often costly. Further, sometimes households also find difficult to get non-institutional methods for sooth future consumption because of social stigma. Hence farmers are induced to sale their productive assets such as bullock, land and other agricultural instruments at lower market price. This affects negatively on productivity efficiency and the average output. Because of market imperfection and weak extension service farmers choose lower variability income strategies and traditional techniques of cultivation. This could also affect on productivity efficiency of farm households. Empirical evidence suggests that like most economic agents, farmers are averse to risk and are willing to pay a premium for a reduction in the risk of their income (Binswanger, 1980).

Contract farming gives higher prices to farmers through a buyer who is certain that the farmer will deliver the commodity to him. The uncertainty about sales prices is often reduced, since contract typically specify at the beginning of the growing cycle the prices to be paid at product delivery. Most empirical studies observed that contracting scheme able to reduce the price uncertainty of contract crop along with yield variability (Singh, 2002; Dileep et al, 2002; Dev and Rao, 2005; Kumar, 2006; Ramswami et al, 2005). Dileep et al, (2002) found that, it considerably reduced the yield uncertainty and completely removed the price uncertainty among its farmers, whereas it becomes very difficult in case of non-contract farmers. Nonetheless sometimes contract price becomes lower than market price, which has observed in tomato cultivation in Punjab (Dileep et al, 2002). In such situation farmer fails to obtain expected benefit. Use of fixed pricing sometimes increases processors risks and impedes schemes viability in another way- by reducing farmers' incentives to comply with their contracts. If spot prices rise above the contract price, farmer will attempt to renege on their contracts, it may lead to collapse the schemes. Singh (2002) observed that when the gap between contract price and market price is very large (3-5 times) the farmers are selling the product in outside. The contract farming system reduces moral hazard problem and enables be the firm to enforce insurance contract by monitoring the farm activities. This has been discussed earlier in credit enforcement mechanism. Although contract farming is an alternative instrument for reducing price and yield risk, however, sometimes firms cheat farmer by avoiding transparency in the price determination mechanism of the contract and utilizing the complex formula for quantity and quality measurements of commodities. In addition, long-term contracts might lead to gradually decreasing real prices received by farmers, because of monopsonistic behavior of company, which force to farmer accept lower price.

SUMMARY AND CONCLUSION

The above discussion reveals that because of poor performances of institutions agriculture is facing major crisis such as, decelerating growth, increasing numbers of farmer suicides, and widening disparities in farm incomes. Suicide is confined to certain regions and certain group of farmers who produce for market. To overcome of these problems successive central and various state governments have been undertaking an array of policy measures. Among those measures, promotion of private sector participation in agriculture through contract farming is an important one. In response to this contract farming has emerged as new institutional arrangement encompassing agriculture and industry to bring down the market uncertainties. among contract family members. Generally firms don't prefer to work with small farmers. The question is here regarding factors influences for participating in contract farming or factor induces firms to do contracting with particular section of farmers. Further, an issue given little or no attention in India is what happens to those farmers who do not get contracts. To regulate the company's activities the state can pursue some measures, which will make contracting work more smoothly to advantages of farmers.

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ANTI POVERTY PROGRAMS IN INDIA : TO REDUCE DEMOGRAPHICAL ASPECT

Pyianka Singh* Jaibeer Pratap Singh**

ABSTARCT

This paper begins some key characteristics of the demographic changes in India, which opening new economic opportunities. Child poverty rates exceed those for the whole population. The causes of poverty in India are its high population growth rate, agrarian form of economy, primitive agricultural practices, illiteracy, ignorance, unemployment, underemployment, caste based politics, urban rural divide, social iniquity and discrimination. ***Poverty*** *is widespread in India, with the nation estimated to have a third of the world's poor. Poverty is one of the main problems which have attracted attention of sociologists and economists. It indicates a condition in which a person fails to maintain a living standard adequate for his physical and mental efficiency. It is a situation people want to escape. It gives rise to a feeling of a discrepancy between what one has and what one should have. The term poverty is a relative concept. It is very difficult to draw a demarcation line between affluence and poverty. Indian government has launched various plans to eradicate poverty in India but various demographical changes which is arises a poverty problem. It is focusing on both consumption poverty and human development outcomes. The problems encountered in applying each method to anti-poverty programs in developing countries are reviewed. How community developed their practices during overlapping sources of poverty which compare poverty line effectively.*

Key Words : *Child Poverty, Urbon Poverty, Social inequety.*

INTRODUCTION

Poverty has many dimensions changing from place to place and across time. Poverty is a situation in which a person is unable to get minimum basic necessities of life, i.e. food, clothing and shelter for his or her sustenance. It is defined as the state of person or family to take care of basic needs. Such as food, clothing and housing. Denial of minimum consumption needs causes human misery. Our economic development since Independence has been lopsided .There has been increase in unemployment creating poverty like situations for many. The problem of poverty is an economic problem. It is one of the most important problems that India is facing today. Poverty is one of the important challenges in many developing countries. In past times India was known as 'Sone ki Chiriya' or 'Land of Plenty' was full of riches. But coming of the Turks, the Mughals, the Arabs, the Mongols and the British for extending their empires or for trade depleted its resources to a great extent, and today, poverty is a harsh reality for a large section of the Indian population.

There are two inter-related aspects of poverty - **Urban and rural poverty.**

Urban Poverty: The main causes of **urban poverty** are predominantly due to impoverishment of rural peasantry that forces them to move out of villages to seek some subsistence living in the towns and cities. In this process, they even lose the open space or habitat they had in villages albeit without

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food and other basic amenities. When they come to the cities, they get access to some food though other sanitary facilities including clean water supply still elude them. And they have to stay in the habitats that place them under sub-human conditions. While a select few have standards of living comparable to the richest in the world, the majority fails to get two meals a day. Urban area is also not free from poverty. Here, an acute discrimination between haves and have-nots can be seen easily. In capital city Delhi itself more than twenty per cent of the total population lives in jhuggis (slums). Unemployment, underemployment are also not absent from urban India.

Avenues of higher education are open to city dwellers, but job opportunities are not keeping pace with the number of educated people. Meaningful employment is not available to able-bodied youths. Thus unemployment persuades poverty. It is a major cause of poverty.

Rural Poverty: The causes of rural poverty are manifold including inadequate and ineffective implementation of **anti-poverty programmes**. The overdependence on monsoon with non-availability of irrigational facilities often results in crop-failure and low agricultural productivity forcing farmers in the debt-traps. The rural communities tend to spend large percentage of annual earnings on social ceremonies like marriage; feast etc. Rural India constitutes a total of 0.63 million villages with a population of 543.4 million. The basic statistics of rural areas show there is a skewed distribution of land holdings and population in the villages, while a large number of workers are landless laborers. Besides, a poor wage structure, a low level of literacy, poor health and poor infrastructure facilities contribute to the problem of poverty. In addition to the economic constraints there are religious attitudes, caste, stereotype personality patterns, prejudices, superstitions and taboos which perpetuate the ingrained social structure. All these factors hinder the pace of developmental process in rural India and plunge the society into poverty.

ANTI-POVERTY PROGRAMS

The government has initiated, sustained, and refined many programs since independence to help the poor attain self sufficiency in food production. Probably the most important initiative has been the supply of basic commodities, particularly food at controlled prices, available throughout the country.

The poor spend about 80 percent of their income on food while the rest of the population spends more than 60 percent. The price of food is a major determinant of wage scales. Often when food prices rise sharply, rioting and looting follow. Until the late 1970s, the government frequently had difficulty obtaining adequate grain supplies in years of poor harvests. Various anti-poverty programs was founded by government for reducing poverty line.

- Pradhan Mantri Gramodaya Yojana (PMGY)
- National Rural Employment Guarantee Scheme(NREGS)
- Sampoorna Gramin Rozgar Yojana (SGRY)
- Bharat Nirman Yojana
- Swarnajayanti Shahari Rozgar Yojana (SJSRY)
- Antyodaya Anna Yojana
- Annapurna Yojana
- Prime Minister's Rozgar Yojana (PMRY)

➢ PRADHAN MANTRI GRAMODAYA YOJANA (PMGY)

It was introduced in 2000 2001 with the objective of focusing on village level development in five critical areas, i.e., Primary Health, Primary Education, Housing, Rural Roads and Drinking Water and Nutrition with the overall objective of improving the quality of life of people in rural areas. Rural electrification was added as an additional component from 2001 2002. It has the following components.

- **Pradhan Mantri Gram Sadak Yojana (PMGSY): It** was launched on December 25, 2000 with the objective of providing road connectivity through good all weather roads to all rural habitations with a population of more than 1000 persons by the Year 2003 and those with a population of more than 500 persons by the Year 2007.
- **Pradhan Mantri Gramodaya Yojana (Gramin Awas):** Launched on April 1, 2000. Based on the pattern of Indira Awas Yojana, the scheme is being implemented in the rural areas throughout the country with the objective of sustainable habitat development. As well as Pradhan Mantri Gramodaya Yojana (Rural Drinking Water Project).

➢ NATIONAL RURAL EMPLOYMENT GUARANTEE SCHEME(NREGS)

It was launched on February 2, 2006. The on going programs of Sampoorna Grameen Rozgar Yojana (SGRY) and National Food for Work Programme (NFFWP) were subsumed within the NREGS in the 200 districts identified in the initial stage. All the districts in the country are covered under the scheme now. The features of the scheme are :

- State Government to provide at least 100 days of guaranteed wage employment in every financial Year to every household whose adult members volunteer to do unskilled manual work.
- Until such time as a wage rate is fixed by the Central Government, the minimum wage for agricultural laborers shall be applicable for the scheme.
- An applicant not provided employment within fifteen days, to be entitled to a daily unemployment allowance as specified by the State Government subject to its economic capacity, provided such rate is not less than quarter of the wage rate for the first thirty days during the financial Year and not less than a half of the wage rate for the remaining period of the financial Year.

➢ SAMPOORNA GRAMIN ROZGAR YOJANA (SGRY)

It was started on September 25, 2001, with the mergence of the Employment Assurance Scheme (EAS) and the Jawahar Gram Samriddhi Yojana (JGSY). Earlier Jawahar Rozgar Yojana, which started in 1989, was merged with Jawahar Gram Samriddhi Yojana. This scheme has been subsumed in National Rural Employment Guarantee Scheme.

➢ BHARAT NIRMAN YOJANA

Accepting the policy 'a step towards village', Union Government launched a new scheme, named 'Bharat Nirman Yojana' on December 16, 2005.

This scheme aims at developing rural infrastructure. The duration of implementing this scheme has been determined for four Years with the expected expenditure of 1,74,000 crore. The major six sectors and their targets for next four Years are :

- **Irrigation :** To ensure irrigation for additional one crore hectare of land by 2009.
- **Roads :** To link all villages of 1,000 populations with roads and also to link all ST and hilly villages up to 500 populations with roads.
- **Housing :** Construction of 60 lakh additional houses for the poor.
- **Water Supply :** To ensure drinking water to all remaining 74,000 villages.
- **Electrification :** To supply electricity to all remaining 1,25,000 villages and to provide electricity connection to 2.3 crore houses.
- **Rural Communication :** To provide telephone facility to all remaining 66,822 villages.

➢ SWARNAJAYANTI SHAHARI ROZGAR YOJANA (SJSRY)

The SJSRY came into operation in December 1997, through a restructuring and streamlining of the earlier urban poverty alleviation programs, the Nehru Rozgar Yojana (NRY), the Urban Basic Services for the Poor (UBSP) and the Prime Ministers Integrated Urban Poverty Alleviation Programme (PMIUPEP). It seeks to provide employment to the urban employed or underemployed living below poverty line and educate up to IX standard through encouraging the setting up of self employment ventures or provision of wage employment. It is funded by the Centre and States on 75: 25 bases.

➢ ANTYODAYA ANNA YOJANA

Launched on December 25, 2000, the scheme aims at providing food security to poor families. The Scheme contemplates identification of 10 million poorest of the poor families and providing them with 35 kg of food grains per family per month at a low price of 2 per kg of wheat and 3 per kg for rice.

➢ ANNAPURNA YOJANA

Inaugurated on March 19, 1999. Initially the scheme provided 10 kg food grains to senior citizens who were eligible f0r old age pension but could not get it due to one reason or the other. Later on, it was extended to cover those people also who get old age pensions. Food grains are provided to the beneficiaries at subsidized rates of 2 per kg of wheat and 3 per kg of rice.

➢ PRIME MINISTER'S ROZGAR YOJANA (PMRY)

The scheme was launched on October 2, 1993 and initially was in operation in Urban areas From April 1, 1994, the scheme is being implemented throughout the country. Under this scheme every selected educated unemployed youth in the age group of 18 35 Years and having family income below 40,000 is provided a loan of up to 1 lakh for opening his own enterprise and 2 lakhs for other activities. Projects involving two or more than two partners may be given a loan up to 10 lakhs. Under this scheme, 15% of the total project cost (maximum 15,000) is given to the beneficiary as subsidy. 5% of equity is to be invested by the beneficiary himself and the remaining cost of the project is financed by the concerned bank. The entrepreneurs of these tiny units are provided adequate training and also given assistance of raw material and marketing, if required. Micro enterprises from commercial sector should not comprise more than 30 percent. This scheme is being administered by Union Industry Ministry. SC/ST and other backward classes.

According to the Human Development Report of 1977, poverty is the denial of opportunities, to lead a long, healthy creative life and to enjoy a decent standard of living, freedom, dignity, self-respect and the respect of others.

