Chapter 1

Poverty in Emerging Economies

Handicraft Industry in Nepal – Paradigms of Poverty

> Lasting peace cannot be achieved unless large population groups find ways to break out of poverty. Across cultures and civilizations, Yunus and Grameen Bank have shown that even the poorest of the poor can work to bring about their development. *The Noble Committee*

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Social Perspective

In Nepal, within the hinterlands and hamlets, quietly nestled in the Himalayas, the self-help groups comprised the women members who weave pashmina shawls, Palpali Dhaka products that include handkerchiefs, jewellery, handmade paper products, wood craft, singing bowls and khukuri knives, glass beads and hemp products. With the digitisation of the villages in Nepal, the level of commerce has increased to a large extent. This has led to the transformation of Nepalese society into a knowledge society. This has led to a reduction in poverty. In Nepal, approximately 50% of the population lives below the poverty line, and most do not have access to basic amenities, including education, clean drinking water, sanitation, etc. It is a small kingdom in which the monarchy has a special place, and the economy mainly depends on agriculture, tourism and other allied activities. Due to a subsistence economy, most families depend on agriculture for survival. Low education is the main reason for poverty among rural citizens. Besides, a high poverty level exists among Nepal's downtrodden castes and creeds. This includes the caste such as Sarkai, Damai and Kami. The story of poverty is extremely high among people from lower castes, downtrodden religions and sects leading to caste discrimination and gross inequalities. This marginalisation leads to social exclusion as the poor people from the lower caste cannot access the wells to fetch water. Thus, the problem of poverty is dependent on root causes which might be demographics. Besides individual factors, contextual factors also lead to poverty. These people do not have rights, including land ownership and entitlement to possess various assets. Poverty is a chronic problem that fraught the economic growth in the villages of Nepal.

Introduction

Globally, 1.7 billion people live below the poverty line. These people cannot access economic resources and collateral to obtain credit. Moreover, the banks do not have any information about the creditworthiness of the poor, which leads to the problem of underdevelopment globally. There are multiple definitions of poverty, but the most accepted explanation is in terms of per-day expenditure on consumption by the household. The World Bank has defined poverty as per capita expenditure of less than $1.90 to $3.10 per day. Further, the statistics and earlier research propagate that poverty is more prevalent among households with three or more children and in rural areas and regions. Extreme poverty is the root cause of all the social problems and ills. It is imperative to eradicate poverty to achieve economic growth and development objectives. Developing nations worldwide have adopted the sustainable development goal of poverty reduction. Approximately 193 countries have adopted the sustainable development framework, including 169 different Global targets, including poverty reduction. In 1901, for the first time, Dadabhai Naroji estimated poverty in India based on the cost of subsistence. India adopted the poverty line estimation based on the recommendations of the National Planning Committee, based on the living standard followed by the Bombay Plan 1944. In the past, the task of estimating poverty was given to various committees, which include the Dandekar and Rath in 1971, the Y.K. Alagh task force in 1979, and the working group of 1962 in the estimation of poverty. Recently, this task has been given to Lakdawala report in 1993, and Rangarajan Committee report in 2014. India has adopted a multidimensional approach to measuring poverty, which includes various indicators such as nutrition, child-adolescent mortality, schooling, attendance, cooking gas, electricity, housing, ownership of assets, bank accounts, education, health, nutrition, access to sanitation, and clean drinking water. By 2030, India and other emerging nations of the world will have adopted the vision of zero poverty. But with the existing challenges and new emerging social challenges, the achievement of this goal looks like a distant dream. With the advent of COVID-19, the gains made in reducing poverty in the last decade have been lost. Recent research and estimates suggest that approximately 68 million to 130 million people might be pushed into the vicious circle of poverty (Wang & Zhou, 2020). The current rate of global poverty hovers around roughly 9.2%, and with the existing scenario, achieving a poverty rate of 3% looks like a distant goal. Poverty is a multidimensional and complex problem with various causes, such as inadequate schooling, low income, and low life expectancy, with gender and regional disparities. Poverty is often defined as a market failure when the market's demand and supply forces cannot achieve the equitable distribution of resources. Many books and literature describe poverty as a structural failure. ILO (International Labour Organisation) defines 'social injustice' as the root cause of the problem of poverty. This social injustice further leads to disharmony and violence in society. The World Bank has laid down two goals. The first goal is eradicating poverty, and the second is achieving shared prosperity. Approximately 15.09% of the world's poor living in abject poverty are staying in the developing nations of South East Asia. Many countries in these developing nations have adopted the goal of poverty reduction through financial inclusion and microfinancing (Saha & Qin, 2023). For the study, it is hypothesised that poverty essentially implies a lack of access to resources due to a lack of capabilities, including access to financial resources. Thus, poverty is defined as the level of financial exclusion and the inability to access financial resources due to the lack of collateral and information about the creditworthiness of the poor. The SDG (Sustainable Development Goal) includes a target indicator as 1.2, which defines poverty as reducing at least by half the proportion of women, men and children of all ages who live below the poverty level.

