

Microfinance and Development in Emerging Economies

This page intentionally left blank

Microfinance and Development in Emerging Economies: An Alternative Financial Model for Advancing the SDGs

BY

NISHI MALHOTRA

Assistant Professor, OP Jindal Global University



United Kingdom – North America – Japan – India – Malaysia – China

Emerald Publishing Limited
Howard House, Wagon Lane, Bingley BD16 1WA, UK

First edition 2023

Copyright © 2023 Nishi Malhotra.
Published under exclusive licence by Emerald Publishing Limited.

Reprints and permissions service

Contact: permissions@emeraldinsight.com

No part of this book may be reproduced, stored in a retrieval system, transmitted in any form or by any means electronic, mechanical, photocopying, recording or otherwise without either the prior written permission of the publisher or a licence permitting restricted copying issued in the UK by The Copyright Licensing Agency and in the USA by The Copyright Clearance Center. Any opinions expressed in the chapters are those of the authors. Whilst Emerald makes every effort to ensure the quality and accuracy of its content, Emerald makes no representation implied or otherwise, as to the chapters' suitability and application and disclaims any warranties, express or implied, to their use.

British Library Cataloguing in Publication Data

A catalogue record for this book is available from the British Library

ISBN: 978-1-83753-827-0 (Print)

ISBN: 978-1-83753-826-3 (Online)

ISBN: 978-1-83753-828-7 (Epub)



INVESTOR IN PEOPLE

I dedicate this book to my parents, sister and the Indian Armed forces. Above all I thank the almighty God and our priest for his blessings.

This page intentionally left blank

Table of Contents

List of Figures and Tables	<i>ix</i>
List of Abbreviations	<i>xiii</i>
About the Author	<i>xv</i>
Preface	<i>xvii</i>
Acknowledgement	<i>xix</i>
Chapter 1 Poverty in Emerging Economies	1
Chapter 2 Social Capital as a Key to Sharing Prosperity	23
Chapter 3 Inclusive Financial System in India	47
Chapter 4 Digital Financial System	69
Chapter 5 Cashless Financial Systems	93
Chapter 6 Priority in Inclusive Finance	119
Chapter 7 Ensuring Justice and Human Rights	143
Chapter 8 Role of Government to Ensure Economic and Social Welfare	161
Index	<i>189</i>

This page intentionally left blank

List of Figures and Tables

Chapter 1

	Handicraft Industry in Nepal – Paradigms of Poverty	1
Figure 1.	Reasons for Poverty.	4
Figure 2.	Factors Impacting the Level of Poverty.	14
Figure 3.	Sources of Poverty.	15
Figure 4.	SDG (Sustainable Development Goals) Approach to Poverty.	16
Figure 5.	Broad Definition of Poverty.	16

Chapter 2

	Flower Industry and Village Community of Meghalaya	23
Figure 1.	Social Capital in a Group Lending.	28
Figure 2.	Systems View of Social Capital.	29
Figure 3.	Social Capital Through the Institutionalisation of Shared Norms.	30
Figure 4.	Operational Mechanism for Social Capital.	31
Figure 5.	Information as Source of Social Capital.	35
Figure 6.	Constituents of Social Contract.	37
Figure 7.	Impact of Community Organisation on Development Through Social Capital.	40

Chapter 3

	Digitisation of the Bombay Stock Exchange	47
Figure 1.	Circular Flow of Economy.	51

Figure 2.	Type of Financial Markets.	55
Figure 3.	Role of Financial Literacy to Promote Inclusive Financial System.	62
Figure 4.	Financial Inclusive System in India.	65

Chapter 4

	Ingreso Solidaro – Digital Inclusion	69
Figure 1.	Factors Impacting the Adoption of Digital Inclusion.	72
Figure 2.	Factors Impacting the Adoption of Technology.	74
Figure 3.	Use of PPI Instruments and Financial Inclusion.	75
Figure 4.	Credit Card Usage and Financial Institution.	76
Figure 5.	Debit Card Usage at ATM and POS.	76
Figure 6.	Electronic Payment System.	77
Figure 7.	Real Time Gross Settlement.	78
Figure 8.	Technology Acceptance Model for Self-Help Groups Within the Framework of Dynamic Punctuated Equilibrium.	79