Hungers are the extreme situation of poverty. Poverty is generally characterized as a state of deprivation, dependence and degradation below physically and socio-culturally acceptable norms or standards set by a society or nation. It is associated with a minimum level of living for its population.

DEMOGRAPHIC IMPACT IN INDIA

Demographical aspect highlights the demographical change in India. It pointed out the population projection, religious majority, infant mortality trend, population within the age group, literacy rate, language etc.

RELIGIOUS DEMOGRAPHICS

Religious majorities vary greatly by state. The table below summarizes the findings of the 2001 census with regard to religion in India :

Census information for 2001							
Composition	Hindus[27]	Muslims[28]	Christians[29]	Sikhs[30]	Buddhist[31]	Jains[32]	Others[33]
% total of population 2001	80.5%	13.4%	2.3%	1.9%	0.8%	0.4%	0.6%
10-Yr Growth % (est '91–'01)	20.3%	29.5%	22.6%	18.2%	24.5%	26.0%	103.1%
Sex ratio† (avg. 944)	935	940	1009	895	955	940	1000
Literacy rate (71.7% for Age 7 & above)	75.5	60.0	90.3	70.4	73.0	95.0	50.0
Work Participation Rate	40.4	31.3	39.7	37.7	40.6	32.9	48.4
Rural sex ratio	944	953	1001	895	958	937	995
Urban sex ratio	922	907	1026	886	944	941	966
Child sex ratio (0–6 yrs)	925	950	964	786	942	870	976

LITERACY RATE

The right to education is a fundamental right. The bulk of Indian illiterates live in the country's rural areas, where social and economic barriers play an important role in keeping the lowest strata of society illiterate. **Literacy in India** is key for socio-economic progress. Poverty line higher in comparison of total population line. In 2000 total population rate is 26.1% and 2001 total literacy rate is 82%. This report shows that urban growth, which has increasingly outpaced growth in rural areas, has helped to reduce poverty for urban residents directly. In addition, evidence appears of a much stronger link from urban economic growth to rural poverty reduction. Stronger links with rural poverty are due to a more integrated economy.

Urban areas are a demand hub for rural producers, as well as a source of employment for the rural labor force. They are aiding the transformation of the rural economy out of agriculture. In urban areas, it is small and medium-size towns, rather than large cities, that appear to demonstrate the strongest urban-rural growth links. Urban growth also stimulates rural-urban migration. But although some increase in such migration has occurred over time, migration levels in India remain relatively low compared to other countries.

As per Population Census of India 2011, the **Literacy rate of India** has shown as improvement of almost 9 percent. It has gone up to 74.04% in 2011 from 65.38% in 2001, thus showing an increase of 9 percent in the last 10 years. It consists of male literacy rate 82.14% and female literacy rate is 65.46%.

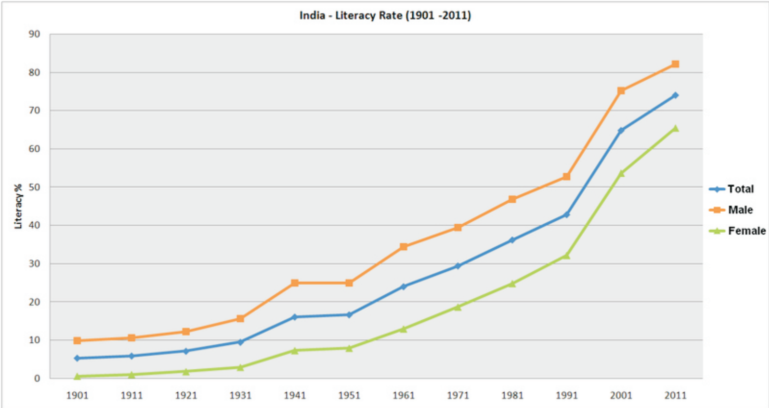
Government of India has taken several measures to improve the literacy rate in villages and towns of India. State Governments has been directed to ensure and improve literacy rate in districts and villages where people are very poor. There has been a good improvement in literacy rate of India in last 10 years but there is still a long way to go.

LIST OF STEPS TAKEN BY GOVERNMENT OF INDIA TO IMPROVE LITERACY RATE IN INDIA :

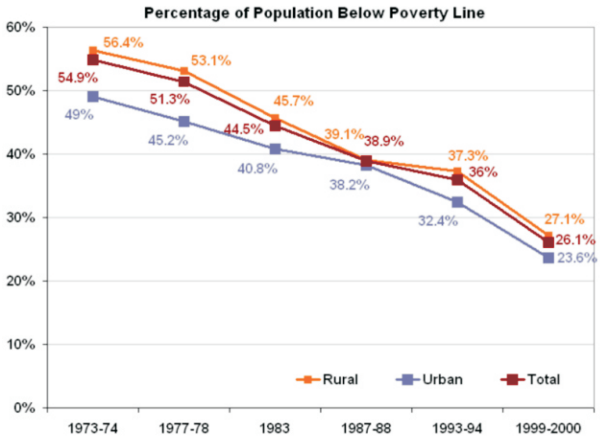
- Free education programs to poor people living in villages and towns.
- Setting up of new school and colleges at district and state levels.
- Several committees have been formed to ensure proper utilization of funds allotted to improve literacy rate.

Ranking of States in India by Literacy Rate

S.No	State	Literacy Rate (2011 Census)	Male Literacy Rate (2011 Census)	Female Literacy Rate (2011 Census)
1	Andaman & Nicobar Islands	86.3%	90.1%	81.8%
2	Andhra Pradesh	67.7%	75.6%	59.7%
3	Arunachal Pradesh	67.0%	73.7%	59.6%
4	Assam	73.2%	78.8%	67.3%
5	Bihar	63.8%	73.5%	53.3%
6	Chandigarh	86.4%	90.5%	81.4%
7	Chattisgarh	71.0%	81.5%	60.6%
8	Dadra & Nagar Haveli	77.7%	86.5%	65.9%
9	Daman & Diu	87.1%	91.5%	79.6%
10	Delhi	86.3%	91.0%	80.9%
11	Goa	87.4%	92.8%	81.8%
12	Gujarat	79.3%	87.2%	70.7%
13	Haryana	76.6%	85.4%	66.8%
14	Himachal Pradesh	83.8%	90.8%	76.6%
15	Jammu and Kashmir	68.7%	78.3%	58.0%
16	Jharkhand	67.6%	78.5%	56.2%
17	Karnataka	75.6%	82.8%	68.1%
18	Kerala	93.9%	96.0%	92.0%
19	Lakshadweep	92.3%	96.1%	88.2%
20	Madhya Pradesh	70.6%	80.5%	60.0%
21	Maharashtra	82.9%	89.8%	75.5%
22	Manipur	79.8%	86.5%	73.2%
23	Meghalaya	75.5%	77.2%	73.8%
24	Mizoram	91.6%	93.7%	89.4%
25	Nagaland	80.1%	83.3%	76.7%
26	Orissa	73.5%	82.4%	64.4%
27	Puducherry	86.5%	92.1%	81.2%
28	Punjab	76.7%	81.5%	71.3%
29	Rajasthan	67.1%	80.5%	52.7%
30	Sikkim	82.2%	87.3%	76.4%
31	Tamil Nadu	80.3%	86.8%	73.9%
32	Tripura	87.8%	92.2%	83.1%
33	Uttar Pradesh	69.7%	79.2%	59.3%
34	Uttarakhand	79.6%	88.3%	70.7%
35	West Bengal	77.1%	82.7%	71.2%
-	**INDIA**	74.04%	82.14%	65.46%



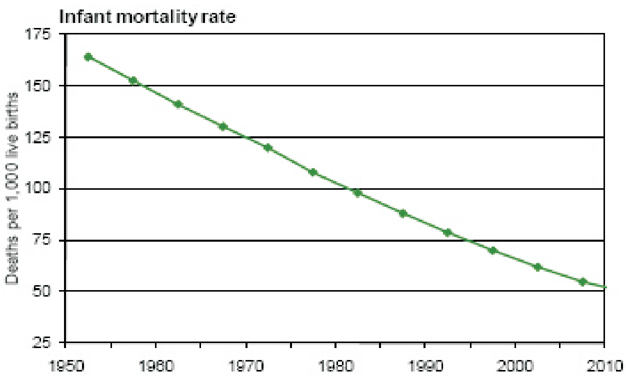
Youth literacy rate in 2001 is 82% and adult literacy rate is 74.04%. Female literacy rate being lower at 54.2% in compare of male. Total literacy rate in 2011is 75.06%.

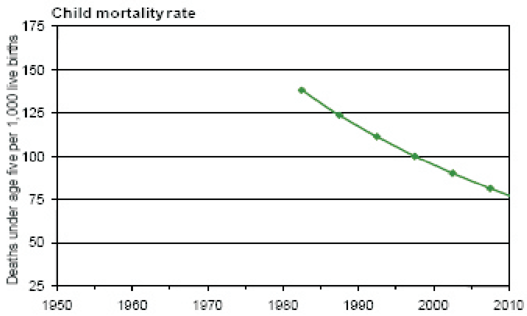


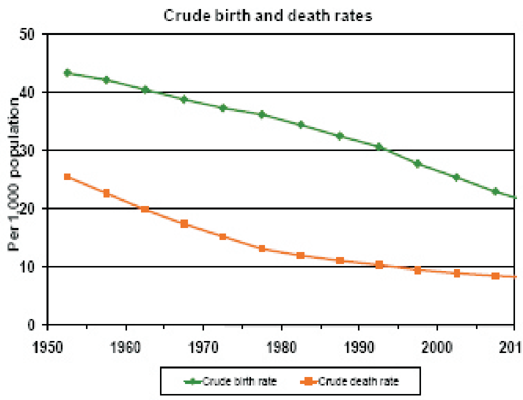
Data Source: Ministry of Statistics and Program Implementation, Government of India. Central Statistical Organization (http://mospi.nic.in/mospi_cso_rept_pubn.htm)

CHILD MORALITY

The number of poor in India would increase by 35 million by March 2011, a panel of Union ministers on National Food Security law has been told.







Morality and fertility changes in the age structure of India's population 70% over 165 death per thousand live birth but fertility rate decline sharply approximately 6 children per women in 1950 and 2.7 children per women today's. The population growth rate, after peaking late 1970 at about 2.3% per year has fallen to 1.4% in 2010.

POPULATION RATE

Census	Pop.	% ±
1951	361,088,000	—
1961	439,235,000	21.6%
1971	548,160,000	24.8%
1981	683,329,000	24.7%
1991	846,387,888	23.9%
2001	1,028,737,436	21.5%
2011	1,210,193,422	17.6%
Source:Census of India		

Every year, India adds more people than any other nation in the world, and in fact the individual population of some of its states is equal to the total population of many countries. **India's rapidly growing population** are poverty, illiteracy, high fertility rate, rapid decline in death rates or mortality rates and immigration from Bangladesh and Nepal. Alarmed by its swelling population, India started taking measures to stem the growth rate quite early. In fact India by launching the National Family Planning programme in 1952 became the first country in the world to have a population policy. The family planning programme yielded some noticeable results, bringing down significantly the country's fertility rate. In 1965-2009, the contraceptive usage more than tripled and the fertility rate more than halved. The efforts did produce positive results, however, failed to achieve the ultimate goal and the population of India since getting independence from Britain in 1947 increased almost three times. Whereas India has missed almost all its targets to bring the rate of population growth under control, China's 'One Child Policy' in 1978, has brought tremendous results for the latter. The policy claims to have prevented between 250 and 300 million births from 1978 to 2000 and 400 million births from 1979 to 2010.

