ORIGINAL RESEARCH PAPER

Management

DETERMINANTS OF POVERTY AND CHANNELS OF POVERTY ALLEVIATION: A POWERFUL ANALYTICAL TOOL KIT

KEY WORDS: Financial Inclusion, Self-sufficient, Weaker Sections, Financial Literacy.etc

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ABSTRACT

With the progress of the Indian economy, especially when the focus is on the achievement of sustainable development, there must be an attempt to include maximum number of participation from all the sections of the society. But the lack of awareness among the rural population is hindering the growth of the economy. In order to overcome such barriers, the banking sector emerged with some technological innovations such as automated teller machines, credit and debit cards, internet banking, etc. Though introduction of such banking technologies brought a change in the urban society, a majority of the rural population is still unaware of these changes and is excluded from formal banking. Financial inclusion is considered crucial from the viewpoint of developing a conceptual framework and identifying the underlying factors that lead to low level of access to the financial system. This paper aims to focus on the objective of financial inclusion, its availability of financial services which allows maximum investment in business opportunities, education, save for retirement, insurance against risks, etc. by the rural individuals and firms.

INTRODUCTION:

Pati and Lyngdoh (2008) observe that Microfinance alone cannot contribute fully towards women empowerment. Economic empowerment is not the only measure that leads to women empowerment. Microfinance intervention measures should be webbed with other developmental schemes and the focus should be on personality development and not economic aspects alone. The male folk should be made a part of the mix**.**

As the majority of the rural population is still not included in the inclusive growth, the concept of financial inclusion becomes a challenge for the Indian economy. Since 2005, many concerted measures are initiated by the Reserve Bank of India and Government of India in favor of financial inclusion but the impact of these did not yield satisfactory results. Financial inclusion enables improved and better sustainable economic and social development of the country. It helps in the empowerment of the underprivileged, poor and women of the society with the mission of making them self-sufficient and well informed to take better financial decisions. Financial inclusion takes into account the participation of vulnerable groups such as weaker sections of the society and low income groups, based on the extent of their access to financial services such as savings and payment account, credit insurance, pensions etc.

The financial services sector in India has undoubtedly seen significant developments in recent times, but the ground reality remains largely the same. According to reports, while 4 out of 5 adults in the country today have a bank account, 78 percent of our transactions are still made in cash. This signifies how there is a large gap in the existence of bank accounts and their actual usage. Moreover, 48% of the country's bank accounts have witnessed no transactional activities in the last one year. "financial services need to be available to the masses in a format that they can access, trust, and consume easily and effortlessly", Anand Kumar Bajaj, Founder & CEO, PayNearby, a hyperlocal fintech network that enables retailers at the first mile to offer digital financial and non-financial services to masses.

METHODOLOGY:

NEED OF THE STUDY:

The study, Inclusive growth through microfinance and entrepreneurial training: An impact study, uses a randomized control trial approach to analyze the impact of self-help group program on a broad set of socio-economic indicators (e.g. consumption, expenditure, income, credit and savings patterns, business creation and profitability, health, education, food security).

OBJECTIVE OF THE STUDY:

Identifying and developing framework that lead to high level of access to the financial system and its services by the poor and vulnerable groups, disadvantaged areas and lagging sectors.

DISCUSSION ON CONTEXT:

The 2019 Laureates — Abhijit Banerjee, Esther Duflo and Michael Kremer — have transformed development economics. Their approach remained guided by microeconomic theory and the use of microeconomic data. But it shifted focus towards identifying workable policies, for which one can make causal claims of impact.

1. GLOBAL POVERTY ALLEVIATION: THE EXPERIMENTAL APPROACH

- Field Experiments: starting in the mid-1990s, Kremer and various colleagues launched a series of field experiments in Kenya to disentangle various components in the educational production function (Kremer 2003). In essence, his approach amounted to breaking down the question of how to boost human-capital accumulation into smaller, more manageable topics, each of which could be rigorously studied via specifically designed randomized controlled trials.
- Empirical Observation: in a series of contributions, Banerjee and Duflo articulated the intellectual case for a microeconomic approach to help understand various aspects of the broader (macroeconomic) development problem. The starting point for this work is an important empirical observation: low- and middle-income countries have large heterogeneities in the rates of return to the same factors of production and large variation in the extent to which profitable investment opportunities are exploited. The extent of this misallocation may be severe enough to help explain the large total-factor productivity gaps between low- and high-income countries that have been highlighted in the empirical growth literature. Intuitively, when resources are allocated optimally, the economy will operate on its production-possibilities

