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Conceptualizing Poverty in India: Issues and Strategies

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Abstract:
Since independence, addressing poverty has been given due consideration in Indian social policy. Especially, a number of developmental policies have been initiated to improve socio-economic conditions of the poor and women. Yet, even after six and half decades, poverty and many of its faces continue to dictate the terms, derailing a significant portion of population from mainstream social participation. It is estimated that a total of 363 million (29.5 per cent) people are living under the poverty line in India. The magnitude of the problem emphasizes the need to understand complex systems and procedures that create poverty at macro level and at the micro level, to analyze the factors influence poor to chip into poverty vicious cycle for longer periods. Given this backdrop, the paper attempts to conceptualize the multidimensional nature of poverty. It analyzes the phenomenon at global level in general and India in particular; and offers an operational definition to poverty. The paper further analyses a few important poverty reduction strategies put forward by various scholars. The last section attempts establish a link between access to institutional credit and poverty and shows microfinance is an alternative strategy for poverty alleviation. The paper concludes that it is important to address the problem of financial exclusion in order to alleviate poverty.

Keywords: *Capability deprivation, feminization of poverty, global multidimensional poverty index, self-help groups, financial exclusion and inclusion*

1. Introduction

The discourse on poverty has been considered as a central phenomenon for academicians and policy planners across the globe. Especially, it has assumed critical importance with the debate on the new goal for global poverty reduction, that is, "to reach zero extreme poverty by 2030[1]" (The Chronic Poverty Report, 2014-2015, p.1). It is argued that even after implementing various anti-poverty measures and welfare policies by the governments and International agencies, still many of the Asia, Africa and Latin American countries are witnessing stubborn persistence of poverty. According to Global Multidimensional Poverty Index[2] (MPI) (2014), up to June 2014, a total of 1.6 billion people are living in multidimensional poverty with more than 30 per cent of the people living in one hundred and eight countries. Of these 1.6 billion people, 52 per cent live in South Asia, and 29 per cent in Sub-Saharan Africa. With a view to estimate rural and urban poverty, it is documented that, of the said 1.6 billion poor people, 85 per cent live in rural areas (Alkire et al., 2014).

With reference to India, poverty alleviation has consistently been one of the important challenges since its independence and recognized as an avowed objective in its policy-making. Accordingly, Indian government has been initiating and implementing various developmental strategies and welfare policies from time to time to meet the proposed objective. Despite its efforts, the grassroots reality makes it clear that the country is still has a long way to go in alleviating poverty (Goshal, 2012 & Alkire et al., 2014). As far as the rural areas are concerned, scholars are of the view that poverty in India is largely rural in character. While arguing about which section of people come under poor category in rural regions of India, casual agricultural labourers were identified as the largest group, and small and marginal farmers were the second largest group among the poor (Gaiha, 1989). In terms of caste stratification, the people belong to Scheduled Castes (SCs) and Scheduled Tribes (STs) are far more likely to be poor than those of other social groups, because of their low status (Dev, 2007).

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[1] The third Chronic Poverty Report proposes a new framing for a post-2015 goal to eradicate extreme poverty, focused on improving poverty dynamics-tackling chronic poverty, stooping impoverishment, and supporting sustained escapes from poverty.

[2] The Global Multidimensional Poverty Index (MPI) was developed in 2010 by the Oxford Poverty and Human Development Initiative (OPHI) and the United Nations Development Programme for UNDPs flagship *Human Development Reports*. It is an index of acute multidimensional poverty that covers over 100 developing countries. It assesses the nature and intensity of poverty at the individual level. Under multidimensional poverty, it directly measures the nature and magnitude of overlapping derivations in health, education and living standard at the household level. Thus, the MPI provides vital information on who is poor and how they are poor. It also enables policy makers to better target their resources and design policies more effectively. For more details, see Alkire at el., (2014).