Definition of Poverty

Poverty has been defined as the feeling of deprivation and lack of well-being among people. It is often described as members lacking resources and capabilities to meet their consumption needs. The resources and capabilities are usually defined as members not having enough income or resources to meet their daily consumption needs. Often the starting point to measure and monitor poverty is to estimate the income earned or economic resources possessed by the members of a household. The World Bank has given a benchmark of $1.90 to $3.10 per day as the threshold to measure poverty levels among community members (World Bank, 1990a, 2001, 2015, 2017a, 2017b). However, it includes various other dimensions, such as health, education, and consumption. The Indian Government has adopted the sustainable development goal of poverty reduction through financial inclusion and women empowerment. As per Amartya Sen (1980), poverty arises when people lack key capabilities in terms of adequate education, income and employment to meet their needs. This deprivation further leads to insecurity and low self-confidence, and self-esteem. In this book, we have adopted a consumption benchmark of $3.10 per day as the benchmark indicator of poverty. Entitlement rights and the right to own property and resources form the genesis of the problem of poverty. Poor people are often socially excluded and are deprived of the right to hold and exchange things. This is often referred to as exchange entitlements (Sen & Foster, 1997). The people below the poverty line do not have the right to exchange resources and items. Not only do they lack resources and endowments, but they are also excluded from exchanging things and accessing financial resources in the form of credit and debt. Thus, per the famous economist Amartya Sen, it becomes essential to analyse the ownership of resources and the rights to exchange entitlements and resources (UNDP, 1991). Human Development Report defined poverty as the ability to avail and make choices. It includes the ability to live a life of dignity. Freedom from poverty is often described as the ability to live a long and healthy life. It is referred to as the ability to exercise political choices and political freedom with a guarantee of human rights. United Nations Economics and Social Council (1988) has defined poverty as freedom from insecurities, deprivations and exclusions. Defining poverty and designing policy interventions to combat poverty is extremely important. Most of the earlier research cites that poor people do not have access to financial services and do not own any property or physical assets to access financial services. They do not have any collateral which can enable them to access credit.

Moreover, banks and financial institutions do not have any information about the creditworthiness of poor people. This leads to the financial exclusion of the poor, which further leads to the inability to avail of suitable employment opportunities. Fig. 1 provides a basis for the classification of various causes of

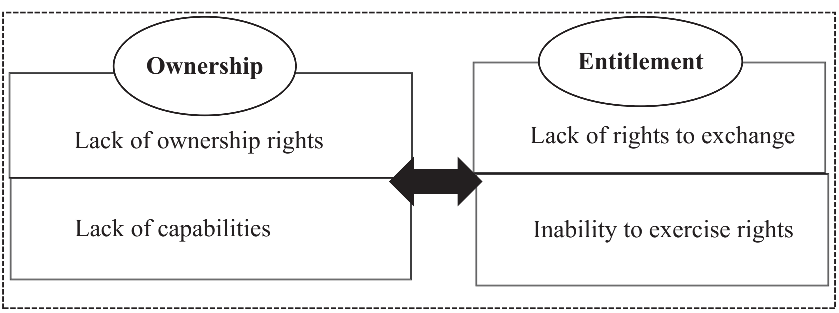

Fig. 1. Reasons for Poverty. *Source:* By the Author.

poverty. Poverty could be either due to the lack of ownership of physical assets or due to the lack of ability to exercise the rights or entitlement, leading to deprivation.

Social exclusion refers to the exclusion of process and outcome. In the process, social exclusion refers to the exclusion of the members from participating in social, economic, political and cultural activities. Amartya Sen defined social exclusion as the denial of freedoms and the inability of persons to take advantage of opportunities because of policy initiatives. Thus, broadly defining poverty, the background factors could be constitutive that are inherently bad, such as social exclusion, caste discrimination, racial discrimination and policy initiatives that abstain specific individuals from enjoying freedom. Or the factors could be instrumental, which are not inherently bad but can lead to consequences such as lack of access to credit markets.

Poverty Reduction and Women Empowerment

Poverty reduction is one of the sustainable development goals, and gender inequality is one of the primary reasons for the increasing poverty levels in the nation. Various studies highlight that households where women have their entrepreneurship ventures tend to have higher income and lower poverty levels. Similarly, many other factors impact the level of poverty. Poverty is a multidimensional concept and a puzzle that is influenced by and leads to many other problems, such as income inequality, unemployment, vulnerability to disasters, poor health, climate change and lack of education. This view mainly attributes poverty to various macroeconomic factors.

Where Is the Bedrock of Poverty?

Is gender inequality the bedrock and the key to achieving sustainable development? It is imperative to improve the participation of women in day-to-day decision-making. As far as the financial inclusion of the poor is concerned, there is a presence of gender inequalities. From the literature analysis, it becomes apparent that approximately 40% of poor women do not have any access to financial services. And 20% of the female population do not have any access to bank accounts. It is imperative to make women aware of their fundamental rights. There is a need to develop gender-friendly goals to develop smart products and services that cater to the unique needs of women. Information asymmetry is one of the major challenges faced by women in India. Women in rural India do not have any information about the financial products and services available in the market. Organisations must undertake capacity-building initiatives such as training and skill-building initiatives to facilitate women's empowerment. In different parts of the nation, the women members face difficulty accessing financial services. In most households, the women members report crimes inflicted upon them as domestic violence or lack of autonomy. Women generally do not have access to financial resources and depend on their parents, households, friends and informal networks to access finances and funds. There is a need to make changes in the regulations and laws and make them women-friendly. In most cases, the women depend on their husbands to access money and economic resources. The members of big traditional families are generally more inclined to have a male child than a female child. Over time, women in India are repeatedly being afflicted with various crimes such as poverty, rape, and attempts to demand dowry. The major reason behind these increasing social problems is the presence of disparities and the presence of a patriarchal system of governance. In patriarchal societies, there is a need to promote the equitable distribution of resources by providing them access to equitable opportunities. The Indian Government has undertaken various schemes and initiatives, including Government transfers and social welfare schemes such as the Sukanya Smridhi scheme to promote the empowerment of the girl child and promote the holistic development of women. Women need to be empowered by promoting autonomy in financial planning and decision-making. Within the social context of a village, the women members lack access to any physical collateral, which prevents them from accessing formal credit. Moreover, the extant literature highlights that women with higher levels of financial literacy can better manage their households and stand up for women's rights in the family. They can better fight the menace of domestic violence and promote harmony among family members. Attaining gender equality is one of the sustainable development goals, and gender equality further leads to economic growth. Various studies establish that a higher education level among women leads to lower inequalities and poverty. Women's economic and social independence leads to the reduction of economic inequality and higher employment opportunities. One of the major reasons for poverty among the people at the lower levels is the lack of women's empowerment. The levels of social exclusion are extremely high among the women members due to the lower level of education and various forms of behavioural and cultural biases. Various strands of literature define women's empowerment as gaining control over their lives by accessing choices in the strategic context. In this regard, it is essential to understand how access to financial services impacts women's lives at the bottom of the pyramid. One such initiative is the unique group lending initiative started by NABARD in 1992. This initiative provides access to financial services to the poor people at the bottom of the pyramid. In accessing the loans from the self-help group, the members need not have access to the physical collateral or any information about the poor. A homogenous set of people from a common background or geography generally forms these groups. These members already have information about each other and thus provide a guarantee. Through social capital, the poor members of the group get access to financial services in the form of loans and credit. Thus, the self-help groups ensure access to financial services for women in the unorganised sector. Individual-level factors impact poverty, including education, income, access to financial resources, ownership of assets, family demographics and psychographics. Similarly, macroeconomic factors such as climate change, economic resources, governance and availability of clean water and sanitation impact poverty. Besides the individual-level factors, various other contextual factors, such as the level of crimes, climate change, environmental quality and socio-economic infrastructure, impact the country's poverty levels. The existing studies have cited various elements that are important for fighting poverty. These factors include education and training, resilience to climate change, economic resources and basic needs, financial support, governance and social support.

