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Insecurity in India Through Sustainable Micro-Financing

As humanity enters a new decade, we find ourselves faced with the same issues of food insecurity that have plagued countless generations before us. According to the World Bank's most recent estimates, nearly one tenth of the world's population still lives in extreme poverty (less than \$1.90 a day) and continues to lack access to adequate sources of nourishment. These circumstances, coupled with a variety of factors such as poor healthcare, gender inequality, and a lack of social mobility, have all limited the progress of society. We live in an age of unprecedented advancements in technology and medicine. However, millions of people continue to find themselves devoid of the very resources they need to survive. As complex as these problems may seem, their similarities provide us with a necessary advantage towards unearthing permanent solutions. By targeting the shared causes of each of these problems, our society can effectively bring hope to millions of people across the world. As Ban Ki-moon, Eighth Secretary-General of the United Nations explains, "Saving our planet, lifting people out of poverty, advancing economic growth... these are one and the same fight."

At the core of all humanitarian issues lies a shared cause: an unequal distribution of opportunity. Whether it is an opportunity for education, work, or a meaningful life, enabling individuals to better their own condition is among the most effective means of eradicating poverty and elevating human rights on a global scale (Rayan 25). However, it is important to note that charity is not a panacea for all our problems. Conventional methods of using charitable contributions to purchase and distribute humanitarian aid can be effective at addressing immediate problems, but can prove to be detrimental in the long-term, causing individuals to develop a harmful reliance on foreign aid and depriving them of their initiative (Sorens). Efforts to attack the root causes of hunger and impoverishment are rarely made. In his 1914 book titled **Work and Wealth**, English economist John Atkinson Hobson describes the relationship between charity and societal reform by stating:

For every act of charity, applied to heal suffering arising from defective arrangements of society, serves to weaken the personal springs of social reform, alike by the 'miraculous' relief it brings to the individual 'case' that is relieved, and by the softening influence it exercises on the hearts and heads of those who witness it. It substitutes the idea and the desire of individual reform for those of social reform, and so weakens the capacity for collective self-help in society. (Hobson 185)

There are many cases of charitable organizations perpetuating the struggles of the underprivileged (Piper). One such organization is Evidence Action, a nonprofit which supported struggling farmers in Bangladesh through a program known as "No Lean Season". This program, which began in 2016, aimed to eliminate seasonal poverty by providing farmers with

small subsidies to migrate towards urban areas with greater job opportunities. By 2017, No Lean Season had expanded its reach to 699 local villages and was included on GiveWell's list of top charities. However, when the program was assessed by a rigorous randomized controlled trial (RCT), it was discovered that "the program did not have the desired impact on reducing migration, and consequently did not increase income or consumption" (Levy). Evidence Action claims that "implementation-related issues - namely, delivery constraints and mistargeting - were the primary causes of these results" (Levy). The failure of No Lean Season and other such programs proves that resolving the issues of poverty and food insecurity will require much more than the sole distribution of monetary aid (Banerjee 5). I sincerely believe that microfinance is a far more effective and commonly overlooked method of combating poverty that has the potential to improve the lives of millions worldwide.

The Role of Microfinance

Microfinancing is the practice of offering small-scale loans to underprivileged individuals that would otherwise lack access to traditional sources of credit (FINCA). Microfinancing is unique in its approach to humanitarian aid in that it prioritizes the use of personal initiative as the primary force in the fight against poverty. Kofi Annan, the seventh Secretary General of the United Nations states that, "Microfinance recognizes that poor people are remarkable reservoirs of energy and knowledge, posing an untapped opportunity to create markets, bring people in from the margins, and give them the tools with which to help themselves."

Microloans are most often used as seed money to support small-scale entrepreneurial endeavors. Businesses funded by microloans typically involve the sale of artisanal goods or the production of staple food crops (Bartik). In low-income communities, these businesses are crucial for generating employment opportunities and improving the overall quality of life. Microfinancing allows even the most underprivileged individuals to provide goods and services to their communities while simultaneously building assets for their own families (FINCA).