In addition to the above categories, a significant proportion of the rural women remained caught in the poverty trap. They have been suffering more from poverty due to landlessness, unemployment, inaccessibility with resources, primary health and education, transportation, market and so on. Due to landlessness, they often work as daily-wage laborers in the agricultural and various other activities. In their off time (or if there is no work to do) they would remain without any earnings. The unpredictability and inconsistency of earnings, therefore, compelled them to remain bound in the shackles of poverty and dependent on their male counterparts (Visaria, 2008 & World Bank Report, 2003). Corroborating to the above, few more scholars analyzed that the problem of poverty primarily attributed to low national income, unequal distribution of resources and inequitable distribution of development gains (Dandekar & Rath, 1976). Some argued as deprivation of multiple capabilities ranging from socio-economic, political and cultural spheres (Sen, 2000 & Sengupta, 2007) and also identified the problem from gender dimension as well (Alkire et al., 2014; Nussbaum, 2000 & Upalankar, 2005). Given this context, the following section attempts to conceptualize multidimensional aspects of poverty in Indian context and offers an operational definition to it. Further, it also analyzes three perspectives to understand poverty.

2. Poverty: Multidimensional in Nature

Conceptually, the notion of poverty is a multifaceted phenomenon in its content and definition. While conceptualizing poverty, both the academicians and international organizations have been used different criteria to understand and define the term poverty. At the global level, during the late 1960s-early70s, poverty has been observed into three aspects such as 'subsistence, inequality and externality'. First, 'subsistence' is primarily concerned with the minimum provision of access to food, maintaining health and working capacity. Second aspect, that is, 'inequality' deals with differences of income levels between various groups within the society. It also accommodates the consumption power or purchasing capacity of a person. The third aspect of poverty is attributed to 'externality', which is correlated with the 'social consequences of poverty' for the rest of the society rather than with the mere material needs of the poor (Rein, 1970). In mid-1970s, the European Council (1975) defines poverty as lack of some of the important indicators of human well-being, which are the consequences of low-income levels. The Council believes that poverty is primarily related to income levels of the people. To put in succinctly, inadequate income levels preclude them from having a standard of living. While correlating the problem of poverty with individuals' participation in socio-economic and political spheres in any given society, Singh (1989) argues that poverty is a 'social determinate' as it depends substantially on the structure of caste, class and family as well as social attitudes and values. Part of it is economic inefficiency as it can be measured economically.

World Bank report (2000-2001) put forward a comprehensive definition to the term poverty by including some of the basic amenities of the human survival. The report defines poverty as a situation of "pronounced deprivation in well-being". Further, it adds being poor means "to be hungry, to lack shelter and clothing, to be sick and not cared for, to be illiterate and not schooled". With reference to poor people's legitimate claims from the state and participation in the society, the report states, "they are often treated badly by institutions of the state and society and excluded from voice and power in those institutions" (p.15). Toye (2007) offers a generalized, yet simplified definition to poverty by stating that "poverty is a kind of generalized lacking, or state of being without some essential goods and services. Poor people are those deprived of things that they need to live a normal life" (p.505). The recent Global Multidimensional Poverty Index (MPI, 2014) defined poverty as being deprived of three important dimensions under ten indicators. The three important dimensions are: (i) Health (ii) Education and (iii) Living standard. It is understood that improvement in health, education and decent standard of living are critical for a person to come out of poverty. It is said that if any individual deprived of the above said ten indicators, they are the victims of multidimensional poverty (Alkire at el., 2014).