Poverty Due to Factors of Constitutive Relevance

Impact of Socio-Cultural Factors

Social exclusion is a mechanism or process by which specific communities and people are excluded and disadvantaged due to the discrimination they face in terms of gender, race, religion, caste, age, etc. In a society, the rules govern the behaviour of the community members. Through a process of negotiation, these rules and laws become customs. These customs govern the behaviour of individuals and give rise to the social attitudes and values in a particular society. The state then enforces these laws in the form of constitutional mandates. However, in some cases, the loopholes in the existing laws lead to discrimination and exclusion of certain groups. A straightforward example of social exclusion is discrimination among the members of society based on their place of domicile or birth. There is no mechanism to control the exploitation of the discriminated group. Poverty is a complex problem with multiple dimensions. Various socio-cultural factors such as religion, custom, family background, norms and values impact the poverty level in emerging economies. The social environment of a person has a profound impact on the economic prosperity and wellness of a person. Besides, the economic definition of poverty means an individual living at less than $1.90 to $3 a day. But poverty can also be defined as societal poverty. Societal poverty implies the ill-treatment of an individual at the hands of state agencies and society. The primary research highlights that people who lack access to financial resources are at risk of cultural exclusion. India is a diverse nation with people from diverse social backgrounds living together. Various negative cultural factors, such as prevalent customs, traditions and casteism, lead to vulnerability and increased poverty among the people at the bottom of the pyramid. Looking through the lens of social stratification of society, poverty is most prevalent among the economically disadvantaged sections of society, including people from scheduled castes and tribes. Minority communities are excluded from participation in economic activities and social activities. This discrimination and social exclusion lead to the problem of the vicious trap of poverty. Social exclusion leads to the denial of fundamental human rights among the members of society. Through the lens of entitlement theory, poor people are excluded, marginalised and relegated from participation in social activities. Social exclusion leads to exclusion from the right to life of dignity. It also leads to various discriminatory forces such as racism, casteism and unenforced civil rights. Different authors propagate that the lack of distributional rights is at the heart of the prevalence of poverty. India is a diverse country with multiple cultures and customs. Poverty is the cause and consequence of social exclusion. Customs have a significant role in impacting the economic and social well-being of the nation's diaspora.

Thus, though poverty in developing countries such as India has declined in absolute terms, in cultural terms, or in terms of exclusion, poverty has increased. This is adequately reflected in the increasing social crimes like dowry deaths, suicides due to higher debt levels, and social ostracisation. Social inequalities in society have increased manifold. Greek historian Aristotle has defined poverty as the inability to undertake significant economic activities. Further, Adam Smith has described poverty as the inability to face the public without shame. Most of the seminal literature on poverty has highlighted the relevance of customs and traditions in determining the economic status of the members of society. Thus, practices have a significant role in determining a country's economic status.

Within the Indian constitution, *the fundamental right to equality* is enshrined as a basic right, and theoretically, the caste system has been completely abolished. However, the ground reality is very different. Until recently, the caste system classified millions of people as untouchables and Harijans as outcastes. The people from the lower classes are denied work and access to basic amenities such as drinking water and shops, leading to economic inequalities and extenuating poverty. In a developing economy, within the theoretical framework of a financial system based on a rhetoric of equality, the rich and poor compete for limited economic resources. Due to the existing social setup with vast social inequalities, the wealthy class dominates and claims ownership of natural resources leading to the social exclusion of the poor. Thus, the neoclassical theories of a free-market economy do not apply to developing nations fraught with inequalities. Poverty in poor economies is a product of market failure due to the existing social pressures, norms and cultures. The media and other international agencies and institutions have undertaken many social movements to subvert the perils of caste-based discrimination and the subjugation of fundamental rights. An example of such a celluloid movement is *Dalit cinema* in India, which has been operating since the 1960s. These movies lead to a public debate about the social realities existing among the poorest sections of society. The entire film genre is dedicated to the cause of the oppressed and poor, who struggle hard to make a living. Popular cinema, since the 1950s, has made a subtle effort to give voice to the struggles of the poor sections of society.