Rank	State or union territory	Population (2011)	% [21]	Rural Pop.[22]	Urban Pop.[22]	Area km^2[23]	Density (per km^2)	Area mi^2	Density (per mi^2)	Sex ratio[24]
1	Uttar Pradesh	199,581,520	16.49%	131,658,339	34,539,582	240,928	828	93,022.8	2146	908
2	Maharashtra	112,372,972	9.29%	55,777,647	41,100,980	307,713	365	118,808.7	815	925
3	Bihar	103,804,637	8.58%	74,316,709	8,681,800	94,163	1,102	36,356.5	2,855	916
4	West Bengal	91,347,736	7.55%	57,748,946	22,427,251	88,752	1,030	34,267.3	2,666	947
5	Andhra Pradesh	84,665,533	7.00%	55,401,067	20,808,940	275,045	308	106,195.5	797	992
6	Madhya Pradesh	72,597,565	6.00%	44,380,878	15,967,145	308,245	236	119,014.1	610	930
7	Tamil Nadu	72,138,958	5.96%	34,921,681	27,483,998	130,058	555	50,215.7	1,437	995
8	Rajasthan	68,621,012	5.67%	43,292,813	13,214,375	342,239	201	132,139.2	519	926
9	Karnataka	61,130,704	5.05%	34,889,033	17,961,529	191,791	319	74,050.9	826	968
10	Gujarat	60,383,628	4.99%	31,740,767	18,930,250	196,024	308	75,685.3	798	918
11	Orissa	41,947,358	3.47%	31,287,422	5,517,238	155,707	269	60,118.8	698	978
12	Kerala	33,387,677	2.76%	23,574,449	8,266,925	38,863	859	15,005.1	2,225	1,084
13	Jharkhand	32,966,238	2.72%	20,952,088	5,993,741	79,714	414	30,777.7	1071	947
14	Assam	31,169,272	2.58%	23,216,288	3,439,240	78,438	397	30,285.1	1029	954
15	Punjab	27,704,236	2.29%	16,096,488	8,262,511	50,362	550	19,444.9	1,425	893
16	Haryana	25,353,081	2.09%	15,029,260	6,115,304	44,212	573	17,070.3	1,485	877
17	Chhattisgarh	25,540,196	2.11%	16,648,056	4,185,747	135,191	189	52,197.5	489	991
18	Jammu and Kashmir	12,548,926	1.04%	7,627,062	2,516,638	222,236	56	85,805.8	146	883
19	Uttarakhand	10,116,752	0.84%	6,310,275	2,179,074	53,483	189	20,649.9	490	963
20	Himachal Pradesh	6,856,509	0.57%	5,482,319	595,581	55,673	123	21,495.5	319	974
21	Tripura	3,671,032	0.30%	2,653,453	545,750	10,486	350	4,048.7	907	921
22	Meghalaya	2,964,007	0.24%	1,864,711	454,111	22,429	132	8,659.9	342	986
23	Manipur[a]	2,721,756	0.22%	1,590,820	575,968	22,327	122	8,620.5	316	987
24	Nagaland	1,980,602	0.16%	1,647,249	342,787	16,579	119	6,401.2	309	931
25	Goa	1,457,723	0.12%	677,091	670,577	3,702	394	1,429.4	1020	968
26	Arunachal Pradesh	1,382,611	0.11%	870,087	227,881	83,743	17	32,333.4	43	920
27	Mizoram	1,091,014	0.09%	447,567	441,006	21,081	52	8,139.4	134	975
28	Sikkim	607,688	0.05%	480,981	59,870	7,096	86	2,739.8	222	889
UT1	Delhi	16,753,235	1.38%	944,727	12,905,780	11,297	9,340	572.6	29,258	866
UT2	Pondicherry	1,244,464	0.10%	325,726	648,619	479	2,598	184.9	6,730	1,038
UT3	Chandigarh	1,054,686	0.09%	92,120	808,515	114	9,252	44.0	23,970	818
UT4	Andaman and Nicobar Islands	379,944	0.03%	239,954	116,198	8,249	46	3,185.0	119	878
UT5	Dadra and Nagar Haveli	342,853	0.03%	170,027	50,463	491	698	189.6	1,808	775
UT6	Daman and Diu	242,911	0.02%	100,856	57,348	112	2,169	43.2	5,623	618
UT7	Lakshadweep	64,429	0.01%	33,683	26,967	32	2,013	12.4	5,196	946
Total	**India**	**1,210,193,422**	**100.00%**	**742,490,639**	**286,119,689**	**3,287,240**	**382**	**1,269,210.5**	**954**	**940**

FINDING

Around 21,000 children die every day around the world. The silent killers are poverty, easily preventable diseases and illnesses, and other related causes. There are many inter-related issues causing hunger, which are related to economics and other factors that cause poverty. Poverty is the state for the majority of the world's people and nations. In the face of such enormous external influence, the governments of poor nations and their people are often powerless. As a result, in the global context, a few get wealthy while the majority struggle.

India, with 1,220,200,000 (1.22 billion) people is the second most populous country in the world, while China is on the top with over 1,350,044,605 (1.35 billion) people. The figures show that India represents almost 17.31% of the world's population, which means one out of six people on this planet live in India. Although, the crown of the world's most populous country is on China's head for decades, India is all set to take the numerous no positions by 2030.

With the population growth rate at 1.58%, India is predicted to have more than 1.53 billion people by the end of 2030.

India's Population 2012

Current Population of India in 2012	**1,220,200,000 (1.22 billion)**
Total Male Population in India	**628,800,000 (628.8 million)**
Total Female Population in India	**591,400,000 (591.4 million)**
Sex Ratio	**940 females per 1,000 males**
Age structure	
0 to 25 years	**50% of India's current population**
Currently, there are about 51 births in India in a minute.	
India's Population in 2011	**1.21 billion**
India's Population in 2001	**1.02 billion**
Population of India in 1947	**350 million**

More than 50% of **India's current population** is below the age of 25 and over 65% below the age of 35. About 72.2% of the population lives in some 638,000 villages and the rest 27.8% in about 5,480 towns and urban agglomerations. The birth rate (child births per 1,000 people per year) is 22.22 births/1,000 population (2009 est.) while death rate (deaths per 1000 individuals per year) is 6.4 deaths/1,000 population. Fertility rate is 2.72 children born/woman (NFHS-3, 2008) and Infant mortality rate is 30.15 deaths/1,000 live births (2009 estimated). India has the largest illiterate population in the world. The literacy rate of India as per 2001 Population Census is 65.38%, with male literacy rate at 75.96% and female at 54.28%. Kerala has the highest literacy rate at 90.86%, Mizoram (88.80%) is on the second position and Lakshadweep (86.66%) is on third."The Planning Commission, as the nodal agency in the government to estimate poverty, computes the head count poverty ratio once every five years approximately on the basis of data on Monthly Per Capita Consumption Expenditure (MPCE) obtained from the Large Sample Survey on Household Consumption Expenditure conducted by the National Sample Survey Office.

CONCLUSION

In this paper to study about demographical changes in India. Poverty is a denial of choices and opportunities, a violation of human dignity. It means lack of basic capacity to participate effectively in society. It means not having enough to feed and clothe a family, not having a school or clinic to go to, not having the land on which to grow one's food or a job to earn one's living, not having access to credit. It means insecurity, powerlessness and exclusion of individuals, households and communities. It means susceptibility to violence, and it often implies living in marginal or fragile environments, without access to clean water or sanitation.

Poverty is pronounced deprivation in well-being, and comprises many dimensions. It includes low incomes and the inability to acquire the basic goods and services necessary for survival with dignity. Poverty also encompasses low levels of health and education, poor access to clean water and sanitation, inadequate physical security, lack of voice, and insufficient capacity and opportunity to better one's life. The supply of basic needs can be restricted by constraints on government services such as corruption, debt and loan conditionality's and by the brain drain of health care and educational professionals.

This paper has highlighted some key characteristics of the demographic transition and anti poverty programs and their relation to household poverty status in India. Total fertility rates have declined for the country as a whole and for all states over the last three censuses of India. "As per the latest estimates, the head count poverty ratio for the year 2004-05 at the all-India level is 37.2 per cent," Every year, India adds more people than any other nation in the world, and in fact the individual population of some of its states is equal to the total population of many countries. Population of India in 2010 is around 1,150,000,000 (1.15 billion) people and in 2011, the total number of people living in India has been estimated at 1,210,193,422 (1.21 billion). The problem of poverty persists because of a number of leakages in the system means the lack of transparency and accountability has hampered our economic development at all levels that the reason 42% of people in rural areas and 26% of people in urban areas lived below the poverty line in 2004-05. To know the literacy is another proper indicator of economic development. As per Population Census of India 2011, the **Literacy rate of India** has shown as improvement of almost 9 percent. It has gone up to 74.04% in 2011 from 65.38% in 2001, thus showing an increase of 9 percent in the last 10 years. It consists of male literacy rate 82.14% and female literacy rate is 65.46%. This paper aim to highlighted literacy rate, population rate, death rate, anti poverty programs which affected form demographical aspects.

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QUALITATIVE AND SUSTAINABLE ASPECT OF SELF HELP GROUPS:A CASE STUDY OF KARBI ANGLONG DISTRICT OF ASSAM, INDIA

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ABSTARCT

A Self Help Group (SHG) is a set of people coming together to work for common purpose. S.H.G is a small, economically homogenous affinity group for resource poor people, voluntarily formed to save small amount, convenient to all the members who mutually agree to contribute to a common fund and lend it to the members as per the decision of the group to meet the emergent consumption and production needs.

72% of the total population of our country lives in rural area and in our state, Assam, the picture is not different, most of the rural people are unemployed. Various program such as NREP, TRYSEM, Development of Women and children in rural areas (DWCRA) as well as Million Well Scheme (MWS) etc were undertaken by the Government during 80's in order to alleviate poverty and increase employment opportunities by making the people self dependent. But most of the programs have failed to bring a desirable change in the living condition of the poor. The Self Help Group Scheme is one of these measures started in the year 1992 with the introduction of Bank linkage programs by the NABARD from 1992 till date it has come a long way to great extent in serving the purpose.

The S.H.G's especially focuses on weaker section to provide new employment from different socio-economic sectors to bring into the mainstream of development and improving their economic status. In the words of Prof. Yunus, they are the social business entrepreneurs who are running their enterprise not for profit or loss.

Though the SHG emerged in India at around 1985, the Bank Linkage program of SHG's was introduced in 1992 by NABARD as a modest pilot project of linking 500 SHGs. In the first year 266 numbers of SHGs were given loans from the banks and subsequently it was increased to 600 in the second and 2700 in the third year. By witnessing the grand success of the scheme, the RBI consulting with NABARD directed to implement the SHG scheme across the country. The concept of SHGs got a major impetus after the launching of Swarnajayanti Gram Swarozgar Yojana (SGSY) by the government of India in 1999 aiming to bring families above poverty line by increasing a sustainable level of income. Till the year 2008, 5 million SHG were found in India, out of which 90,000 belongs to Assam.

Key Words : *Migration, OLS technique, rural remittances.*

RATIONAL OF THE STUDY

The SHGs are playing a very important role for the promotion and transformation of the Socio-Economic condition of the Poor people in the district, SHGs mobilize the social resources and creates

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employment opportunities and empower members which improve their socio-economic status.

The numbers of unemployed youths are increasing day by day in the district; Self Help Group may provide employment to the youth. Moreover unemployed housewives and farmer are participating actively in the group, the SHGs, are not only creating the income for their families but also framing the habit of saving among the poor.

In spite of improvement in their quality of SHGs, there are some stories of failure also, so the study is related to the all possible qualities and sustainability aspect of SHGs, in Karbi Anglong.

AREA OF STUDY

The area of present study is confined to the three blocks out of 11 blocks of Karbi Anglong district in Assam. The blocks that selected are Lumbajong, samelangso and langsomepi. From the three blocks four villages from each block and three SHG from each village are selected. Total data/information's collected from 36 SHGs leaving first six as they were collected as practice to the investigators, 30 SHGs data are used in the study.

OBJECTIVE OF THE STUDY

The major objective of the study is to understand the critical factors of qualitative and sustainable aspect of S.H.Gs' in Karbi Anglong. The specific of the study are:

1. To know the quality of S.H.Gs' in the study area.
2. To identify the different issue involved in the development of S.H.Gs'.
3. To examine the sustainability of SHG in the study area.
4. To suggest measure for improvement of equality function of SHGs in the study area,

QUALITY AND PERFORMANCE OF SHGS

In this study, every single SHG is rated using the Critical Rating index (CRI) of NABARD. The CRI consists of two sets of variables and they are governing the systems related varieties and financial variables.

According to the aggregate score, each SHG is assigned Grade-I and Grade-II Following table represents the block and grade wise distribution of the group in percentage.

Table1: ***Block and Grade-wise distribution of SHGs***

Sl No.	Grade	Lumbajong	Samelangso	Langsomepi	Total
1	Grade-I	26	24	18	22.7
2	Grade-II	74	76	82	77.3
3	Total in %	100	100	100	100
Total in Numbers		12	7	11	30

These grades imply that the quality of groups in the district is very poor. Some of the possible reasons for such grades are found as---Some of the bankers and almost all NGOs interviewed said that DRDA is misdirecting the whole SHG movement, shifting people's attention towards easy money of subsidies. Even the grassroots functionaries of DRDA said that people's attitude, i.e., attraction towards short term gains is major hurdle in the program. Many NGOs and even senior bank officials said that groups break down immediately after getting economic profit and start anew group to get another dose of subsidy.

AGE OF GROUPS

The quality of the SHG declined with the age of the groups. Normally the quality is quite significantly higher in the old age SHGs, the reason behind the phenomena is very clear that the old SHGs are very serious groups in work and they are fittest in the survival sense.

Table2 : ***Age and Grade-wise distribution of the group in %***

Sl No.	Grades	1 year	1-5 years	Over 5 Years	Total
1	Grade-I	3	21	4	9.3
2	Grade-II	97	79	96	90.7
3	Total in %	100	100	100	100
	Total in No	12	8	10	30

BANKS AND SHGS

There is much impact of the rural banks in quality improvement of the SHGs in the sample blocks. There are 34 rural bank branches of Langpi Dehangi Rural Bank operating in the district. Besides the LDRB some other nationalized banks such as CBI, SBI and UBI are also extending their helping hands in maintaining the quality of SHGs in the districts.

FUNDING OF THE SHGS

There are various funding options available for SHGs as

(i) weekly/Monthly Contribution of Group members, (ii) Group Revolving Fund, (iii) Loan from Financial Institutions.

LOANS TO MEMBERS

Out of 30 sample group, 27 groups lent loan to the members. 90% of groups are provided loan to their members from the own fund or banks fund like NGO, Corporation, etc which provide loans to the members.

Table 3 : *Promoter and District-wise member of groups to whom loans are provided in number*

Sl No.	Promoters	Lumbajong	Samelangso	Langsomep i	Total
1	Bank	2	1	2	5
2	DRDA	2	3	2	7
3	NGO	4	4	2	10
4	Community	2	2	1	5
	Grand Total	10	10	7	27

DEVELOPMENTAL CHANGES OF SHG'S

The groups are following some criteria on sanctioning loan to its members. The table shows some criteria that has been followed on sanctioning loans

Table 4 : ***No. of group employing different criteria in sanctioning loan in no.***

Sl No.	Criteria	Internal Funds	External Funds
1	Equal Distribution	2	5
2	Loan Absorption Capacity	3	2
3	Based on saving	3	5
4	Repaying capacity	6	2
5	Purpose/Need	10	11
6	Additional Funds to leaders	-	1
7	Members' loan outstanding	6	2
8	Group activity	-	1
9	Other	-	3
	Total	30	30

GROUP FUNCTIONING

In this study the frequency of meeting is divided into three frequencies of the management viz. weekly, fortnightly and monthly. The following table shows the distribution of the groups as per frequency of the meeting in percentage.