In Indian context, Dandekar and Rath (1976) succinctly define poverty as the problem of low national income, slow pace of development and inequitable distribution of the small gains of development. Authors observe poverty only from the economic perspective that means 'low national income and its unequal distribution'. However, they did not include socio-economic perspective to the term poverty. Unlike the above scholars, Kurien (1987) opines that poverty is primarily a socio-economic phenomenon whereby the resources and services available to a society are used to satisfy the wants of the few while many do not have even their basic needs met. According to Sen (2000) poverty is "not simply a state of low income or consumption but as the lack of freedom of a person to choose and live the life he has reasons to value". Further, he interprets poverty as "deprivation of multiple capabilities" (p.87). He observes poverty in terms of undernourishment or malnourishment, and inadequate human capability, which is dependent on access to education, public health, housing and so on. Deprivation in the above factors restricts the ability of the people to participate in social and political spheres as well. Sengupta (2007) identifies poverty as a composite of extreme forms of income poverty, human development poverty and social exclusion, and thus, eradication of which may be regarded as a human rights entitlements in each society. Therefore, poverty has been seen as the denial of a number of recognized rights such as right to food, health, education, and adequate standard of living. The absence of these rights would be equivalent to the denial of basic capabilities. The previous studies observed poverty from the developmental or economic perspective. However, Sengupta's definition brings human rights perspective to understand the nature of poverty. In fact, this kind of recognition generated an urge among the policymakers for complementing poverty alleviation strategy with a special emphasis on the enhancement of basic human rights such as right to food, shelter, education and health.

World Bank Report (2011:17) identified access to six basic amenities to understand poverty, particularly with reference to India. The six basic facilities are being deprived by the poorest segments such as lack of access to education, health, infrastructure, clean environment and benefits for women and children. Before the definition of World Bank, the concept of poverty is being treated as gender neutral. However, the above definition attempted to bring gender perspective to understand poverty. The recent Rangarajan Committee Report on Measurement of Poverty (2014) defines poverty "as the inability of a household to meet its current consumption expenses with its incomes" (p.72). The report makes it clear that the households whose incomes are insufficient to meet expenses and who cannot either raise incomes or curtail expenses, usually borrow to bridge the shortfall of their income. For such a low levels of incomes, borrowing is expected to be the last resort for a household. However, it is said that borrowings increase the probability of falling into a debt trap. This argument attempts to show the correlation between low-income levels and the need of borrowing to overcome the basic deprivations.

3. Poverty Reduction in India: Strategies

The growing literature on poverty narrates about the complex systems and procedures that create poverty and its prevalence among the one sixth of the global population, while with relative efforts and strategies, certain sections of the people can be brought out and others are not. Therefore, there is a need to understand what causes some section of people that compelled them to remain in the clutches of poverty and what are the important strategies to alleviate poverty. Government of India has been formulating various developmental and welfare measures to reduce poverty levels since its independence. Academicians, on the other hand, have also contributed by proposing various strategies on the same. For instance, during the mid-1970s, in the process of finding various strategies to alleviate poverty and to accelerate nation's growth, Chakraborthy (1974) proposes the idea of 'poverty-reducing growth process', which emphasizes the need for adopting a nationwide poverty reducing strategy. In other words, nation's growth should be accelerated in a manner that increases income levels of the people who are living under below poverty line. Datt and Ravallion (1996) study, titled, 'Why Have Some Indian States Done Better Than Others at Reducing Rural Poverty?', is comprehensive in manner, which aims at identifying the unevenness of the rise in rural living standards in various states of India since the 1950s. The study was carried out using state-level data for 1957-91. The authors proposed two important strategies in alleviating rural poverty. The first strategy is development of on-farm and off-farm sectors in relation to economic growth. They are of the view that in some states, robust growth in rural areas appears to have been the main factor in poverty reduction. For instance, Punjab and Haryana are the best examples. The second strategy is poverty reduction through human resource development. They assert that this approach can also reduce poverty even if there is little output growth in the domestic economy. By referring to Kerala as an example, the authors state that the ability to export skilled labour to other countries and consequently benefiting and improving the living standards back home through remittances could be a useful practice. On the other hand, the study found the uneven progress in rural living standards in some other states. It is argued that unfortunately, Bihar was unsuccessful on both counts; there was too little growth, and human and physical resources were underdeveloped. In fact, Sen (2000) also highlights that the improvement in human development indicators significantly contributed in improving the living standards in Kerala.