Inequality and Relational Poverty

Relational poverty refers to a phenomenon when poor people are unable to participate in society or community. Much to the dismay, before the coming of Indian cinema and in the pre-independence era, the scenario in terms of class stratification was highly pathetic. Indus valley civilisation that existed 2,500 years ago is a testimony to the social stratification within the society. India is a diverse country with a rich culture, with a diverse history of rulers and kingdoms. Aryans from Central Asia introduced the caste system in India to control their vast kingdom in Southeast Asia. The narratives and chronicles from the Gupta Empire to the rule of Harshvardhan Raya in Southern India tell tales of how our holy scriptures granted a divine right to the ruling class and the priest class to control the general population through class stratification. Vedic scriptures, including the four Vedas, Upanishads and Bhagavad Gita, elucidate the existence of various courses and thousands of castes. Ancient Hindu manuscripts such as Vedas and Puranas, dating around 1700–1100 BCE, mention caste distinctions. From 200 BCE to 200 CE, Bhagavad Gita highlighted the importance of caste in India. The *Laws of Manu* and *Manu Smriti* highlighted the significance of the *Varna System.* The scriptures propagated the origin of humankind from the body parts of an *Adipurush*.

Untouchables, or the Dalits in Hindu society, were considered the most menial and lowest category of human beings. They were out-casted from Indian culture and were not allowed to be part of the social system. These members of society were involved in menial jobs like *scavenging animal carcasses, leather work, or killing pests*. Despite the historical glories of a golden age, after annexation to the British Empire, the gory realities of class stratification emerged as extreme subjugation of the marginalised sections and minorities. The advent of the British empire in 1757 with the establishment of British rule under administrators like Job Charnock, who adopted Indian customs and exploited the Indian social fabric of caste stratification, laid to extreme exploitation of the marginalised (Riser, 2009). It is the cradle of Asian culture and religions such as Hinduism, Sikhism and Islam and adopted multiple faiths like Christianity. Our nation has acceptance and tolerance for various beliefs and traditions. This diversity has led to social equality and the demolition of the ivory towers of the upper caste. Still, the communal strifes and conflicts pose significant hindrances to the country's development. The testimony to the contribution of cultural and subjective norms to the level of poverty in the country is the plight of *tribes in India*.

Though most social researchers believe that the lack of capabilities is the cause of poverty, the fact is that deprivation is the cause of failure and social exclusion. As aptly described by the Noble Prize-winning economist Amartya Sen, the notion of capabilities is individualistic and negates the social context of poverty. In an emerging economy with myriad inequalities, poverty is a product of social exclusion and deprivation. The central point to be noted here is that every kind of deprivation is not exclusion. Exclusion emerges from the problem of relatedness. When individuals are not permitted to relate to others, it leads to poverty. This is generally in the form of denial to let an individual participate in community activities. In a culturally diverse nation like India, which is the cradle of civilisation, the marginalised communities generally comprise cults and people who have been practicing a particular form of art for centuries. These people earn their livelihoods from family art or practice like sculpture making, weaving, beads work, handicrafts, snake charmers, etc. In modern society, the state's rules govern day-to-day life through customs and norms. But the implementation of these norms in the form of legal acts leads to the loss of cultural rights for these tribes, leading to social exclusion and accentuating poverty among the members of these groups. One such example is the *Qalandar* community of Karnataka. The members of this community make their living from the rearing of snakes and animal shows. However, despite such acceptance, they are subjected to harassment and lack opportunities to make a living by practicing art. Modern society tortures and discriminates against the legal existence of these communities, leading to large-scale poverty among people. This is also called the *constitutive relevance* of social exclusion.

Similarly, the *Kalbelias or Jogi Nath*, the snake charmer community of Rajasthan, live in the hamlets far away from the mainstream. The outsiders are not allowed to visit these hamlets and villages. In the *Bejati* village in Uttarakhand, caste discrimination is prevalent in this hamlet. The untouchables in this village mainly pursue traditional and artisanal work, which comprises vocations such as *Ordh, Lohar, Tamta, Dholi*, etc. They are not allowed to enter and have meals with the upper-class members in their villages and hamlets. The paradox of this community is that they have peacefully accepted the mandate and customs prevailing in an unjust society. Without Government support in the form of quotas in jobs and Government transfers, they are unwilling to fight for their rights. This further leads to poverty and misery in this community. Similarly, in the Attappady tribal block of Kerala state, the *Adiya* and *Paniya* tribe in the Wayanad district face abject poverty and a lack of dignified life. Attappady is one of the most culturally diverse districts, home to 27,121 tribes, out of which Irula is the most prominent tribe, followed by the Muduga and Kurumba groups. 25% of the tribal households live below the poverty line in abject poverty, and a vast majority do not even hold a ration card. Many of the kiths and kins of the fisherfolk community suffer from wasting, stunting and malnourishment. Thus, considering the social fabric of a diverse country like India, the problem of poverty is multidimensional. Cultural and subjective norms have a significant impact on the level of poverty in a particular community. These people who belong to small communities or in occupations that are looked down upon or frowned upon generally face a lot of humiliation and exclusion at the hands of state and institutional machinery. This is a form of *constitutive relevance*[1] of social exclusion. This is constitutive relevance as it restricts the capability of specific individuals to participate in day-to-day activities. Inherently, it is highly inhuman and immoral.