Microloans also serve as an economic safety net in times of hardship. They can provide peace of mind for individuals gripped by the effects of poverty. For instance, many clients use microloans to make essential payments for their child's school fees, repairs to their homes, or even for purchasing food in difficult times (Bartik). These secondary uses for microloans prove that microfinancing has the potential to affect both individuals and their communities far beyond simply increasing household income.

Food Insecurity is another primary issue which microfinancing aims to address. Microfinancing has the potential to provide access to agricultural innovations for farmers who are normally unable to produce the expensive initial investments required for their adoption.

Wells, tractors, fertilizers, and greenhouses are among the many technologies which have the potential to significantly increase food production in impoverished areas (Dixon).

In addition, microloans have many advantages which help protect human rights and promote social mobility. Numerous microfinancing initiatives around the world, the most notable of which include the Grameen Bank, Kiva, and FINCA International, have proven to be beneficial in empowering women and minorities (ILO).

A 2010 fact sheet from the United Nations Human Rights Council states, "A majority of those suffering from hunger and malnutrition are smallholders or landless people, mostly women and girls living in rural areas without access to productive resources." Microfinancing aims to solve this problem by specifically targeting women and underrepresented populations through dedicated education and training programs tailored to their individual circumstances.

According to the Microcredit Summit Campaign Report of 2007:

Over 3,300 microfinance institutions reached 133 million clients with a microloan in 2006. 93 million of the clients were among the poorest when they took their first loan. 85 percent of these poorest clients were women. (Daley 2)

Furthermore, data from MIX Market, a microfinance auditing firm, shows that "in the average developing nation, an increase in microfinance by around 15% is associated with a decline in gender inequality by about half." This evidence suggests that microfinance has the potential to make a significant contribution to gender equality and promote sustainable livelihoods amongst even the poorest of society. With enough dedication and careful planning, microfinance can become a valuable tool in addressing the root causes of poverty, food insecurity, and human rights violations throughout the world. In a 2001 report by the Food and Agriculture Organization of the United Nations, the interconnectedness of each of these issues was described in the following statement:

It is increasingly recognised and acknowledged by development workers that the empowerment of women is the key to raising levels of child and family nutrition, improving the production and distribution of food and agricultural products, and enhancing the living conditions of rural populations. It has been concluded that if women in Africa received the same amount of education as men, farm yields would rise by between seven and 22 percent. Similarly, better access to credit, land and extension services would enable women to make an even greater contribution to eliminating rural hunger and poverty. As gender bias is progressively eliminated during the coming 30 years - often in the face of severe cultural and religious barriers - productivity within many farming systems will be transformed. (Dixon 26)

India as Setting for Microfinancing Initiatives

As the world's third largest economy, India has a duty to significantly improve the lives of all 176 million of its impoverished citizens and become a high-middle income country by 2030 (World Bank). Doing so will be an intensely difficult endeavor. The issue of widespread state corruption in India, alongside its continued dependence on centuries-old systems of governance are among the major contributing factors which limit societal progress (Biswas). Despite this, the unique aspects of India's cultural structure make it a prime location for microfinancing initiatives.

Rural Life in India

The typical structure of an Indian family has changed considerably as a result of centuries of colonization and imperial rule. Despite these foreign influences, there are many facets of traditional Indian culture which have continued to influence family structures throughout the country (Cultural Atlas). The most common residential structure in India is the joint family, in which up to three or four patrilineally related generations all live together within a single home (Chadda). Each family member is expected to work toward the mutual benefit of the household. They eat, work, and worship together. The patriarchal nature of Indian society results in important decisions being largely made by the men of the family while the women tend to fulfill domestic duties such as cooking, cleaning, and caring for children. The joint family structure is typically regarded as the ideal living situation throughout India and is rooted in century-old cultural and religious beliefs (Chadda). However, in response to both economic stress and influence from the western world, nuclear families have started to become more widespread throughout India (Forbes). Regardless of family structure, many Indians place heavy emphasis on moral values such as hard work and loyalty (Jacobson).