In a similar vein, a World Bank Report (1997) states that the government of India has primarily relied on two approaches to reduce poverty levels since its independence. First, it is anticipated that the effects of aggregate rural growth would spread all sections in society such that poverty reduction is achieved side by side with increases in economic growth. Second, it is based on poverty reduction through implementation of various anti-poverty and welfare programmes. The reliance placed on each of the two objectives has varied over time. Further, the report argues, the slow reduction in poverty through the 1950s and 1960s in particular, reinforced skepticism regarding the strength of any trickledown effect. Since the mid 1970s, however, the rapid decline in rural poverty has led to a greater appreciation of the contribution of growth to lasting poverty reduction. This development has reinforced the need for investing more in human resource development since these investments not only contribute to faster long-term growth, but also increase the capacity of the poor to benefit from it. Accordingly, the government's strategy, over the recent past, has increased its emphasis on providing the conditions for accelerated and sustained labour intensive growth, while expanding investment in human capital development. However, the report has fall short in identifying the decline of poverty among women and other marginalized sections during the same period.

Jayaraman and Lanjouw (1999) highlight three important forces of economic change: (i) agricultural intensification (ii) changing land relations and occupational diversification and (iii) the role of various institutions as conduits of change. They believe that land and labour are the two key determinants of rural economy. In the mid-1960s, the northern sates of Haryana, Punjab and western Uttar Pradesh have seen a most significant growth in output. Improvement in agriculture sector, for instance, multiple cropping and a shift to high-value crops appear to have made significant contribution to the rural economy. Second, the study also observed a decline in traditional caste occupations and increase in creation of off-farm income-generating activities. The study concludes that the green revolution and the expansion of the non-farm economy appear to have raised agricultural wages in rural India by increasing the demand for labour. By adopting Sen's idea of 'poverty as capability deprivation', Bhide and Mehta (2007) identified some of the key causes of poverty, which are linked to the capability of a household in order to utilize economic opportunities for income and employment. The authors argue that lack of adequate economic opportunities may limit a household's access to different occupations. Poor infrastructure facilities, such as roads or communications may limit a poor household's access to information or markets. Lack of assets would restrict a household's access to credit or services. Lack of education limits a household's access to opportunities for jobs. All these factors may also influence a poor household's ability to break out of poverty. This argument reflects that lack of access to adequate and affordable credit facilities to the marginal farmers and landless people including women severely limit their economic opportunities. In addition, lack of financial literacy and awareness on various financial services restrict their accessibility to basic financial services, which are actually designed for disadvantaged sections. These factors may have a significant influence on their ability to come out of poverty trap. Based on the said arguments, the following section attempts to bring out the correlation between access to institutional credit and rural poverty and projects microfinance as an important alternative strategy for poverty alleviation.

4. Microfinance and Poverty Alleviation: An Alternative Strategy

The concept of microfinance has become a significant aspect of developmental phenomenon in the international arena over the last three decades. When it was first conceived, the idea of microfinance was invoked as a grass root, 'small-scale philanthropic movement', the primary aim of which was to provide tiny loans for the unbanked poor households, particularly women. Later on, this intervention matured into a 'sustainable development finance approach', and efforts were made to break gender barriers in accessing credit services. It is believed that this approach has helped the poor and unemployed, and provided them with adequate amount of credit to the hitherto excluded groups by the traditional banking system (Chiu, 2014 & Silvia, 2012, p.48). In recent times, owing to its popularity, there is a growing acceptance of the fact that microfinance approach has the ability to address the problem of credit accessibility and unemployment. There are two important contributing factors that have put the microfinance on the map of development agenda in the developing countries. First, it has controlled conventional moneylenders in rural economies from charging exorbitant interest rates due to the inability of the poor to access institutional loans. Second, it has succeeded in emerging as a key alternative strategy in alleviating poverty through creating small-scale self employment opportunities (Knight et al., 2009; Maulick, 2012 & Singh, 2014).