Table 5 : ***Distribution of the SHGs in%***

Sl No.	Frequency	Lumbajong	Samelangso	Langsomepi	Average
1	Weekly	20	36	8	21.33
2	Fortnightly	21	10	11	14
3	Monthly	59	54	81	64.67
Grand total		100	100	100	100

RECORD MAINTAINING

Most of the sample groups are maintaining seven types of books as well as record. Minute books are maintained by all groups. 94% groups are maintaining saving ledger which is the second most important document. A proportion of groups maintaining all types of books and record are shown with the help of the following table.

Table 6 : *Record Maintenance*

Sl No.	Types of book	Lumbajong	Samelangso	Langsomepi	Total
1	Minute Book	100	100	100	100
2	Saving Ledger	94	96	92	94
3	Loan Ledger	76	94	96	89
4	Cash Transaction	46	72	90	69
5	Members Pass Book	82	68	74	75
6	General Ledger	22	26	24	24
7	Receipt & payment	9	10	13	11

GROUP'S NORMS AND PRACTICES

In all, 20 sample groups have norms for not attending the groups meetings. 10 groups are implementing the norms, 19 groups have norms on delay in saving and 11 are practicing it. 24 SHGs have norms about loan repayment and only 6 groups are implementing the norms.

LEADERSHIP ROTATION

Out of 30 groups, 26 groups have the leadership rotation. The leadership rotation is high in the Lumbajong block. All the leaders of SHGs are not changed in a short time. The reason may be cited as under:

1. It is not easy to handle the work of groups since they are not well qualified.
2. Other members are quite engaged in their family work and they cannot spare time for the group-work.
3. The change of leaders is not accepted by the all members of the SHGs.
4. The new members may misuse the funds.

MONITORING

Since the success of any SHG activities largely depends upon close contact, it is very essential for a monitoring mechanism to look into the following aspects:

1. Maintaining of Accounts.
2. Monitoring is done by regular meetings and cohesiveness of the group.
3. By repaying the bank loan.
4. By marketing linkage and exposure
5. Involvement in social services and general welfare activities of the community concern.

ECONOMIC AND SOCIAL CHANGE

Income of members of the sample groups increases a lot. Though there is decreased in income and without any change of the economic conditions of the members are also seen in the sample blocks. Members of 85% groups felt that their leadership qualities have improved and 80% groups have improved their support and interaction with the government officials. 73% felt a decline in family budget on education. An increase expenditure on food has been experienced by 72% groups. Some groups did not experience any change in almost all the indicators.

The following Table indicates the economic and social change in percentage.

Table 7 : *Economic and Social Change in Percentage*

SL No.	Indicator	Increase	Decreased	No Change	Total
1	Income	85	2	13	100
2	Credit available	94	-	6	100
3	Interest Burden	4	78	18	100
4	Saving Habit	98	-	2	100
5	Expenditure on Food	72	2	26	100
6	Expenditure of education	73	1	26	100
7	Expenditure of Health	62	1	37	100
8	Dependence on Money lenders	2	79	19	100
9	Family Dept	10	76	14	100
10	Leadership of Women	82	5	13	100
11	Interaction with Govt. Official	80	8	12	100

SUSTAINABILITY OF SHG'S

The Concept of Sustainability arose in response to economic growth models that characterized development appreciation towards SHGs.

For sustainability and strengthening of SHG movement in the state SHG federations could be effective tool. The federation could promote SHGs in underserved pockets and communities in their operational area and could promote and manage quality in SHGs, through monitoring, auditing and introducing mechanisms for self regulation etc.

RECORD KEEPING

As a starting point for financial analysis, we had to look at group records. Based on an audit exercise at each group, it is found that 10% of SHGs have good quality records complete and up-to-date with virtually no errors, another 25% have records of moderate quality were mostly up-to-date, though with some errors. A significant proportion of sample groups (30%) have weak records - over half the sample of Lumbajong block.

EQUITY IN SHGS

All the members of an SHG save the same amount at each meeting. The question of equity refers to whether access to available credit is equitable. Equality of credit access was found in 90% of the sample. This can simplify accounting (since repayments are the same for everyone in the group) and serve to reduce conflict especially when larger sums (bank loans) are involved.

DEFAULTS AND RECOVERIES

There are two stages of recovery of loan repayment followed by the members of SHGs. The first stage is by members to the SHG and the second stage by the SHG to the bank. Analysis of sample block at Lumbajong shows 25% of borrowers were more than three months back on repayments, of whom 6% were more than twelve months back. Default as 12 months was significantly higher for very poor and poor borrowers at 9-10% compared to borderline (5%) and non-poor (2%) borrowers.

SUSTAINABILITY OF FINANCIAL VALUE

The financial sustainability of an SHG lies mainly dependable on its repayment patterns. The SHGs gain access to bigger loan amounts only when they make timely repayments to banks. The ability to make timely repayments to banks, in turn, depends on the repayment patterns of the members, as per pressure alone is not always enough to ensure that members repay on time.

OBSTRUCTION TO THE SHG'S

The SHGs movements have strong support from the bank NABARD, NGO, DRDA etc and members. They are proactive in promoting the groups. The SGHs movement is obstructed by lack of integration, some limitations on institutional levels and some other bars. We have tried to make some highlights on these obstructions in the movement of SHGs.

LACK OF INTEGRATION

The main reason for the present problem of SHGs movement in the state is integration of two incompatible program i.e. SHGs banking program and SGSY Program.

DUE TO BRIBES

Bribe is one of the corrupt practices on the field of SHGs, movement. Out of 30 sample groups, 16 groups had to pay bribe to different promoters, but it is not possible to describe the bribe amount that the groups paid bribes to the particular promoter.

ATTENTION TOWARDS EASY MONEY

SGSY program is aimed at poverty alleviation through the promotion of entrepreneurship and self-employment with capital subsidy. To get subsidy under SGSY, a group is ready to spend anything between one third and one half of the subsidy amount.

LIMITATIONS IN INSTITUTIONAL LEVEL

It is seen that many non members are joining the groups because of the revolving fund and subsidy attraction, the field official's are working mechanically, the field staff was not provided with sufficient capacity building inputs, often the focused income generating activities (IGA) especially animal husbandry, are less scope for value adding; mostly traditional; actually require less than sanctioned money and requires less skill up-gradation than the budgeted/provided, In many instances, marketing was not considered as an integral part of the whole process.

SHG LEVEL LIMITATIONS

The groups are operating with minimum CB inputs. The groups' focus appears to be on getting grants and subsidies and earning high interest income through lending to members and non members. Groups, apparently, are not focusing on meeting credit needs of members, especially the non-productive needs of the members, but focusing on earning high interest incomes.

OTHER OBSTRUCTIONS

There is necessity to promote federation apart from strengthening SHGs. SHGs should take up issues which the SHGs can not take up individually. At present the district does not have so many federations. The existing federations are more of commodity aggregators or unregistered companies as producers.

CONCLUSION

The quality of SHGs is quite low in the district compare to other studies of the region. The quality of the SHGs does not follow any definite pattern; however, the quality of groups would be high if the banking service is closer and co-operative, if communication points are closer. It is seen that the quality of groups are declined with the aging of groups.In the performance of SHGs the groups were moderately flushed with funds. The groups got grants and satisfactory subsidies too. However the banks appear to be sucking funds from the SHG.

The self or community promoted groups appears to be in the forefront of various corrupt practices, followed by DRDA groups. we can have a lasting and multiple benefits to save groups from this corrupt practices and to strengthen SHGs by launching programs applying the code of rule of SGSY program and these programs has to be separated completely from normal group bank linkage programs. A minimum of 70% groups experienced increase in saving habit or credit availability, increase in income, and decline in family debts and depends on money lenders. However, relatively a fewer groups reported increase in expenditure on food, education and health There is a requirement of review on the part of NABARD about its promotion support amount i.e. promotional funds and other terms and conditions and co-ordination between funding and CB support.

The condition of SHGs in the district is far from satisfaction. The prime reason is the integration of two incompatible programs they are SGH-banking and SGSY programs. In SGSY, the groups have to make a number of visits to the banks and dealing with officers to have grants or subsidy. The members usually pocket the loan component and disband the group to get their own share in the easy money. For this reason, the recovery of SGSY loans is not only low but also declining its demands in recent years and hence the banks are not positively responding for SHG-banking.

The SHGs in the presence of SHG federation can hopefully tackle to strengthen the SHGs in the different blocks of the district is a great expectation for all well-wishes and the responsible person of the society.

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MICRO FINANCING THROUGH SELF HELP GROUPS : A CASE STUDY OF BANK LINKAGE PROGRAMME OF NABARD

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ABSTRACT

Poverty is universal but the third world countries are the main sufferers. Even after more than 50 years of planning and employing various poverty alleviation programmes, an official estimate shows that 26.1% of total population lives below poverty line in India. Since, independence government has taken several initiatives to tackle the scarce of poverty through area development approach, sectoral approach. But all the initiatives failed to achieve the target due to faulty planning and improper implementation and lack of will. Formal banking sector also ignored the poor due to risk involved in lending to poor as they do not have collaterals and apprehension of non-bankability. Against this backdrop Self Help Group (SHG) bank linkage from NABARD is considered as best alternative to reach the poor. The provision of small and regular repayment schedule made possible very high recovery rate. After 1990s microfinance has taken it momentum and now it is the largest microfinance movement in the world.

***Key Words :** MFI, SBL, Special Scaling.*

INTRODUCTION

Poverty has global presence and varied genesis and dimensions. It does not mean only human or income poverty but it also covers deprivation of human dignity caused by vulnerability to social and cultural shocks. Development Economics, till 1970s was considering that the "trickle-down effect" of growth oriented GNP will help to eradicate poverty gradually. But, despite the spectacular growth achieved by the countries from East and South-East Asia, poverty continues to afflict a large section of the population. Even after more than 50 years of planning and employing various poverty alleviation programmes, an official estimate shows that 26.1% of total population lives below poverty line in India. It indicates the tardy pace of these programmes for the poor as they were by and large by-passed by the development impulses.

GOVERNMENTAL INITIATIVES TO TACKLE THE PROBLEM OF UNENDING POVERTY

Since independence government has taken several initiatives to tackle the scarce of poverty through area development approach, sectoral approach. The Integrated Rural Development Programme (IRDP) targeted the poorest of the poor and helped them to acquire productive assets through bank loan and subsidy from the government. But several drawbacks in the implementation stage faltered the programme. In 1982-83, Development of Women and Children in Rural Areas (DWCRA) was launched in 50 districts as a sub-scheme of IRDP. This focused enabling the women in group to overcome the inhabitations for they have never done before, like going to the bank, buying an asset, keeping account etc. But this too failed as it was observed that women wanted small loans for their

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specific requirements. Similarly the success attained from other poverty alleviation programmes such as, Training of Rural Youth for Self-Employment (TRYSEM), Supply of improved Toolkits to Rural Artisans (SITRA) was not upto the mark due to various shortcomings in design and delivery of the projects and the credit and poverty problem in the rural area continues. The current annual credit demand by the poor in the country is estimated to be between Rs. 15,000 to Rs. 45,000 crores (World Bank, 1997).

CONCEPTUAL EVALUATION OF MICRO-FINANCE

Since independence, the formal banking institutions had ignored the poor due to perceived high risks, high transaction costs involved in small-scale rural lending to a large number of poor households and absence of collateral securities. Against this backdrop of failures of earlier poverty alleviation schemes and the financial institutions to reach the real needy, microfinance schemes using self-help groups (SHGs) were designed and NABARD considered this “SHG Bank Linkage” model as a core strategy for rural development. In the earlier schemes like IRDP, DWCRA, the beneficiaries perceived the loan as grant. The poor did not feel the responsibility of repaying the loan and the bankers only concentrated on disbursement of loan which led to poor recovery and the schemes became non-viable. But microfinance through SHGs has proved the notion wrong and showed that even the poor are bankable. The SHG members thrift, mobilize the savings and invest in microenterprises. The recovery rate was reported around 95%. Hence, microfinance though SHGs has evolved as an accepted institutional framework to provide financial services to the poor. Further, it is regarded as better mechanism to reduce poverty gradually as against giving one time loan for productive assets which may or may not lead to sustained increase in income.

MICROFINANCE IN INDIA

Prof. Mohammad Yunus the Nobel laureate for peace is considered as the pioneer of micro credit who started a women's group with a loan of equivalent of $27. The demonstrative success of micro credit has introduced the concept with modification in many developing countries including India. The microfinance movement in India was unleashed around the 1970s. Microfinance has gained a lot of significance and momentum in the last decade. India now occupies a significant place and a niche in global microfinance through promotion of the self help group (SHGs) under SHG Bank Linkage (SBL) programme and the microfinance Institution (MFI) model. The Indian model offers greater promise and potential to address poverty as it is focused on building social capital through providing access to financial services through linking with the mainstream. In the most simplistic way it can be termed as “banking for the poor”.

In India microfinance has been defined as “provision of thrift, credit and other financial services and products of very small amounts to the poor in rural, semi-urban or urban areas for enabling them to raise their income levels and improve living standards.