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frontier. When resources are misallocated, the economy will operate inside this frontier: output and productivity will be lower than they could be.
- Designing new experimental-research methods: J-PAL, The Abdul Latif Jameel Poverty Action Lab at MIT (J-PAL), which Banerjee and Duflo founded together with Sendhil Mullainathan, also was vital to this endeavor. J-PAL has promoted research built on randomized controlled trials in many countries and promoted the acceptance of results from such trials in the economic-policy community.

2. DEVELOPING COUNTRIES: FIGHTING POVERTY

The intellectual history of the experimental approach in development economics, focusing on a set of thematic areas: education, health, behavioral biases, gender and politics, and credit.

EDUCATION:

The macroeconomic research on growth and development in the late 1980s and 1990s emphasized human capital, often approximated by educational attainment, in theoretical work and empirical work. Growth accounting attempted to decompose long-run growth across countries into a set of proximate causes, including human capital. This technique required measuring the returns to human capital, which was largely done by running cross-sectional Mincer regressions that linked wages to educational attainment. That empirical literature, however, suffered from three problems.

1) Estimated cross-sectional returns to education were often biased because the underlying variation in education reflected systematic selection.
2) Returns were measured from years of schooling, and these are not equal across time and place in terms of human-capital acquisition.
3) The literature was largely silent on policy, i.e., how to most effectively increase enrollment and improve student learning.

The new research has pioneered important progress in all these dimensions.

A. EFFECTS OF BETTER SCHOOLING:

In the mid-1990s, Kremer and his co-authors initiated the transformation of development economics. To investigate how supply and demand factors interact to determine educational outcomes, they launched a series of field experiments in collaboration with a nongovernmental organization (NGO) in western Kenya. Two of the experiments estimated the impact of additional school inputs: textbooks and flip charts. Two other experiments estimated the effects of health interventions, including deworming of children and school meals.

B. MATCHING TEACHING BETTER TO STUDENT-LEARNING LEVELS:

Reviewing the findings from Kenya, Banerjee, Duflo and their co-authors concluded that students appeared to learn nothing from additional days at school. Neither did spending on textbooks seem to boost learning, even though the schools in Kenya lacked many essential inputs. Moreover, in the Indian context Banerjee and Duflo intended to study, many children appeared to learn little: in results from field tests in the city of Vadodara fewer than one in five third-grade students could correctly answer first-grade curriculum math test questions.

A common response to overcrowded classrooms is to add more teachers. The idea is simple: lowering the student-teacher ratio increases the amount of time teachers can spend per individual student, which could have a direct effect on learning. If students benefit from higher-achieving peers, then sorting students into separate classes based on their preparedness or their ability could disadvantage low-achieving students while benefiting high-achieving students, thereby exacerbating inequality.

C. TEACHER EFFORT:

The low apparent rates of learning for many students in low- and middle-income countries have several roots, including the aforementioned mismatch between student academic preparation and teacher target levels. Absence rates of teachers in many developing countries are very high.

D. META-STUDIES:

In the past 20 years, more than 100 randomized controlled trials on education have been implemented across the developing world. The growing number of high-quality studies is also mirrored by a growing number of systematic reviews of the evidence. A clear message from these meta-studies is that some of the early interventions tested by Banerjee, Duflo and Kremer are seen as the most cost-effective interventions to improve student learning.

CONCLUSION:

Govt. of India (2008) defines Financial inclusion as *the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost.* The meaning of financial inclusion is delivery of financial services to the low income groups especially the excluded sections of the population with the provision of equal opportunities. The main target is the access of financial services for better standard of living and income.The 2019 Laureates Abhijit Banerjee, Esther Duflo and Michael Kremer have transformed development economics. Their approach remained guided by microeconomic theory and the use of microeconomic data. In essence, his approach amounted to breaking down the question of how to boost human-capital accumulation into smaller, more manageable topics, each of which could be rigorously studied via specifically designed randomized controlled trials. The intellectual history of the experimental approach in development economics, focusing on a set of thematic areas: education, health, behavioral biases, gender and politics, and credit.

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