While highlighting the emergence of microfinance in the international arena, it is stated that during 1970s, the rise of 'neo liberal economic order' in several advanced countries reshaped the socio-political landscape across the globe. This has brought a shift in the political economy too. One of the important developments in the shift is marked by increasing levels of poverty in the developing countries. Besides, the failure of government to meet the demand for financial services, particularly for credit, has extended scope for new approaches to emerge. In this context, poverty reduction through the promotion of subsidized credit and bringing other financial services within the ambit of the poor have become policy strategy for policy makers and social innovators in those countries. They have searched for various alternatives to mitigate poverty and have come up with an innovative approach called microcredit. Eventually, the phenomenon of microcredit has become an important 'financially steered strategy' on global scale (Weber, 2004). In the course of time, most of the developing countries tend to adopt microfinance practice as a strategy to alleviate poverty and to promote micro and small-scale enterprise development (Hisako, 2009 & Singh, 2009). Thus, the microfinance movement has become a key alternative towards helping the poor in most of the under-developed and developing countries of Africa, Asia, Eastern Europe, and Latin America (John & Montgomery, 2005 & Campbell, 2010)

5. Microfinance in India

Post-independence India has initiated numerous measures in providing credit facilities to the rural poor. The rural credit structure in India has been set up gradually over a long period of time starting from 1947 to 1980s such as state cooperative banks (1955), the Reserve Bank of India (RBI) in banking policies (since1955) and creation of Regional Rural Banks (RRBs) in 1976 and so on (Misra, 2006). The 1980s witnessed a significant shift in the Indian rural credit structure. The formal banking sector took the initiative to develop a supplementary credit delivery mechanism through the establishment of National Bank for Agricultural and Rural Development (NABARD). This period was marked with the active involvement of RBI and NABARD in providing microcredit to the rural poor. These initiatives have gained a momentum when the RBI with the help of NABARD approved a pilot project of linking SHGs to banks in 1992, which eventually led to the 'Self-Help Group-Bank Linkage Programme (SBLP) in 1996 (Mohan, 2008). Under SBLP model, women in a village are encouraged to form a group of ten to fifteen members each [called as Self-Help Group[3] (SHG)]. All the members of the group regularly contribute small savings to the group. These savings are later supplemented by loans provided by rural banks for various income-generating activities. The group maintains monthly meetings; and the members save money and also repay the borrowed amount through monthly installments. It is highlighted that the formation of SHGs and providing credit and other microfinance services to the group members is an important feature of SBLP model (Mukhopadhyay & Rath, 2011). SBLP model received key policy and promotional support, both from the central and various state governments, in particular, Andhra Pradesh. Of late, it has emerged as an important microfinance programme in the country, being implemented by commercial banks, RRBs, and co-operative banks (Thakur, 2009; & Vaish & Agarwal, 2010). The recent report of NABARD reveals that as on 31st March, 2013 there are 7.3 million savings-linked SHGs covering 970 million poor households under microfinance programme. The report further states that though this phenomenon was impressive in Andhra Pradesh and Karnataka, later on, the movement has widely spread to various parts of India (The Status of Microfinance in India, 2012-13).

6. Self-Help Groups and Poverty alleviation

In India, promoting SHGs formally began in 1992 by National Bank for Agricultural and Rural Development (NABARD) as a part of SHG-Bank Linkage Programme (Sylendra, 2008). The formation of Self-Help Groups (SHGs) and providing credit and other microfinance services to group members is one of the important features of SBLP model. Of late, the SBLP model has emerged as a major microfinance programme in the country being implemented by commercial banks, RRBs, and co-operative banks (Thakur, 2010; & Vaish & Agarwal, 2010). In the course of time, this model has led to the formalization of Bank Linkage Programme under which every SHG was required to be linked to banking system to meet the financial requirements of the group