Poverty Due to Factors of Instrumental Importance

Impact of Financial Inclusion

One of the studies by the Asian Development Bank found that it's mostly the low-income and micro-sector enterprises that cannot afford and thus are financially excluded. The disadvantaged members of society or the members who lack access to financial services due to the lack of collateral and information about the creditworthiness of the poor are unable to participate in the functioning of the economy. The United States brought forward the notion of financial inclusion in 2005. The year 2005 was declared the International Year of Financial Inclusion. Reserve Bank of India (RBI), in April 2005, defined financial inclusion as a policy measure to ensure access to financial services for the poor. Most of the financial literature highlights the cost of poverty that the poor impose on society. This cost is mainly in the form of social costs and underdevelopment, and retardation of economic growth. Financial inclusion enables poor people to participate in economic and financial decision-making regarding consumption and investments. Financial inclusion ensures access, availability and usage of financial services for the poor. Most of the financial exclusion in the underdeveloped world is primarily involuntary, as the members of the society do not have access to financial services due to the lack of financial infrastructure, financial income, resources and capabilities, and market failures, including imperfections. Many earlier studies have looked into the dimension of financial inclusion and poverty Burgess and Pande (2005) found that expanding the rural financial infrastructure through bank branches helps reduce poverty and income inequalities in the economy. Mainly, the opening up of bank branches in rural regions helps to reduce poverty. Thus, most financial literature has consensus that financial development through financial inclusion reduces poverty and leads to economic growth. Various approaches to measuring poverty are given by Ruggeri Laderchi et al. (2003), including the participatory, social exclusion, capability and monetary approaches. Moreover, various financial techniques highlight that financial development and inclusion help increase the capacity to absorb financial shocks, smooth consumption and invest in health and education.

Various studies highlight that financial inclusion helps reduce income inequality in low-income countries by ensuring the equitable distribution of resources. Similarly Brune et al. (2011) finds that financial access through universal bank accounts reduces poverty among poor nationals. Honohan (2008) has highlighted that income inequalities and social underdevelopment lowers financial access and lead to poverty. Thus, many studies emphasise that financial exclusion leads to poverty. Usha Tharot report in 2007 has highlighted the role of banks and formal financial institutions, like Post Offices, in promoting financial inclusion among the poor. According to the literature, financial inclusion leads to access to financial resources, thus reducing inequalities, promoting savings among the poor and promoting economic growth.

Without access to financial services, poor people often resort to accessing finance from informal channels such as money lenders and shopkeepers. Besides the lack of financial infrastructure, the lack of financial literacy is the other reason for the financial exclusion of the poor. Many models and measurement techniques measure the poverty ratio as a function of financial inclusion and deepening. Endogenous growth theory highlights how financial development leads to a higher level of economic growth in the country. Approximately 734 million people live in extreme poverty, and they do not have access to financial services. Also, these people do not have the required level of financial literacy to access financial services. Thus, various supply-side and demand-side challenges inhibit access to financial services for the poor. Most unbanked people suffer from different demand-side challenges, including psychological barriers and exclusion, and condition exclusion, which includes the lack of financial literacy and education. Despite having access to financial infrastructure, in terms of access to financial services, many individuals in India cannot use financial services due to a lack of financial literacy. Most of these studies using various techniques highlight that financial inclusion leads to a reduction in income inequalities. Financial inclusion enables poor people to access financial credit, avail of investment opportunities and earn income through the promotion of savings among the poor. Thus, most of the literature and studies highlight that financial inclusion helps reduce inequalities, broaden access to credit, nurture entrepreneurial activities, and increase consumption and investment activities among the poor members of society. Through the various Government schemes such as subsidies and government transfers, financial inclusion helps to reduce the inequalities among the poor and thus reduce poverty. Financial inclusion benefits the poor people of rural society, particularly the young and the women. Financial deepening and financial inclusion through financial inclusion have a far-reaching impact on the development of the economy. One such scheme that has led to financial development through financial inclusion is (Pradhan Mantri Jan Dhan Yojana). This scheme has led to the universal bank opening under this scheme. This financial development and inclusion help to reduce socio-economic risk by promoting equitable distribution of resources and promoting the outreach of financial services to the poor. Financial inclusion helps poor women break the vicious cycle of poverty by promoting higher returns on investment.

The Trade-Off Between Profitability and Social Objectives – Mission Drift

In the 1960s, for the first time, the Indian state introduced the concept of financial inclusion. Until the 1990s, most financial initiatives aimed at providing microfinance to the poor were subsidy-based. However, in the 1990s, after the liberalisation of the economy, emphasis was paid to promoting sustainable finance. The focus of microfinance is fast shifting from subsidised microfinance to the market provision of finance to the poor. The literature highlights the dual mission of financial institutions, which includes achieving the goal of financial sustainability and achieving higher profits and return on investment (ROI). The roots of the concept of mission drift lie in two approaches to financial inclusion: the 'financial system' and the poverty lending programme. The financial systems approach emphasises large-scale outreach to the economically active poor – borrowers who can repay microloans from household and enterprise income streams and savers. It focuses on institutional self-sufficiency (Robinson & World Bank, 2001). The financial system approach mainly aims at building financial intermediation for the poor without financial support or subsidy. At the same time, the poverty lending approach concentrates on reducing poverty by providing access to concessional and subsidised credit for the poor. This credit is offered to poor borrowers at extremely lower rates of interest. The major objective of this approach is to enhance the well-being of the poor by providing monetary and social support. The Grameen Bank, run by Mohammad Yunus, has propagated this approach. Most banks and financial institutions do not find it worthy of lending to the poorer sections of society due to the lack of adequate profits. Thus, most formal and microfinance institutions face a trade-off between the outreach of microfinance to the poorest of the poor and financial sustainability through sufficient profits and returns on investment. One of the fundamental poverty/sustainability questions is whether services can be delivered at an affordable cost to clients. Case studies and community studies highlight the importance of cost structures and delivery methodologies of microfinance institution.