In this field Self Employed Women's Association (SEWA) is the pioneer which was started as a trade union for women in the unorganized sector in 1972. It started first Women's Bank in India. By 2000, it membership has reached to 20,99,250. The SEWA Bank has 87,263 depositors and 41,750 borrowers whose loan outstanding was Rs. 887 lakhs on March 1998.

NABARD'S INITIATIVE FOR LINKING

Micro financing by 'non-formal' financial organizations had already started. SEWA (Self Employed Women's Association) owned by women of petty trade groups was established on cooperative principle in 1974 in Ahmedabad. Working Women's Forum (WWF) started promoting working women's cooperative societies in Tamil Nadu since 1980. Shreyas in Kerala actively got involved in microfinance operations since 1988 with the objective of promoting people's cooperatives.

Some research studies conducted by NABARD in early eighties which revealed that the country has a wide network of rural bank branches, consisting of 33,000 rural branches of Commercial Banks, 14,500 RRB branches and 92,000 Primary Agricultural Cooperative Credit Societies, these branches were implementing poverty alleviation programmes for creation of self-employment opportunities through bank credit for almost two decades, a large number of rural poor were not benefited from the formal banking system. These studies further pointed out that the present banking system, procedures and policies, and deposit and loan products were perhaps not most suited to meet the immediate needs of the very poor. In cases where credit was made available to the poor through special programmes, absence of an integrated savings component and something to fall back upon in case of any adversity was leading to poor repayment performance. The problem was further compounded as the beneficiaries refused to distinguish between state subsidy support and bank credit. The political expediency for removing poverty at a stroke was putting resources for running micro-enterprises in the hands of the poor without nurturing them to handle such resources. The high cost of appraisal and monitoring meant compromise on appraisal and supervision, leading to poor repayments of loans. In the absence of institutional support, the poor continued to approach intermediaries in the informal credit markets like moneylenders, traders, and wholesalers for meeting their consumption and production needs.

Thus in spite of the huge expansion by the banking sector in terms of rural branches, there were still a very large number of people they bypassed. In 1992, therefore, NABARD began an experiment. It was looking at innovative ways of reaching the banking system to these people. The organization thus started a project on a pilot basis involving the creation of informal structures of self-help groups (SHGs) of people and trying to link them to the banking system. NABARD started with a pilot project of 500 such Self Help Groups (SHGs). This experiment of NABARD achieved great success to cater to the microcredit need of the rural poor through SHGs. Under the SHGs NABARD ensured that very poor people come together, start saving, start lending to each other, and once they are able to reach a stage that they can Enforce the will of the group on the individual, the banks can start coming into the picture and lending them funds. Today the SHG concept is a resounding success in India and is one of the most successful programmes run by NABARD.

SELF HELP GROUPS AND ITS IMPACT

Self Help Groups (SHGs) are necessary to overcome exploitation, create confidence for the economic self-reliance of rural poor, particularly among women who are mostly invisible in the social structure. These groups enable them to come together for a common objective and gain strength from each other to deal with exploitation, which they are facing, in several forms. A group becomes the basis for action and change. It also helps building of relationship for mutual trust between the promoting organization and the rural poor to constant contact and genuine efforts. SHG is a small voluntary association of poor people, preferably from the same socio-economic background. The maximum number of members in a SHG should not exceed.

Group members usually create a common fund by contributing their small savings on a regular basis. Groups evolve flexible systems of working sometimes with the help of (NGOs) and manage pooled resources in a democratic way. Loan requests are considered by groups in periodic meetings and competing claims on limited resources are settled by consensus. The loan amounts are small, frequent for short duration and are mainly for conventional purposes. The rates of interest vary from group to group and the purpose of loan. It is higher than that of banks but lower than that of moneylenders. At periodic meetings, besides collecting money, social and economic issues are also discussed. Defaults are rare due to group pressure and intimate knowledge of the end use of credit.

The economic impact of SHGs was relatively more pronounced on the social aspects than the economic aspects. The SHG is really a boon in the rural areas which gives financial autonomy to the rural women and makes them economically independent. The SHGs have become a platform for exchange of experiences and ideas. The women have tremendous energies to start their own enterprises given the right opportunities. They have developed abundant self-confidence and self esteem through SHG movement. Not only economic poverty but also social and gender issues can be tackled effectively through this process. Although the loan amount is small, it helps in meeting the requirement of the poor. Small amounts of loans coupled with financial discipline ensure that loans are given more frequently and hence credit needs for a variety of purposes and at shorter time intervals can be met. This is a better mechanism to reduce poverty gradually as against one time loan for productive asset, which may or may not lead to sustained increases in income. The micro financing to women through SHGs has helped the groups to achieve a measure of economic and social empowerment. It has developed a sense of leadership, organizational skill, management of various activities of a business, right from acquiring finance, identifying raw material, market and suitable diversification and modernization. Hence micro financing through SHGs is contributing to the development of rural people in a meaningful manner. It is seen that significant changes in the living standards of SHG members have taken place in terms of increase in income levels, assets, savings, borrowing capacity and income generating activities. It has been observed that the overall impact of micro-finance through SHGs is very effective in combating poverty, unemployment and empowerment of women.

NABARD AND SELF HELP GROUPS

NABARD has started SHG-Bank Linkage Programme as an Action Research Project in 1989. In February 1992, NABARD launched a Pilot Project linking 500 SHGs with banking systems across the country. NABARD refinance the banks, which lend of SHGs. The movement has gained a significant momentum with 2.24 million SHGs linked with 44362 bank branches of 545 banks in 583 districts across 31 states of the Indian Union and disbursed Rs. 113.98 billion cumulatively, as on 31st March, 2006 (NABARD, 2006). Total 0.54 million new SHGs have been provided with bank loans in 2004-05 and Rs. 2.99 billion of bank loans disbursed during this period (NABARD). In India, 58% of total SHGs are in Southern India mainly in Andhra Pradesh, Tamil Nadu and Karnataka as on March 2005. Only 5% of total SHGs are in Northern India. It also provides training support, Grant cum Aid support for micro-credit under its different schemes. Apart from the SHG linkage programme, NABARD also operates a Bulk Lending Scheme for supporting NGO initiatives involving alternative credit delivery mechanism.

MICRO FINANCE PROGRESS

To provide the rural poor accessibility to credit from the banking system and for alleviating poverty, NABARD in 1992 had started a programme of linking SHGs of the rural poor with banks. Over the years, the SHG-Bank linkage programme has emerged as the major micro-finance programme in the country. In all 498 banks (50 commercial banks, 96 RRBs and 352 co-operative banks) are now actively involved in the operation of this programme. The 29,24,973 new SHGs credit-linked during 2006-07 represent an increase of 49% over the previous year. As on 31 March, 2007, the total of 16.18 lakh SHGs credit-linked by banks covered an estimated 40.95 million poor families, with an average loan disbursement per family of Rs. 3,167. Refinance support extended by NABARD amounted to Rs. 54.59 million. A highlight of the programme was that about 90% of the groups linked with banks were exclusively women groups (Table-1).

Table-1: SHG Bank Linkage Programme in India Highlights as On 31 March 2007

S. No.	Particulars	Cumulative as on 31st March 2007
1.	Number of SHGs linked	29,24,973
2.	% of women groups	90%
3.	Number of participating Banks:	498
3.1	Commercial Banks	50
3.2	Regional Rural Banks	96
3.3	Co-operative Banks	352
4.	Number of States/UTs	31
5.	Number of Districts Covered	587
6.	Bank Loan Rs. In Billion	180.41
7.	Refinance Rs. In Billion	54.59
8.	Number of Poor Households Assisted (In Millions)	40.95
9.	Average Loan/SHG – New Rs. Repeat Rs.	44,342 78,693
10.	Average Loan/Family – New Rs. Repeat Rs.	3,167 5,621
11.	Model Wise Linkage (Cumulative)	
11.1	SHGs formed and financed by Banks	17%
11.2	SHGs formed by other agencies but directly financed by Banks	25%
11.3	SHGs financed by Banks using financial intermediaries	08%

Source *:* www.nabard.org

As on 31 March 2006, Andhra Pradesh (26%), Tamil Nadu (14%), Karnataka (10%) and Uttar Pradesh (7%), together accounted for 65% of the total SHGs credit lined and 79% of the total amount of bank loan disbursed. According to the regional spread, the southern region accounted for 54% of the SHGs credit linked followed by eastern (18%), central (12%), western (7%), northern (6%) and north-eastern (3%) regions (Economic Survey-2007).

SPECIAL SCALING-UP EFFORTS

NABARD continued to emphasize scaling-up of the programme in 13 priority states that account for 70% of the country's rural poor. This has resulted in more than seven-fold increase in the number of credit linked SHGs during the period 2002-06. Significant increase was observed in Assam, Bihar and Orissa. The number of SHGs credit linked in Priority State increased to 10,05,272 as on 31 March 2006. Significance increase in the number of SHGs credit linked during the year was observed in Maharashtra (60,324), Orissa (57,640), West Bengal (43,553), Uttar Pradesh (42,263), Rajasthan (38,165), Assam (25,251) and Chhastisgarh (12,722). Proactive measure such emphasis on priority states, enlisting partnership and capacity building of partner agencies have served to expand the programme in non-southern States. The share of the 13 states in total number of SHGs credit linked has also increased to 45% as on 31 March 2006 from 31% as on 31 March 2002 (table-2).

Table 2 : Cumulative Growth in SHG Bank Linkage in Priority States (As on March)

State	2002	2003	2004	2005	2006
Assam	1,024	3,477	10,706	31,234	56,449
Bihar	3,957	8,161	16,246	28,015	46,221
Chhattisgarh	3,763	67,634	9,796	18,669	31,291
Gujarat	9,496	13,875	15,974	24,712	34,160
Himanchal Pradesh	5,069	8,875	13,228	17,798	22,920
Jharkhand	4,198	7,765	12,647	1,531	31,819
Maharashtra	19,619	28,065	38,535	71,146	1,31,470
Madhya Pradesh	7,981	15,271	27,095	45,105	57,125
Orissa	20,553	42,272	77,588	1,23,256	1,80,896
Rajasthan	12,564	22,742	33,846	60,006	98,171
Uttar Pradesh	33,114	53,669	79,210	1,19,648	1,61,911
Uttaranchal	3,323	5,853	10,908	14,043	17,588
West Bengal	17,143	32,647	51,685	92,698	1,31,251
Total Priority States (13)	**1,41,804 (31)**	**2,49,462 (35)**	**3,97,464 (37)**	**6,67,761 (41)**	**10,05,272 (45)**

Figures in parenthisis indicate percentage share of priority States in total number of SHGs credit linked.

CONCLUSION

From above discussion, it is clear that micro financing programme of NABARD through SHG is working very effectively, but a major challenge for this programme is the viability of non-farm economic activities. It is also difficult to find an economic activity that will yield a rate of profit necessary to cover the interest rate on the loan. Since market for non-farm activities is in the urban areas, hence, when these activities are taken up by rural women the produced goods cannot meet the standards of the urban market. Moreover, the distance also imposes a cost of marketing, which these women cannot bear. It is also seen that at macro level, there is the problem of sustaining the business that could engage much larger number of people. Unless there is a proper marketing system, merely producing the goods would not help. If the goods produced by the rural poor are sold at a right time with profitable price, then the poor will be able to improve their savings potential, credit handling capacity and access to financial institutions, inculcate entrepreneurial skill, develop an urge for investment and also risk taking attitude through SHGs. Thus micro-financing can do wonders to the rural poor living even in remote villages in improving their economic condition and protecting them from the clutches of the village moneylenders.

The overall performance of SHG-Bank Linkage Programme of NABARD is remarkable as it is the largest micro-financing programme in the World and it is moving towards the right direction for empowering women. So, NABARD must continue micro financing through SHGs for poverty alleviation in rural.

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ROLE OF MICROFINANCE IN POVERTY ALLEVIATION

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ABSTRACT

Government's initiative to reduce poverty by improving access to financial services to poor started since independence. India's overwhelming majority of poor is located in rural areas and this motivated the government to give special attention to credit. The microfinance sector with SHGs, MFI's, and various models, is a fascinating story, which continues to unfold before our eyes. Over 40 lakh SHG meet the microcredit needs of 40 crore poor families, all over the country, is no doubt an achievement for the NGOs and the banking sector. But its early days yet for the sector if it sets out to tackle poverty issues. At best, we can admit that the microfinance sector is a useful tool for financial inclusion. Even after more than 50 years of planning and employing various poverty alleviation programmes, official estimates shows that 26.1 per cent of total population lives below poverty line in India. Since, independence government has taken several initiatives to tackle the scarce of poverty through area development approach, sectoral approach. But all the initiatives failed to achieve the target due to faulty planning and improper implementation and lack of will. Formal banking sector also ignored the poor due to risk involved in lending to poor as they do not have collaterals and apprehension of non-bankability.Against this backdrop Microfinance is considered as best alternative to reach the poor.

Keywords : *Microfinance, SHGs, Poverty alleviation.*

INTRODUCTION

Across the world almost every country has to face the poverty. Poverty is the condition in which low-income people cannot meet the basic needs of life. This situation leads to many fold difficulties like decreased health facilities, high illiteracy rate, decreased quality of life etc., these difficulties motivate human beings to commit heinous crimes and times suicide. Poverty is defined by several authors as it is the situation of having no enough money to meet the basic need of human beings. While measuring in terms of land Zaman (2000) discussed ultra-poor as people having less than ten decimals of land and the moderate-poor households as having greater than ten decimals of land .Hulme and Paul (1997) had categorized poor into two groups and defined them as the core poor who have not crossed a 'minimum economic threshold' and whose needs are essential for financial services that are protectional, and those above this threshold who may have a demand for promotional credit. Moreover they have discussed a minimum economic threshold is defined by characteristics such as the existence of a reliable income, freedom from pressing debt, sufficient health to avoid incapacitating illness, freedom from imminent contingencies and sufficient resources (such as savings, non-essential convertible assets and social entitlements) to cope with problems when they arise.