[3] The formation of Self-Help Groups (SHGs) has become a powerful approach to women empowerment and rural entrepreneurship not only in India and Bangladesh but world over. These groups have emerged a potential tool for the social integration and socio-economic betterment of the women in rural areas (Ramanujam, 2010, p.197). In Indian context, Suguna (2006, p.15) opines SHG is a small economically homogeneous group of rural poor, which is voluntarily ready to contribute to a common fund to be lent to its members as per group decision, which works for group's solidarity, self-help, awareness, social and economic empowerment in the way of democratic functioning.

members. Gradually, the practice of group lending approach has received popular appreciation as an important microfinance model in the country (SERP Report, 2013). The recent report of NABARD reveals that as on 31st March, 2014 there are 7.5 million savings-linked SHGs covering 980 million poor households under microfinance programme (The Status of Microfinance in India, 2013-14). Malhotra (2004) attempts to highlight the importance and potentiality of microfinance programmes and discuss the opportunities and challenges that microfinance provide to women. According to him, the microfinance programmes increase women's income levels and their control over income leads to greater levels of economic emancipation. Microfinance programmes enable women's access to networks and markets, access to information and possibilities for the enhancement of other social and political responsibilities.

The Report of the Committee on Financial Inclusion[4] (2008) signify that the microfinance through SHG-Bank Linkage Programme (SBLP) has empowered women by enhancing their contribution to household income and increasing the value of their assets, which gives them better control over decision-making that effect their lives. Further, savings and credit schemes provide opportunities for women to generate income in their home areas and develop their communities instead of migrating to urban areas (Roy, 2008). A recent study conducted by Reeta et al., (2010) in six States of India (Andhra Pradesh, Karnataka, Maharashtra, Orissa, Uttar Pradesh and Assam) on the impact of SBLP on rural poor. The study documents that there is a significant improvement in the Net household income (6.1 per cent), annual growth rate (5.1 to 5.4 per cent), household annual expenditure on education (5.6 per cent) and health (5.5 per cent) and increase in the ownership of productive assets. Misra (2010) attempts to examine the impact of SBLP model of the rural poor on 93 client households from five SHGs from three different locations in Western and Central part of India and concluded the beneficial effects of the same. The study observes that all clients were saving regularly at monthly/bimonthly intervals and thereby building up the group savings. The reliance on moneylenders for credit decreased 2/3rd of clients. However, only 6 per cent clients had taken up any economic activity, as most of the bank credit as well as loans used overwhelmingly for consumption purpose. One of the important reasons is that the group members not willing to borrow to take up economic activity because of credit risk and absence of skills.

Dev (2006) emphasizes that financial inclusion is one of the important strategies for improving the living conditions of poor farmers, rural non-farm enterprises and other vulnerable groups. It defines financial inclusion as "delivery of banking services at an affordable cost to the vast sections of disadvantaged and low-income groups" (p.4310). The study argues that due to lack of formal credit, many households are being exploited by moneylenders at very high rate interest rates, and it is high in states like Andhra Pradesh, Punjab and Tamil Nadu. Financing for housing is another area where many poor are excluded. It is, therefore, study highlights that there is an urgent need to bring these households under the ambit of formal banking system and provide adequate credit at an affordable cost. Having recognized the potentialities of self-Help Groups (SHGs) in rural areas, the study concludes by suggesting that apart from formal banking institutions, which should look at inclusion both as a business opportunity and social responsibility, the role of the SHG movement and microfinance institutions is important to improve financial inclusion. This requires new regulatory procedures and depoliticisation of the financial system. In a recent study by Vaidyanathan (2014) states that the provision of lending subsidized credit is the key issue in alleviating poverty. In this regard, he emphasizes the potentialities of SHGs in disbursing tiny loans to the rural unbanked sections, particularly women. The study recommends SHGs as possibly the best avenue to improve credit inclusion, while at the same time adhering to prudential discipline. However, the study also argues that the functioning of SHGs in relation to credit disbursement has succeeded only in some areas of the country, in particular Southern India, but somehow do not get successfully replicated everywhere. The study urges that the Reserve Bank should play a more proactive role in highlighting the critical importance of credit cooperatives, including SHGs, for successful financial inclusion.