This form of poverty exists when the members of society are financially excluded. This is the case of *instrumental* relevance, as it restricts the ability of the individual to participate. A case in point is the exclusion of the members of society from participating in the credit markets, which reduces the capacity of the members to take advantage of the additional economic opportunities. India is an agricultural nation, with the majority of the people in rural India depending on agriculture for their livelihood. These people lack collateral, and banks and financial institutions do not have any information about the creditworthiness of the poor. This leads to financial exclusion and thus leads to loss of livelihood and abject poverty among the poor. Not only are these farmers excluded from credit markets, but the existing regulatory laws, such as APMC (Agricultural Produce Mandi Act), do not enable these farmers to access free markets for their agricultural produce. The farmers in India are generally marginalised, and their land holdings are tiny. They suffer from information asymmetry and do not have any information about the market prices prevailing in the agricultural markets. They suffer financial exclusion, as they cannot access free markets and depend on the commission agents to sell their agricultural produce. This exclusion is also instrumental as it excludes the farmers from getting a fair price for their agricultural produce. This exclusion prevents poor farmers from taking advantage of income-earning opportunities. The exclusion of this form, where the loopholes in the existing regulations avoid an individual from participating in financial decisions and processes, is mainly passive. Only 1/3rd of the farmers have access to the agricultural markets, and only 65% have access to institutional credit. Most of the time, the agricultural markets lack the infrastructure facilities such as warehouses to store agricultural produce. This leads to chronic poverty and retards economic growth and economic development.

Digitisation and Modernisation of the Ghazipur Mandi

The Ghazipur flower market is famous for the sale of its beautiful flowers. This market is set for modernisation to provide a platform for farmers to sell their agricultural produce at a fair price. With the digitisation of the agricultural markets, the auction process has been automated. Electric and digital boards have been installed in all the Mandis to ensure the right price for agricultural produce. Further, the Delhi Government is planning the expansion of the infrastructure through the establishment of cold storage and a warehouse to facilitate the sale and purchase of agricultural produce. This modernisation of markets will facilitate the provision of fair market prices to all the farmers for their produce. Despite all the efforts, the poor farmers must sell their agricultural produce

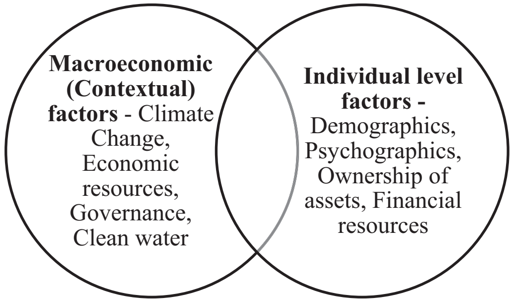

Fig. 2. Factors Impacting the Level of Poverty. *Source:* By Authors.

through the commission agents. They are able to get fair prices due to the digitisation of the markets and the electronic display of the prevailing market prices. There is some hope that the digitisation of markets might eliminate the presence of intermediaries. These farmers are small farmers, and they are unable to get access to credit due to the lack of collateral. The banks and financial institutions do not have information about the creditworthiness of the poor. Fig. 2 provides the primary classification of the different forms of social exclusions that lead to the problem of poverty. A social exclusion with constitutive relevance is inherently bad and negative and leads to poverty. A case in point is caste discrimination, the denial of certain social classes from visiting the well and public places. And the instrumental relevance has consequences that are not bad but have effects, such as a lack of access to credit markets (Fig. 3).

Sustainable Development Goals and Poverty

UN (United Nations) has adopted the agenda of sustainable development to leave no one behind by 2030. The first sustainable development goal is to eradicate poverty in all forms. Thus, poverty poses a significant barrier and obstacle to achieving equality for all. Most of the sustainable development goals, such as zero Hunger, good health and well-being, quality education, and clean water and sanitation, are impacted by the sustainable development goal to reduce poverty. The end of poverty by 2030 is the major goal for the world. Various reports show that more than 700 million people live below the poverty line and struggle to fulfil basic requirements. And most of the poor live in Southern Asia and Sub-Saharan Africa. The problem of poverty is vicious as the people are linked to each other. Their level of poverty impacts the level of social cohesion and leads to an increase in social tensions. As per the latest research, promoting social equality by enabling a social environment and empowering individuals by providing safe drinking water, health, and sanitation services, education, and training is important. An integrated approach to sustainable development goals will help reduce the nation's poverty levels.

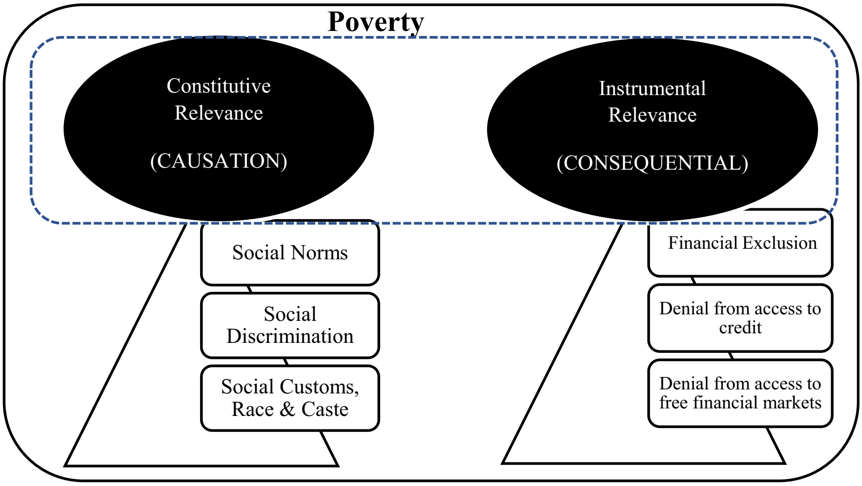

Fig. 3. Sources of Poverty. *Source:* By the Author.

Fig. 4 briefly describes the various stakeholders involved in the reduction of poverty approach. The Government, community, family, and the public are all involved in implementing the policy initiatives towards poverty reduction. To reduce poverty at an individual level, policy initiatives are needed to ensure good health and education, reduce malnutrition, reduce child labour, reduce child trafficking, ensure the supply of clean drinking water and reduce gender inequality through the development of sustainable cities.