In another study Weiss, Montgomery and Kurmanalieva (2003) defined poverty as an income (or more broadly welfare) level below a socially acceptable minimum and micro finance as one of a range

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of innovative financial arrangements designed attract the poor as either borrowers or savers. In terms of understanding poverty a simple distinction can be drawn within the group 'the poor'between the long-term or 'chronic poor' and those who temporarily fall into poverty as a result of adverse shocks, the 'transitory poor'.

Micro-finance means transactions in small amounts of both credit and saving, involvingmainly small-scale and medium-scale businesses and producers. The poor, who cannotrun a small business because they lack capital, may also benefit from micro-financeorganization. The poor, especially poor women, are the prime reason for micro-financeintervention in many countries.

OVERVIEW

Microfinance is emerging as a powerful instrument for poverty alleviation in the new economy. In India, Microfinance scene is dominated by Self Help Group (SHGs)-Bank Linkage Programme as a cost effective mechanism for providing financial services to the Unreached Poor which has been successful not only in meeting financial needs of the rural poor women but also strengthens collective self- help capacities of the poor, leading to their empowerment. Rapid progress in SHG formation has now turned into an empowerment movement among women across the country. Economic empowerment results in women's ability to influence or make decision, increased self- confidence, better status and role in household services etc. Micro finance is necessary to overcome exploitation, create confidence for economic self -reliance of the rural poor, particularly among rural women who are mostly invisible in the social structure. This paper puts forward how micro finance has received extensive recognition as a strategy for economic empowerment of women. This paper seeks to examine the impact of Micro finance with respect to poverty alleviation and socioeconomic empowerment of rural women. An effort has also been made to suggest the ways to increase women empowerment.

The question of whether microfinancereally benefits the poor depends on how we define poverty and what kind ofhelp micro-finance offers to the poor to combat poverty. The face of poverty varies fromcountry to country.

Poverty may mean *a lack of* some or all of the following:

I. Entitlement to food and other basic necessities.
II. Access to public provision of economic, social, and human infrastructures.
III. Credit, opportunities for income generation, and consumption stabilization.
IV. Empowerment in both private and public resource allocations.
V. Access to a social safety net and other resources that help householdswithstand natural and other shocks, thus safeguarding the very existence of lifeand families.

Given such a multifaceted definition of poverty, it is clear that what microfinancecan do for the poor depends on the poor's ability to utilize what micro-financeoffers them. In many countries, micro-finance provides a window of opportunity for thepoor to access a borrowing and saving facility. In other countries, these facilities alsoprovide organizational help, training, safety nets, empowerment, and financial andother help during crises. Micro-finance organizations can alleviate liquidity constraints,stabilize consumption, and enhance both income and consumption for the poor,thereby augmenting the poor's welfare. Borrowing from a micro-finance facility to run abusiness is a self-help activity. Moreover, micro-finance satisfies the derived demandfor capital in the resource-poor households. Success in such a business depends onskill and entrepreneurship, as well as local economic conditions. Many poor participantsmay lack such skills and may benefit very little from micro-finance. On the other hand,since a lack of economic growth is the cause of poverty in many economies, thesuccess of micro-finance borrowers is very much limited by their local economies.

LITERATURE REVIEW

Bakhtiari (2006) concluded that micro credit and microfinance have received extensive recognition as a strategy for poverty reduction and for economic empowerment particularly in rural areas having poor population. Providing poor people the small amounts of credit at reasonable interest rates give them an opportunity to set up their own business at small scale.

Rena, Ravinder and Tesfy, Ghirmai (2006) concluded that micro finance is the founding stone for poverty reduction. Their study showed that there is a fundamental linkage between microfinance and poverty eradication, in that the latter depends on the poor gaining access to, and control over, economically productive resources, which includes financial resources. Previously implemented programs not produced good results due to the non involvement of the peoples for which the programs was designed (the poor). They suggested that the government poverty alleviation program should be restructured if not re- designed and should be centered on the = basic needs' approach. Micro finance is the mean for income generation and the way for permanent reduction of poverty through the provision of health services, education, housing, sanitation water supply and adequate nutrition. In many instances, micro enterprises rather than formal employment create an informal economy that comprises as much as 75 per cent of the national economy.

Shastri (2009) revealed that there is no way better then micro finance in the war against poverty. Creating self employment opportunities is one way of attacking poverty and solving the problems of unemployment. The authors reported that there are over 24 crore people below the poverty line in India. The Scheme of Micro-finance has been found as an effective instrument for lifting the poor above the level of poverty by providing them self-employment opportunities and making them credit worthy.

Hassan (2010) mentioned the reasons behind success of micro finance and highlights that it is only having no collateral against loans. The negative point of the conventional micro finance is the fixed high interest rate. Interest is not acceptable in Islam that is why the Muslim clients prefer Islamic micro finance. According to the researcher, if conventional micro finance is combined with the Islamic financial system like Zakat and Awqaf, the result will be different.

EVALUATION OF MICRO-FINANCE

Since independence, the formal banking institutions had ignored the poor due to perceived high risks, high transaction costs involved in small-scale rural lending to a large number of poor households and absence of collateral securities. Against this backdrop of failures of earlier poverty alleviation schemes and the financial institutions to reach the real needy, microfinance schemes using self-help groups (SHGs) were designed and NABARD considered this „SHG-Bank Linkage? model as a core strategy for rural development. In the earlier schemes like IRDP, DWCRA, the beneficiaries perceived the loan as grant. The poor did not feel the responsibility of repaying the loan and the bankers only concentrated on disbursement of loan which led to poor recovery and the schemes became non-viable. But microfinance through SHGs has proved the notion wrong and showed that even the poor are bankable. The SHG members thrift, mobilize the savings and invest in microenterprises. The recovery rate was reported around 95 percent. Hence, microfinance though SHGs has evolved as an accepted institutional framework to provide financial services to the poors. Further, it is regarded as better mechanism to reduce poverty gradually as against giving one time loan for productive assets which may or may not lead to sustained increase in income (Madheswaran and Dharmadhikary, 2001).

MICRO FINANCE PROGRESS

To provide the rural poor accessibility to credit from the banking system and for alleviating poverty, NABARD in 1992 had started a programme of linking SHGs of the rural poor with banks. Over the years, the SHG-Bank linkage programme has emerged as the major micro-finance programme in the country. In all 498 banks (50 commercial banks, 96 RRBs and 352 co-operative banks) are now actively involved in the operation of this programme. The 29,24,973 new SHGs credit-linked during 2006-07 represent an increase of 49 per cent over the previous year. As on 31 March, 2007, the total of 16.18 lakh SHGs credit-linked by banks covered an estimated 40.95 million poor families, with an average loan disbursement per family of Rs. 3,167. Refinance support extended by NABARD amounted to Rs. 54.59 million

MICRO-CREDIT : A EFFECTIVE TOOL

In recent years, microcredit has become a much favoured intervention for poverty alleviation in thedeveloping countries. There is scarcely a poor country and development oriented donor agency (multilateral, bilateral and private) not involved in promotion (in one form or other) of a microfinance programme. Manyachievements are claimed about the impact of microfinance programmes and an outside observer cannot but wonder at the range of diversity of the benefits claimed. With an estimated 1.3 billion people of the world living on incomes of less than $1 a day, the governments of the poor countries, where the majority of the world's poor live, face enormous challenge to reduce poverty. The availability of microcredit, broadly defined as the provision of financial services such as savings and credit to the poor household is necessary but not a sufficient condition for rapid poverty reduction.

Microfinance providing small loans (micro credit) to help them engage in productive activities /small businesses. Over time, microfinance has come to include a broader range of services (credit, savings, insurance, etc.) as we have come to realize that the poor and the very poor who lack access to traditional formal financial institutions require a variety of financial products.

SHG BANK LINKAGE : LINKING BANKS TO GRASSROOTS BORROWERS

There has been growing excitement about SHG Bank Linkage, and many believe it is destined tobecome the country's dominant system of mass-outreach banking for the poor. The SHG modelwas started in the 1980s by social-development NGOs11, many of whom took up group-formation(especially of women) as their main tool. Having group members learn how to pool savings intoloans mostly small, short-term consumption loans was seen as empowering disadvantagedwomen, socially and politically as well as financially. By 1992 the NGOs had, heroically,persuaded government to take the idea seriously. Legal obstacles were removed and subsidiesmade available so that SHGs could take bulk loans from banks that could be on-lent to groupmembers who could use them to take up or expand microbusinesses.The model evolved so that SHG Bank Linkage today involves having the group save, and thenlinking it to a bank (usually the rural branch of a state-owned commercial bank, but also RRBs,cooperative banks, etc Funds saved by SHGs are placed in a group deposit account in the bank.The group then borrows from the bank (at about 12% per annum), using its saving and groupguarantee as the collateral. To encourage banks to lend to SHGs, NABARD has providedsubsidized refinancing support to banks, although the demand for such refinancing has declinedas banks begin to discover that SHG lending is quite profitable, and characterized by default rates(less than 1%) that are, in fact, much lower than the rate of default on their regular lendingportfolios (11%-12%).

Banks typically provide the group a loan amounting to four times the group's savings but, as thegroup matures, and based on the group's track record, banks are ready to lend more. Borrowedand saved funds are rotated through lending within the group using flexible repayment schedules(usually monthly repayment); SHGs thus save, borrow and repay collectively. SHG funds maybe distributed either to one or more members of the group who are personally responsible forrepayment to the group, or spent collectively by the group. The group is free to decide the interestrate charged to its members, but typically, a member borrows from the group at about 24% perannum. After a loan from a bank is fully repaid, the group may borrow again, often a largeramount.

Here, we can see that from 2007-2008 to 2008-2009 no. of SHG is increased 11% and in 2008-2009 to 2009-2010 it is decreased by (-) 1.40% but loans disbursed is always increased by 38.50% and 17.9% respectively. In India, approximately 65 percent of total SHGs are in Southern India mainly in Andhra Pradesh, Tamil Nadu and Karnataka as on March 2010. Only 5-10 percent of total SHGs are in Northern India.

Year	No.of SHGs (lakh)	Bank loan Amount (crore)	Cumulative amount Amount (`crore)
2007-08	12.28	8849.26	16,999.90
2008-09	16.09	12,256.51	22,679.85
2009-10	15.87	14,453.30	28,038.28

CONCLUSION

Even if poverty decreases through micro-finance, albeit at a slow rate, poverty is rampant in a country that has the largest presence of micro-finance programs in the world. Micro-finance is not to blame for this high incidence of poverty. We must admit that micro-finance is only an instrument among a large number of poverty reduction strategies that policymakers must pursue to reduce poverty. Certainly growth is a significant factor in reducing poverty.Thus micro-financing can do wonders to the rural poor living even in remote villages in improving their economic condition and protecting them from the clutches of the village moneylenders. The overall performance of SHG-Bank Linkage Programme of NABARD is remarkable as it is the largest micro-financing programme in the World and it is moving towards the right direction for empowering poor section. So, NABARD must continue micro financing through SHGs for poverty alleviation.

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POVERTY AND CHILD HEALTH IN UTTAR PRADESH

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ABSTRACT

Poverty is pain; it feels like a disease. It attacks a person not only materially but also morally. It eats away one's dignity and drives one into total despair. Poverty, pauperism, food prices, hunger etc. which are created by the society are inextricably linked together. Thus, it can be eradicated by the world community with humanitarianism in action.

Poverty is pain. Poor people suffer physical pain that comes with too little food and long hours of works; emotional pain stemming from the daily humiliations of dependency and lack of power; and the moral pain from being forced to make choices.Poverty defined in an absolute term refers to a state in which the individual lacks the resources necessary for subsistence. This paper, deals with the condition of poverty and child health in the reference of Uttar Pradesh. Through this paper, I have tried to give the focus on child health in the reference of present scenario, which is one of the most concerning matter in all developed and under development countries.

Keys Words : *Child Death, Malnutrition, Balanced diet.*

INTRODUCTION

Child health, according to WHO, area is a state of physical, mental, intellectual, social and emotional well-being and not merely the absence of disease or infirmity. Children are never achieved optimal health alone. So family, community and environment are those components which provide an opportunity to fullest development to the children. They are dependent upon their parents and their health depends on parent's income, parent's education and surrounding environment. These are the main determinants of child health but still poverty is most important factor.

Children below six years of age constitute a little over 14.9% of Uttar Pradesh population (Census of India 2011). These children undoubtedly are the most important segment of our population not only to their valuable number, but also for the future of the nation. Thus wellbeing of these children reveals the real picture of development of any country. In any development effort, the starting point should be children for several physiological, social and even economic reasons. A wise investment in children's health, nutrition and education is the foundation stone for all national development. Nutrition plays an important role in mental, physical and cognitive development of children. It means optimal nutrition is important for sustenance, good health, and well-being of children. Poverty, which is a state of deprivation of basic necessities of life, is main obstacle in betterment of child health.

POVERTY AFFECTS CHILD HEALTH IN THE VARIOUS WAYS, SUCH AS

1. Due to lack of sufficient calories and a balanced diet leads to child malnutrition, iron deficiency anaemia, and poor resistance to infection, increasing the chance of a minor infection, such as a cold, becoming a serious one, such as pneumonia.
2. At the time of medical care facilities, poor families are in anguishing position of having to

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choose between spending money on food or on medical cost. Medical care is relatively more costly now than in the previous decade. When a child is sick, others in their overcrowded homes are more likely to be sick. Sick parents struggling to provide food and shelter find it difficult to take children for immunizations and well child checks.