The typical diet of an Indian family varies greatly depending on the region. The most prominent staple crops in India are mainly rice and various legumes such as yellow peas. These foods provide Indians with a diet that is rich in carbohydrates and proteins. In addition, many Indians use large amounts of ghee, or clarified butter, in their cooking. This provides them with a substantial amount of saturated fats (CADI). It is important to note however, that household income disparities often lead to distinct differences in diets. For example, the affluent populations of India consume 3 times more fat than the rural poor (CADI). Furthermore, vegetarianism is extremely prevalent in India, and those who do eat meat consume it infrequently and often limit themselves to poultry, goat, or fish. Beef and pork consumption is limited in India, with nearly 90 percent of all Indians forgoing beef due to religious practices (CADI).

Healthcare in India is available to all through tax-financed government health services. However, the sheer volume of people in India makes accessing proper means of healthcare extremely difficult. As of 2014, less than 20 percent of the population was covered by any form of health coverage (Tikkanen).

Agriculture accounts for as much as a quarter of the Indian economy and employs an estimated 60 percent of the labor force (FAO). Unlike more developed nations with large, efficient factory farms, the average size of a farm in India is approximately 1.15 hectares. Crops grown on these farms can vary from food staples such as rice, wheat, potatoes, and various legumes to non-food items such as cotton, rubber, and tea. Livestock typically include cows (used solely for dairy products), goats, and chickens (FAO). Agriculture is fairly advanced throughout India, with practices such as crop rotation, intercropping, and integrated pest management having already been in use for decades (IBEF). The main problem with Indian agriculture stems from climate change and water use. As temperatures continue to rise throughout India, farmers are being forced to utilize excessive amounts of water from wells in order to keep their plants alive throughout the growing season. In addition, India's reliance on rice as a staple crop only puts further strain on water supplies, as the cultivation of rice often involves flooding fields with water to hinder the growth of weeds. It is estimated that as much as one-fifth of India's total agricultural output is lost due to inefficiencies in harvesting, storage, and transport of crops (World Bank).

Apart from general inefficiencies that are expected from agriculture, the main barriers arise from discrimination based on gender, cultural, and economic differences within Indian society. Long-standing cultural beliefs such as the caste system play a major role in forming these barriers. Although discrimination based on caste is prohibited by India's constitution, it still exists on a widespread scale. People that belong to lower castes continue to experience significant hardships in their lives (Ray). Social mobility for these individuals is almost nonexistent. In addition, women are severely underprivileged and lack opportunities for business and education due to long standing Indian customs (Global Development Institute).

The Future of Sustainable Microfinancing in India

India's poor social structure is the primary cause for the wide variety of previously discussed humanitarian issues. Microfinancing has already been implemented in India in the form of privatized institutions to help resolve these problems, however it is not an ideal way of creating a permanent solution (Sonakia). In recent years, privatized microfinancing institutions have begun to operate more for the profit of its shareholders rather than for the betterment of impoverished individuals. This led to predatory lending practices in which clients would be charged exorbitant rates for the once reasonable loans. In the early 2000's, a wave of farmer

suicides struck India as a direct result of these harmful loan sharks. This prompted the Indian government to outlaw microfinancing in heavily affected parts of India (Rai). However, this does not have to be India's future. Efforts are already being made to reintroduce microfinancing through the use of carefully regulated NBFC-MFI (Non-Banking Financial Company - Micro Finance Institutions) Licenses. India has begun to understand that federal involvement in microfinancing efforts is a necessary step in ensuring that its benefits reach the widest populations possible. A positive example of microfinancing done properly in India is known as Kudumbashree, the Kerala state's Poverty Eradication Mission that was launched in 1998 (Sonakia). This institution works in close conjunction with the state government of Kerala, and as a result, it ensures potential clients that their loan will be used to the fullest potential without unnecessarily harsh consequences. This motivates clients to pay back their loans so they can be recycled for use in future endeavors.

By prioritizing loans for individuals who plan to implement sustainable agriculture practices on their farms, the Indian government could promote sustainability and increased food production while simultaneously giving millions of impoverished families the ability to support themselves. Loans would be used to purchase eco-friendly farming equipment such as rotary tillers or more efficient irrigation systems. Individuals who apply for these sustainably-oriented loans would face no bias, would require minimal collateral, and most importantly, would not feel pressured to make their payments until they genuinely benefited from the original loan. For these reasons, I sincerely believe that microfinancing incentivizes individuals to make a difference in their community as well as the lives of future generations, and that it is a necessary component of the global fight against poverty.

Source

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