Dimensions of Poverty

UN SDGs have adopted the first sustainable development goal as poverty. Through the analysis of the literature, it was analysed that poverty manifests itself in the form of insufficient income, lack of appropriate work environment, lack of recognition for the work, social and organisation mistreatment, mental and physical harassment, struggle, and social isolation. The existing definition of poverty is narrow, as it not only implies the lack of income, hunger, shelter and clothing, health and sanitation and education. But in broader terms, it also means the vulnerability of poor people to external events beyond their control. For the people living in poverty, it becomes apparent that only financial income is not essential to determine the poverty level, but there is a need to include other factors such as freedom, social cohesion, and the natural form of governance. To overcome poverty, it is important to explore opportunities, facilitate the empowerment of the various sections, and enhance security. Thus, we can say that the definition of poverty includes three dimensions: (1) Freedom, (2) Social Cohesion (3) an Honest form of Governance (Fig. 5).

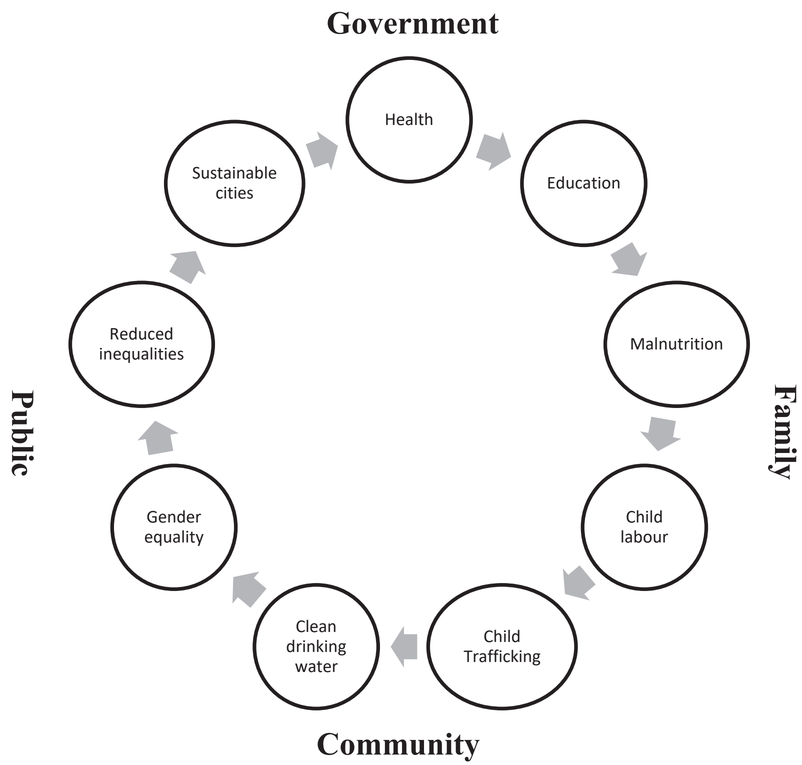

Fig. 4. SDG (Sustainable Development Goals) Approach to Poverty.
Source: By the Author.

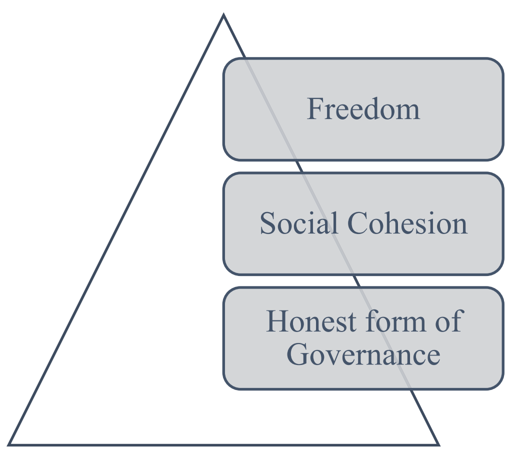

Fig. 5. Broad Definition of Poverty.

(1) *Freedom:* Poverty is defined as freedom from deprivation. This implies that a person has sufficient capability in the form of situational context and possession of property rights that enable the person to lead a free life. Material possession includes the ownership of assets and physical artefacts. These allow a person to enjoy a free life. A person's capabilities depend on the level of education and skills that person possesses, and he will be able to lead a free life. A person's situational context and situation refer to the social contract that a person has with society. This enables a person to lead a life free from physical violence and fears. To exercise and enjoy freedom, an individual should have a social relationship with his society. He should possess faith and be sensitive to other people's rights in the community. They should have social capital and attitude to fulfil their commitments towards society. Thus, not only do the individuals possess the resources as capabilities but are so socially and culturally embedded in their social context that achieving the economic goals and objectives is not difficult for them.

(2) *Social Cohesion:* Social cohesion comprises various dimensions, including social inclusion, social mobility, and social capital. Social cohesion refers to the level of connectedness and solidarity among the group members. It refers to a person's sense of belongingness with other members of society. Social inclusion is the process of ensuring equal opportunities for people across sections of society. It is also the process of improvement, which includes improving the ability, dignity, and opportunity of the disadvantaged and marginalised sections of society. Certain people are excluded because they are destitute and discriminated against based on identity, ethnicity, race, religion, gender, age and level of disability. Thus, the ability of a person to access education enables a person to access the requisite opportunity, enabling a person to lead a life of dignity. Social exclusion is mainly the result of the existing lattice of power relations among the members of society. It leads to disparity among the various sections of the people. Social capital refers to the level of relationship that exists among the various areas of society. It refers to the bonding and the relationships that an individual possesses with the other members of the community. Social mobility refers to the shift in the status of a person from one social class to another social class. The change in social status can be either intergenerational or intragenerational.