3. Due to lack of money for food, clothing, housing and medical care leads to stress among family members, stress related symptoms, lack of self-esteem and a feeling of alienation from the rest of society. This can lead to family breakdown, risk taking behaviours, antisocial behaviour against family members especially to the children.
4. Inequalities in socio-economic circumstances of the whole population affect the health of people; especially those who are poorest in the society which is further become harmful to their children's health.

DEMOGRAPHIC, SOCIO-ECONOMIC AND HEALTH PROFILE OF UTTAR PRADESH

Children's health is the foundation for health throughout life, and measures of child health are important indicators of the overall health of our nation. Uttar Pradesh is the most populous state in the country accounting for 16.4 percent of the country's population. It is also the fourth largest state in geographical area covering 9.0 percent of the country's geographical area. Around 54,00,000 children are born in Uttar Pradesh each year. Of these, 450,000 infants die before they are one year old, 275,000 infants die before the age of one month. Many studies reveal that the main responsible for these are socio-economic condition of family. Low wealth family or the poverty is more important aspect to effect child health. By the following table it represents that CBR (crude Birth Rate) and IMR (Infant Mortality Rate) is high with the comparison of national level, represent that poor people cannot afford the medical cost in Uttar Pradesh.

Table I : Demographic, Socio-Economic and Health Profile of Uttar Pradesh State as Compared to India

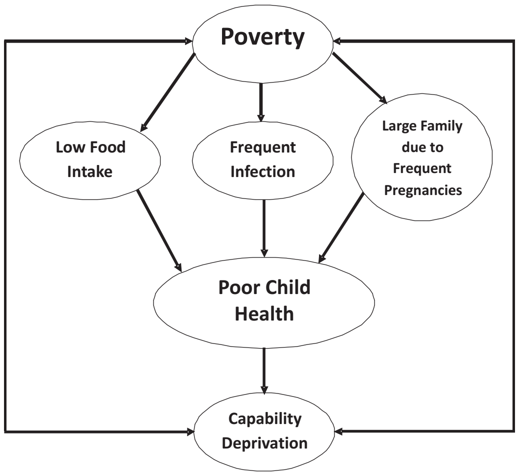
S. NO.	Item	Uttar Pradesh	India
1.	Total Population (Census 2011) (in million)	199.58	1210.19
2.	Decadal Growth(Census 2011) (%)	20.09	17.64
3.	Crude Birth Rate (SRS 2007)	29.5	23.1
4.	Crude Death Rate (SRS 2007)	8.5	7.4
5.	Total Fertility Rate (SRS 2007)	3.9	2.7
6.	Infant Mortality Rate (SRS 2007)	69	55
7.	Maternal Mortality Ratio (SRS 2004 - 2006)	440	254
8.	Sex Ratio (Census 2011)	908	940
9.	Population below poverty line (%)	31.15	26.10

Source:- *Compiled from Various sources.*

RELATION BETWEEN POVERTY AND CHILD HEALTH

Many studied reveal that there is causal relationship between poverty and child health. When poverty increase in the family the child health problems also increase. When poverty strikes a family the youngest members, especially children, become its most innocent and vulnerable victims. Due to poverty families suffers from low intake food, frequent infection, hard physical labour and large family due to frequent pregnancies. These are the causes behind the poor child health. Having poor health, a child faces capability deprivation throughout their life, in terms of physical and mental handicap, illness and so on. Capability deprivation generated by poverty, further creates poverty. In future, capability deprived child will not be so productive than an able body. The result is low income of nation and as well as per head income, which creates poverty. Thus there are two way relationships between poverty and child health.

RELATION BETWEEN POVERTY AND CHILD HEALTH



GOVERNMENTAL EFFORTS FOR IMPROVING CHILD HEALTH

India was the first country in the world that launched family planning in 1952. The aim of that planning was not only to reduce population but also improving the mother and child health. For improving the child health many immunization programmes are running in India. Governmental efforts for improving child health ICDS (Integrated Child Development Scheme) a major programme to reduce the problem of malnutrition and the ill health of mothers and children, was initiated in 1975 (for the country's children). Despite almost 35 years of its implementation more than 6,000 Indian children below five years die every day due to malnourishment or lack of basic micronutrients in India (NFHSIII 2005-06),and 47.3% children under 3 years of age are underweight in Uttar Pradesh. Another programme the diarrhoaldisease control programme was started in the country in 1978. The main objective of the programme was to prevent death due to dehydration caused by diarrheal disease among children under 5years of age due to dehydration. The Indian government launched a Universal Immunization Programme against six preventable diseases, namely diphtheria, pertusis, childhood tuberculosis, poliomyelitis, measles and neonatal tetanus taken up in 1986 as National Technology Mission. This UIP become a part of the CSSM (Child Survival and Safe Motherhood) Programme in 1992 and RCH programme in 1997.Besides of these child health programmes, government of India has initiated many children and mothers related programme so that no any child deaths occur due to diseases.

CONCLUSION

In the present scenario child health is more concerning matter in all developed and under development countries. Every country wants to improve our children's health because they are future of country. But in India especially Uttar Pradesh child health condition is not very good. Infant and child mortality rates in this state are higher than national average. After analysing demographic and socio-economic variable it is clear that poverty is most important factor which affects the child health status and another factor women education is also valuable in child health. Many child health programmes are running in many village of Uttar Pradesh with working of Aganwadi and ANCs but there is something lack of willingness to fully devotion in improving child health. It is also necessary for improvement of child health, to improve the health facilities in backward areas of Uttar Pradesh so that our future which depends upon children might be nice and productive.

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MICRO FINANCE HAS EMERGED AS AN IMPORTANT TOOL TO ALLEVIATE POVERTY IN INDIA

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ABSTRACT

The article traces the evolution of the Microfinance revolution in India as a powerful tool for poverty alleviation and women empowerment. Poverty is the basic factor for undevelopment. The development of a nation depends upon three powerful factors such as Technology, Capital and Human Power. Absolute poverty the number or proportion below poverty line and relative poverty which compares those at the bottom of economic ladder with others at the top, are important poverty dimensions. Micro finance has emerged as an important tool to alleviate poverty and bring economic prosperity to the rural economy. It is a vital source of credit for poor households, which are generally neglected by the mainstream financial institutions because of the perceived high risk in rural microfinance transactions. Micro finance institutions (MFI) have emerged to fill this gap by providing the necessary financial services to the poor and helpless people to start small and viable enterprises thereby enhancing their economic standing in the society. The micro finance industry is evolving rapidly and mainstream financial institutions like banks and other nongovernmental organizations are making progressive forays into the microfinance market. This article is based on secondary data sources (duly acknowledged in the article) and a Field Survey carried out by the Author in the villages of Kala kho, Gola ka bas,Nagal, Haripura, Surpura, Dungrpur, Roda and Bhakari.(Villages in Dausa district of Rajasthan)

Keywords : *Technology, Capital, Human Power, Alleviate Poverty and MFI.*

INTRODUCTION

Alleviation of poverty, for a long time, has remained a very complex and critical concern among third world countries. It has been at the top of the agenda of policy planners & development specialists and a lot has been written on the subject right from the days of Adam Smith's 'Wealth of Nations' (1776) to Prof. Amartya Sen's 'Public Action to Remedy Hunger' (1991). Today, it virtually denotes the core of all developmental effort. Though conventionally identified with subsistence level of living - linked to lack of adequate food - it is now widely accepted that the problem of poverty is more deep rooted covering several interlocked aspects such as assetlessness, underemployment, uncertain & relatively unproductive employment, low remuneration, lack of bargaining power, economic vulnerability, illiteracy, proneness to disease, social disadvantage and political powerlessness. A large number of government & non-governmental organizations and international funding agencies all over the world have been engaged in this seemingly unending war against poverty using several strategies and instruments.

'Microfinance refers to small scale financial services for both credits and deposits- that are provided to people who farm or fish or herd; operate small or micro enterprise where goods are produced,

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recycled, repaired, or traded; provide services; work for wages or commissions; gain income from renting out small amounts of land, vehicles, draft animals, or machinery and tools; and to other individuals and local groups in developing countries in both rural and urban areas'- Marguerite S. Robinson. The Indian state put stress on providing financial services to the poor and underprivileged since independence. The commercial banks were nationalized in 1969 and were directed to lend 40% of their loan able funds, at a concessional rate, to the priority sector. The priority sector included agriculture and other rural activities and the weaker strata of society in general. The aim was to provide resources to help the poor to attain self sufficiency. They had neither resources nor employment opportunities to be financially independent, let alone meet the minimal consumption needs. To supplement these efforts, the credit scheme Integrated Rural Development Programme (IRDP) was launched in 1980. But these supply side programs (ignoring the demand side of the economy) aided by corruption and leakages, achieved little. Further, 'The share of the formal financial sector in total rural credit was 56.6%, compared to informal finance at 39.6% and unspecified sources at 3.8%. [RBI 1992]. Not only had formal credit flow been less but also uneven. The collateral and paperwork based system shied away from the poor. The vacuum continued to be filled by the village moneylender who charged interest rates of 2 to 30% per month (Rural Credit and Self Help Groups-Microfinance needs and Concepts in India- K.G.Karmakar 1999). 70% of landless/marginal farmers did not have a bank account and 87% had no access to credit from a formal source.(World Bank NCAER, Rural Financial Access Survey 2003) It was in this cheerless background that the Microfinance Revolution occurred worldwide. In India it began in the 1980s with the formation of pockets of informal SelfHelp Groups (SHG) engaging in micro activities financed by Microfinance. But India's first Microfinance Institution 'Shri Mahila SEWA Sahkari Bank was set up as an urban co-operative bank, by the Self Employed Women's Association (SEWA) soon after the group (founder Ms. Ela Bhatt)was formed in 1974. The first official effort materialized under the direction of NABARD.(National Bank For Agriculture And Rural Development).The Mysore Resettlement and Development Agency (MYRADA) sponsored project on "Savings and Credit Management of SHGs was partially financed by NABARD during 1986-87.['Mainstreaming of Indian Microfinance'- P.Satish, 2005]

MFIS, SELF HELP GROUPS , INCOME GENERATION AND WOMEN EMPOWERMENT

Under the microfinance programme, loans are extended to the 'Self Help Groups (SHG)' who pool a part of their income into a common fund from which they can borrow. The members of the group decide on the minimum amount of deposit which ranges from Rs20 to Rs 100 per month depending upon the size of the group. The group funds are deposited with a Micro Finance Institution (MFI) against which they usually lend (The deposits are usually placed with a bank by the MFI) at a credit deposit ratio of 4:1 but the ratio improves with account performance record i.e. prompt repayment of loans. The group funds is the way 'micro savings' are enforced ,though it may seem like a collateral .The loan ticket sizes are usually Rs 2000/- to Rs 15,000/-(Source: Field Survey by Author and Impact Assessment of Microfinance in India- Frances Sinha and the impact assessment team: EDA Rural Systems Pvt. Ltd, Gurgaon, 2003), The MFIs stress on asset creation by the SHGs and extend loans for production and provides training for the same. If any member needs credit beyond the stipulated limits they are allowed to draw from group funds and the amount is settled in the periodic (monthly) group meetings. SHGs consisting of poor members with identical socioeconomic backgrounds are usually more sensitive to the credit needs of the poor. Though loan repayment is a joint liability of the group but, in reality, individual liability. is stressed upon. Maintaining group reputation leads to the application of tremendous peer pressure. In India and other Asian countries the majority of SHGs consist of women because, in these countries, Self Employment through Microfinance was perceived

as a powerful tool for emancipation of women. It has been observed that gender equality is a necessary condition for economic development. The World Bank reports that societies that discriminate on the basis of gender are in greater poverty, have slower economic growth, weaker governance, and lower living standards. (World Bank. Engendering Development: Through Gender Equality in Rights, Resources, and Voice-Summary. (Washington: World Bank, 2001)
www.worldbank.org/gender/prr/engendersummary.pdf.)

And the results are encouraging. Loans obtained from MFIs are utilized in agriculture and small businesses. Independent incomes and modest savings have made women selfconfident and helped them to fight poverty and exploitation. [Sampark (2003) 'Mid-Term Impact Assessment Study of CASHE Project in Orissa].

"Previously we had to cringe before our husbands to ask for one rupee. We do not have to wear tattered sarees anymore and, today, we have the confidence to come and talk to you without seeking permission from our husbands"-As told to the author in the Field Survey.

Women's indicators of empowerment through microfinance

•Ability to save and access loans
•Opportunity to undertake an economic activity
•Mobility-Opportunity to visit nearby towns
•Awareness- local issues, MFI procedures, banking transactions
•Skills for income generation
•Decision making within the household
•Group mobilization in support of individual clients- action on social issues
•Role in community development activities

Source: Impact Assessment, Frances Sinha (2003)

Women, the world over, tend to spend increasing proportion of their income on the welfare of the family. The same phenomenon is observed among women made self sufficient by micro finance. These findings get corroborated in the field survey of the author. "We can now put our children in school" (Field Survey) .Though instances of husbands of women being the real beneficiaries and women taking a back seat after the loan is sanctioned is also there. [K.G.Karmakar]. However, the author, during the survey, witnessed a novel way the issue had been tackled by Sreema Mahila Samity, a very active NGO engaged in providing Microfinance in West Bengal. They simply created Self Help Groups for men and enabled them to borrow and engage in micro activities on their own.