In a recent study by Kochhar (2014) argues that one of the reasons why the poor have not been able to come out of vicious cycle of poverty is their complete financial exclusion in India. This has been more pronounced in rural areas where the outreach of formal banking sector has been poor. He suggests that in order to ensure complete financial inclusion, it must be integrated with other programmes relating to poverty alleviation as it cannot be a standalone exercise. The study analyzes the recent initiative in the realm of banking sector, that is, Pradhan Mantri Jan Dhan Yojana (PMJDY) launched on August 28, 2014. The scheme primarily aims at ensuring access to various financial services like availability of basic savings bank account, access to need based credit, remittances facility, insurance and pension to the excluded sections. The study also recommends that in order to achieve complete financial inclusion, self-Help Groups (SHGs) must be encouraged to form federations and operating banking transactions including borrowing collectively for its members. The SHG-Bank linkage Programme (SBLP) has to play a greater role and institutions like NABARD should be revamped and reoriented.

7. Conclusion

From the analysis, it is understood that the notion of poverty is a multifaceted phenomenon in its content and definition, and the scope has been widened from time to time. It has been enriched by including socio-economic, political and cultural indicators from different dimensions and manifests itself in a wide range of interlinked socio-economic and political deprivations. It is also observed that poverty is also a concept closely associated with inequality and may also be indentified with unemployment. With

[4] Financial inclusion is a global phenomenon that has gained wider currency in the development literature in contemporary times. Given the magnitude of poverty in the Third World economies, wherein a large segment of the population do not have access to basic financial services, the idea of financial inclusion has become conspicuous in these economies. The Rangarajan Committee Report on Financial Inclusion (2008) defined financial inclusion in broader terms. It encompasses "the process of ensuring access to financial services and timely and adequate credit when needed by vulnerable groups such as weaker sections and low income groups at an affordable cost" (p.5).

reference to India, the studies on poverty still assume greater importance. Considering the high percentage of poverty levels, the studies are of the view that apart from implementing various welfare policies and developmental programmes, there is a need to find out various strategies that can help the poorer sections to come out of from the abject poverty on their own. In this context, the policy makers have explored for various alternatives to alleviate poverty and have come up with an innovative approach, that is, microfinance. Gradually, access to adequate and affordable credit has become one of the most crucial factors in rural development, particularly to the both on-farm and off-farm sectors. It is claimed that the provision of lending tiny loans to the rural marginalized sections improve their income levels, and facilitate to emancipate themselves from the poverty trap by creating various small-scale, self-employment opportunities.

In particular, with reference to rural women, an argument has been put forward that, besides various welfare and developmental policies, which aim at their socio-economic development, it is imperative for them to become aware and economically independent on their own. Studies attempted to find out the potential links between microfinance intervention and livelihood promotion of rural women. While analyzing the very purpose and usage of microfinance services through formal banking system, it is firmly believed that the provision of extending credit and other financial services to the poor sections in the rural areas, in any given society, will not only lead to their socio-economic enrichment but also include them in the mainstream. This argument has brought the concept of Self-Help Groups (SHGs) and the idea of SHG-Bank Linkage Programme (SBLP) model forefront in India. The study emphasized that the practice and functioning of SHG in association with SBLP model emerged as an important poverty alleviation strategy in rural areas. However, in recent times, considering the extent of financial exclusion, the idea has been further extended to mean that rural poor are not just in the need of subsidized institutional credit but much more beyond that. The need of the hour is to bring hitherto financially excluded poor into the ambit of institutional finance. The recent initiation of Prime Minister Jan Dhan Yojana (PMJDY) aimed at addressing the said issue. The study concludes by saying that at this juncture, there is a need for an in depth research on the subject of financial exclusion of the poor and the correlation between poverty and financial exclusion; and what are the strategies that have a significant impact on addressing the said issues.

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