(3) *Honest form of Governance:* Despite various social welfare initiatives, poverty and its adverse impact on the poor have not declined. The income growth for the poor has not been inclusive. Various factors, including the mix of political, economic, and institutional features of good governance, impact the level of governance in an economy. The control of corruption is facilitated through effective regulatory management and improving the ability and capability of the poor through financial literacy and social intermediation. In a democracy, it becomes even more critical to maintain the pillars of democracy in the form of participatory governance and transparency in government. It includes the conduct of public affairs in a

responsible manner and the management of resources. These principles of good governance include fair conduct of elections, representation and participation, responsiveness to change, efficiency, and effectiveness in governance, openness and transparency, the rule of law, the conduct of business in an ethical manner, the show of competence and clarity, innovation and honesty to change, sustainability and a long-term orientation, sound financial management, sensitivity to the human rights, cultural diversity, and social cohesion and accountability. To ensure democratic and free governance, the election must be conducted freely and fairly. Besides that, there should be a representation of the members and participation in all the activities. A free society should be open and transparent with due responsiveness to change. The social system should improve the effectiveness and efficiency of the integrated social system. It should exhibit sensitivity to the culture and openness of the other social systems.

Strategies for Poverty Reduction

Thus, poverty is a significant challenge that has vast repercussions for humankind. It manifests in the form of lack of adequate food, clean drinking water, health and sanitation facilities, lack of employment opportunities, with a need to undertake a sufficient amount of economic and institutional reforms to improve the efficiency and effectiveness of the microcredit programmes. There are various strategies to attain poverty reduction, which include the following:

(1) Increasing income through the economic growth
(2) Expanding employment opportunities for the poor
(3) Improving utilisation of economic resources through reforms
(4) Prioritising the basic needs of the poor
(5) Promoting microfinance programme to ensure financial inclusion
(6) Promoting entrepreneurship
(7) Providing private capital aid through Government transfers
(8) Improving the marketing systems
(9) Capacity building

The strategies for poverty reduction are aimed at promoting equitable economic growth. It includes promoting economic development through an increase in investment expenditure that leads to a rise in income. Employment opportunities for individuals need to be increased to promote inclusive economic growth. The need of the poor, who are below the poverty line, needs to be enhanced through financial inclusion and access to financial resources. There is a need to promote entrepreneurship and business acumen. To meet the financial needs of the poor, there is a need to provide state support in the form of government transfers and subsidies.

Moreover, the marketing systems and infrastructure need to be bolstered to promote the equitable distribution of economic resources. In the case of the agricultural markets, the poor farmers do not have information about the prices of the commodities. There is a need to disseminate information about market prices to the people at the bottom of the pyramid. The digitisation or electrification of the agricultural markets enables economic growth and development to promote poverty reduction.

Importance of Capacity Building

To reduce poverty, there is a need for concrete action on the part of developing nations to improve the economic performance and efficiency of the citizens. The nations often lack the capacity, human resources, or capital to implement economic reforms. Additional human resource and capacity is the key to poverty reduction. Institutional capacity involves several initiatives, which include the following:

(1) The ability to plan and manage the finances and budgets
(2) The ability to fight corruption
(3) To enable the smooth function of the regulatory authority
(4) To promote free and smooth market operations

Reducing poverty requires creating an enabling environment and developing skills to ensure effective financial management. There is a need to build the capacity to deliver the necessary services to the poor at the bottom of the pyramid.

Conclusion

Emerging economies suffer poverty, which is typically associated with market failure. 60% of the impoverished live in developing nations. Donations and subsidies managed poverty until 1990. Since the 1991 'post-Washington consensus', governments worldwide have accepted the sustainable development paradigm through sustainable finance, which prohibits charity or contribution to the needy. Shock therapy-based neoliberalism and market capitalism characterised it. Unlike their western counterparts, most poor people worldwide lack physical collateral and financial services like financial accounts and banking. This is a big issue for emerging nations. Banks won't help the poor. India managed poverty using pro-poor, developmental, and democratic participatory banking. This approach relied on market pricing and resource transfer, multilateral initiatives, democratic engagement, articulating the poor's viewpoint, and boosting entrepreneurship. Microfinance and community initiatives become poverty-reduction solutions. The government wants the poor to hold the state accountable through participatory programs like joint liability organisations. This was a departure from capitalism and corporate socialism, where transnational corporations serve the markets with the sole goal of profits, relying on weak state regulation and negotiation with civil society, which includes academia, which creates knowledge, markets, banks, and financial institutions, which protect it, often leading to speculation, accumulation, and disparity. Developing nations need a paradigm shift to satisfy the demands of the poor through millennium development. Developing countries must create a policy roadmap to reduce poverty and enable women to attain financial inclusion. The blueprint of the strategic map adopted by the state of India to achieve inclusive growth is based on an integrated approach to ensure equitable development through sustainable initiatives in the domain of education, training, health, gender equality, and clean drinking water.

Summary

Poverty is referred to as deprivation and lack of well-being. The economic benchmark for poverty is an individual who spends less than US$1.90 and US$3.00 per day. The reason for poverty could be constitutive, which is inherently wrong, or instrumental, which can lead to dire consequences. Further, poverty could be due to macroeconomic factors such as climate change and economic resources or microeconomic factors such as demographics like gender. UN Sustainable Development Goals highlight the importance of poverty reduction. Various stakeholders, such as the Public, the Government, the Community, and the Family, are involved in poverty reduction. Initiatives in the area of poverty reduction, such as reduction of child trafficking, reduction of child labour, provision of clean drinking water, reduction in child trafficking, child labour reduction in malnutrition, and improvement of health and education are being undertaken in emerging economies to reduce poverty.

Note

1. Recent research focuses on classifying the types of social exclusion to be constitutive relevance and instrumental relevance as per Sen, A. (1980). Equality of What?. In *The Tanner Lecture on Human Values, I* (pp. 197–220). Cambridge: Cambridge University Press.

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