This way, the family's income improved without disturbing the inner harmony.

FINANCING THE SHGS

The financial needs of the SHGs are catered to by various financial institutions: the Commercial Banks, Co-operative Banks, Co-operative Credit Societies and Regional Rural Banks (RRB). There are around 94000 Co-operative outlets, 14000 branches of the RRBs and 33,000 suburban branches of the commercial banks. (Financial Services for Low Income Families: An Appraisal, by Sanjay Sinha 2003) They finance the SHGs directly or route their funds through a Microfinance Institution set up by an NGO (NGOMFI) or Non-Banking Financial Companies (NBFC). The NGO-MFIs (the major source of MFIs in India) disburse loans from the line of credit which is provided to them by a Financial Institution. The advantages of intermediation of funds through NGOs are manifold: It leads to reduction in time of identification of creditworthy people, documentation and recovery. The fall in transaction costs is not less than 40 %.(K.G.Karmakar).

Along with developing saving and credit facilities, the NGOs engage in:

(1)Providing Basic Education

(2) Developing a sense of Health and Hygiene

(3) Encourage family planning.

(4) Creating Awareness about environment protection

(5)Most important, nurturing an environment of gender equality.

These activities are the rudiments of sustained economic development.

Basically, the MFIs in India are of three categories:

(i) Not for profit MFI, which include the NGOs

(ii) Mutual Benefit MFIs, which include mutually-aided co-operative credit and

(iii) for Profit MFIs, which include the Non-Banking Financial Companies (NBFC).

LEGAL FORMS OF MFIS IN INDIA

Types of MFIs	Estimated number *	Legal Acts under which registered
1. Not for Profit MFIs a. NGO-MFIs	400 to 500	Societies Registration Act, 1860 or similar Provincial Acts. Indian Trust Act, 1882.
b. Non-profit companies	10	Section 25 of the Companies Act, 1956
2.Mutual Benefit MFIs: Mutually Aided Co-operative Societies(MACs)and similarly set up institutions	200 to 250	Mutually Aided Co-operative Societies Act enacted by State Government.
3. For Profit MFIs	6	Indian Companies Act, 1956. Reserve Bank of India Act, 1934.
Total	700 to 800	

* The estimated number is of those MFIs actually engaged in credit disbursement [Source: Adapted from the Report of the Task Force on Supportive Policy and Regulatory Framework for Microfinance (NABARD 1999) and updated]

NABARD refinances the Financial Institutions engaged in micro finance, to the extent of actual disbursement. NABARD, SIDBI are 'bulk financiers', who cleverly leverage resources obtained from a variety of sources (donors, government, market) for rural finance including microfinance. If one carefully analyses the Financial Institutions (FIs) refinanced by NABARD (as shown in the next table) one can have an idea of the relative roles played by each in the financing of SHGs.

CONTRIBUTION OF DIFFERENT SEGMENTS OF FIS IN THE SHG MOVEMENT

Bank	Cumulative No of SHGs provided with bank loan upto March 2006	Cumulative No of SHGs provided with bank loan upto March 2010
Total public sector bank	118855	516697
Total private sector bank	5391	21725
Regional Rural Bank	84775	405998
Co-operatives	12773	134671
Total	221794	1079091
SHARE(per cent)		
Total public sector bank	53.6	47.9
Total private sector bank	2.4	2.0
Regional Rural Bank	38.2	37.6
Co-operatives	5.8	12.5

Source: NABARD

"The program of linking Self Help Groups with the banking system has emerged as the major microfinance programme in the country. 560 banks including 48 commercial banks, 196 Regional Rural Banks and 316 co-operative banks are now actively involved in the programme."- India's Finance Minister in his Budget speech (February 2010) for the year 2010-11.

OUTREACH AND SUSTAINABILITY OF MICROFINANCE

In spite of the optimism generated by the expansion of SHG credit and the high recovery rate (According to NABARD 2003-04 report on SHG bank linkage it was more than 95 %.) there is a gap between actual per capita credit provided to the poor and the demand. The out standings of the SHG programme in March 2003 were around Rs 10 billion which met only 2.2% to 6.6% of the projected demand.[Mahajan Vijay and Bharti Gupta Ramola (2003); 'Microfinance in India Banyan Tree and Bonsai']. The total disbursement of bank loans to SHGs were Rs 2049 crore as on 31st March 2003 with an average loan of Rs 28,559 per SHG and Rs 1766 per family [RBI(2003): Report on Trend and Progress of Banking in India, 2002-03]. The share of micro credit in total credit of the Indian banking system was less than 1 %(The Transforming World of Indian Microfinance-Tara S.Nair, 2005). Further, the distribution of Micro finance in India was highly skewed, with 65% of the SHGs being in Southern India and these SHGs were enjoying 75% of the credit disbursed. (Exploring Possibilities Microfinance and Rural Credit Access for the poor in India- Priya Basu and Pradeep Srivastava, 2005).

Though there is limited data on the accessibility of the poor in India to Microfinance programmes, available evidence suggests that 80% of the poor do not have any savings and 91% are without any formal credit. [EDA (2004): The Maturing Indian Microfinance: A Longitudinal Study; EDA Rural System]. In fact the 'poorest of thepoor' are excluded and this was felt by the author also during the field survey. The logic of the author is simple; the effective rates of interest charged by the MF institutions are in the range of 14 to 36% p.a. (Frances Sinha (2003), Author's Field Survey). In fact, the author observed a monthly interest rate of 1.5%, the annual compounding rate can be calculated by the reader.

In a country of one billion, where 25% of the population (As on 1st January, 2004 as per the CIA World Fact book) are below the national poverty line, and even among those above the poverty line , very few can afford to pay these kinds of interest rates. They may be able to only at a great cost and upto a limited time. One reason why high interest rates prevail is because timely availability of credit is more important than cost of credit per se. [A popular notion is that the poor constitute a huge market for FMCG products. While surveying the author observed that it is the upper crust of the poor, the beneficiaries of Microfinance and the bearers of these interest rates, who are the real consumers of FMCG goods. But whether this constitutes a huge market is a debatable issue and beyond the scope of this paper.]

POVERTY LINE

As per the Government of India, poverty line for the urban areas is Rs. 296 per month and for rural areas Rs. 276 per month, i.e. people in India who earn less than Rs. 10 per day. As per GOI, this amount will buy food equivalent to 2200 calories per day, medically enough, to prevent death.

(http://www.wakeupcall.org/administration_in_india/poverty_line.php)

The World Bank's definition of the poverty line, for emerging economies, like India, is US$ 1/day/person or US $365 per year.

Morduch Jonathan(1999) :The Microfinance Promise pp 1569-1614 in Journal of Economic Literature, 37 (December) defines 'Microfinance schism' meaning that the majority of the poorest cannot pay high interest rates regularly, in which case it is a choice between self sufficiency and targeting the poor.

The flip side to this argument is that the interest rates charged by the Microfinance Institutions has had a tremendous beneficial effect in bringing down the interest rates charged by the moneylenders from 2 to 30% (K.G.Karmakar)per month to an uniform level of 3 to 5% per month. (Field Survey)The rates came down because with the appearance of the Microfinance Institution all the villagers migrated to it en-masse and the village money lender, sitting with idle money had no choice but to bring down the lending rate. (MFI can be called a much benign moneylender.) It has been reported that some researchers analyzing other pockets of SHG movement across India have come to identical conclusions.

Even after charging high rates of interest the 'financial spread being earned by the average MFI in India is barely 11% leaving a 7.5% gap between it and the operating expense level of 18.5% of average portfolio'(Sanjay Sinha: Financial Services for Low Income Families: An Appraisal, 2003). Naturally, they have to look upon donors for assistance. It was observed that 28% of the funds of MFIs are soft loans provided by development banks and dedicated microfinance wholesalers [Fisher, Thomas and M.S. Sriram (2002): Beyond Micro-Credit: Putting Development Back into Microfinance}.It was estimated that not even 10% of the MFIs in the Asia-Pacific region had achieved break even, let alone generate surplus. [Goodwin-Groen, Ruth (1998): 'The Role of Commercial Banks in Microfinance in the Asia-Pacific Region.']

MICRO-FINANCE - INSTRUMENT FOR POVERTY ALLEVIATION

Equitable gains from development on a sustainable basis and ensuring viability of financial services are key elements in a strategy of poverty reduction by means of credit support to the poor. As micro-finance is seen to be an approach addressing these concerns effectively, it has assumed significance in all the developing countries as an effective tool in fighting poverty.

The micro-finance scene in India is dominated by Self Help Groups (SHGs) - Banks linkage program for over a decade now. As the formal banking system already has a vast branch network in rural areas, it was perhaps wise to find ways and means to improve the access of rural poor to the existing banking network. This was tried by routing financial services through ***Self***-Help Groups [4], formed as grass roots level institutions developed for social/economic and financial intermediation for focusing on the poor. Drawing lessons from experiments carried out in various parts of the world, particularly Asia - Pacific, an attempt was made to build financial relationship between informal groups of people and formal agencies like banks for catering to the financial service requirements of the poor, especially women. Over the years, SHG-Bank linkage model has emerged in India as a core strategy for the banking system to extend their outreach to the poorest among poor. Though SHGs existed even before the linkage program, the banks could not recognize their potential as business clients and both operated independently, without knowing the strength of the other. Intervening to forge a linkage, NABARD was instrumental in the emergence of a very strong micro-Finance movement in the country.

The SHG - Banks linkage program was conceived with the objectives of developing supplementary credit delivery services for the unreached poor, building mutual trust & confidence between the bankers and the poor and encouraging banking activity both on thrift as well as credit and sustaining a simple and formal mechanism of banking with the poor. The linkage program combines the flexibility, sensitivity and responsiveness of the informal credit system with the technical, administrative capabilities and financial resources of the formal financial sector. It is a design relying heavily on collective strength of the poor, closeness of NGOs to people and large financial resources of banks. Further, the SHGs have also undertaken effective social mobilization functions contributing to an overall empowerment process. The banks have externalized what would otherwise have been high transaction costs for mobilizing savings of the poor, appraisal and sanction of loans and improved loan recovery through the financial intermediative role played by SHGs.

THE NEED TO GO AHEAD

A way out is expansion of scale of operations which can bring down the average operating expenses. The major factor holding up scaling of operations is cited to be lack of funds. Majority of MFIs would like to be converted to NBFCs which would enable them to raise public deposits for on lending. A big deterrent is the startup capital of Rs 20 million required to register as an NBFC which is beyond the reach of many MFIs. But this requirement is part of the regulatory apparatus of RBI to ensure the issue of safety of public money. But MFIs need liquidity also. Hence, they should be allowed to borrow public money with adequate safeguards like deposit insurance with banks. MFIs also want to have more freedom in raising equity capital .They face difficulties in raising equity, because NGOs are not allowed to invest in MFI equity, because of the charitable status of NGOs under the Sections 11 and 12 of the Income Tax Act. (Priya Basu et.al)One good measure of late is NGO-MFIs have been allowed to raise External Commercial Borrowings, where the interest costs are relatively lower, from April 2005. {Reserve Bank of India release April 2005} The stipulations are (1) funds are to be routed through normal banking channels (2) funds to be earmarked for microfinance only and (3)the borrowed amount must be hedged.

Another area of concern is the activities financed by microfinance tend to remain 'micro'. With a loan of Rs 2000/- to Rs 15,000/- and monthly /quarterly installment payments, there is not much scope for expansion of activities. The activities of selling cow milk, goat milk, chicken, fireweed, agriculture on leased land, only provide the poor with the bare minimum. (Field Survey)One way it makes a difference is that when the income generated is added on to the present income of the upper crust of the poor it helps them to transcend the income line, but does not help to develop an asset base. The only solution is to enhance the volume of credit in line with the growth of the productive activities i.e.

'Macro' and not 'Micro' finance is needed for a larger scale of operations. A policy direction may be helpful here. Further, if for some reason the micro activity does not fetch any return say crop failure due to bad monsoons; the beneficiaries of Microfinance suffer tremendously. In such instances 'Micro insurance' helps in providing a buffer and it is heartening to note that national and private insurance companies are talking steps here.

CONCLUSION

All said and done, Microfinance remains a powerful tool for development. It may be a drop in the ocean, but it has made people self sufficient. Our task is to spread Microfinance and bring down the cost of capital and the operating costs and strengthen the bonding between Microfinance and the Formal Financial System. However, for sustainable development of the poor and rural economy, we have to focus on development of rural infrastructure and the rural economy, otherwise there will be few activities requiring finance. Viewed form this angle, our survey results show that-

- Micro-Finance can be a powerful instrument initiating a cyclical process of growth and development.
- Micro-Finance activity improved access of rural poor to financial services, both savings and credit.
- Increased access signifies overcoming isolation of rural women in terms of their access to financial services and denial of credit due to absence of collateral.
- The pool of savings generated out of very small but regular contributions improved access of the poor women to bank loans.
- It could also help in strengthening poor families' resistance to external shocks and reducing dependence on moneylenders.
- The observed support for consumption smoothening would not have been possible, but for the SHGs internal support.
- The predominance of borrowing for crop cultivation reflects support for meeting working capital needs.
- Possibilities could be of explored for using SHGs as a strong conduit for purveying crop cultivation loans to very small and marginal farmers to step up crop loan finance.

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Dr. Muhammad Yunus Founder of Grameen Bank, Bangla Desh.

According the official definition, a family (of five persons) is said to fall below poverty line if the annual income is less than Rs. 24,000.