Chapter 5

	The Cashless Economy of India	93
Figure 1.	Vision of Digital India.	98
Figure 2.	Vision of Digital India.	105
Figure 3.	Benefits of e-Governance.	111
Figure 4.	Policy Ecosystem for Regulation of Digital Transactions.	111
Figure 5.	Total Digital Transactions in India.	112
Figure 6.	UPI Transactions in India.	113

Chapter 6

	Pradhan Mantri Jan Dhan Yojana	119
Figure 1.	Financial Systems.	121
Figure 2.	Inclusive Financial Systems.	122
Figure 3.	Priorities in Inclusive Finance.	123
Figure 4.	Challenges to the Inclusive Financial System.	133

Chapter 7

Rehman and His Self-Help Promoting Institute Is Helping to Form Self-Help Groups	143
---	-----

Chapter 8

Mid-Day Meal Scheme – A Social Scheme	161
Figure 1. Social Policy and Its Importance for Modernisation.	172
Figure 2. Costs of Social Welfare.	179

Chapter 4

Table 1. Use of PPI Instruments and Financial Inclusion.	75
Table 2. Credit Card Usage and Financial Inclusion.	77
Table 3. Debit Card Usage at ATM and POS.	78
Table 4. Electronic Payment System.	79
Table 5. Real-Time Gross Settlement.	80
Table 6. Pradhan Mantri Jan Dhan Yojana Account.	80
Table 7. Pradhan Mantri Jan Dhan Yojana.	81
Table 8. Organisational Agility and Impact on Behavioural Dispositions.	82
Table 9. Models of Punctuated Equilibrium.	84
Table 10. Punctuated Equilibrium and Snow and Miles Typology for IS Alignment.	85
Table 11. Organisational Agility Through IT Alignment Through the Theoretical Lens of the Dynamic Punctuated Equilibrium Model.	87

Chapter 5

Table 1. Temporal Strategy – Description of Turn of Events in Digitisation.	109
--	-----

This page intentionally left blank

List of Abbreviations

APES	Aadhaar Enabled Payment System
APMC	Agricultural Produce Market Committee
BHIM	Bharat Interface for Money
CBLO	Collateralized Borrowing and Lending Obligation
CMC	Computer Maintenance Corporation
CMIE	Centre for Monitoring Indian Economy
CPI	Consumer Price Index
CSC	Common Service Centres
DAY	Deendayal Antyodaya Yojana
FINTECH	Financial Technology
FPO	Follow on Public Offer
ICT	Information and Communications Technology
ILO	International Labour Organization
KYC	Know Your Customer
LPG	Liquefied Petroleum Gas
MFI	Microfinance Institution
MNREGA	Mahatma Gandhi National Rural Employment Guarantee Act
MYRADA	Mysore Resettlement and Development Agency
NABARD	National Bank for Agriculture and Rural Development
NACH	National Automated Clearing House
NEFT	National Electronic Funds Transfer
NFS	National Financial Switch
NHM	National Health Mission
NICS	National Institute for Career Service
NOFN	National Optical Fibre Network
NPCI	National Payments Corporation of India
NRLM	National Rural Livelihood Mission
PAC	Producer Agricultural Companies

xiv List of Abbreviations

RBI	Return on Investment
RBV	Resource Based View
ROI	Return on Investment
RUPAY	Rupee and Payment
SBLP	Self Help Group Bank Linkage Programme
SDG	Sustainable Development Goal
SEBI	Securities and Exchange Board of India
SHG	Self Help Group
SSDG	State Portal and State Service Delivery Gateway
SWAN	State Wide Area Network
TAM	Technology Acceptance Model
UID	Unique Identity Number
UN	United Nation
UNDP	United Nation Development Programme
VRIO	Value, Rarity, Imitability and Organization

About the Author

Dr. Nishi Malhotra has completed her PhD from Indian Institute of Management, Kozhikode in Finance, Accounting and Control in the domain of the Analysis of Self-help Group Bank Linkage programme. She has completed her MBA (full time) from MDI Gurgaon (Management Development Institute, Gurgaon) and BCOM (Hons) from Sri Ram College of Commerce, Delhi University. She has qualified for UGC NET in Commerce and has authored more than 16 research papers across various ABDC – B, and C category journals. She has also authored papers in the *Journal of Human Values*, *Q1* and Scopus-listed journals. She is publishing a book with Emerald Publishing in the domain of Microfinance and published two academic reference books on income tax laws and cost accounting. She has been a topper throughout her school from Class II till Class XII.

This page intentionally left blank

Preface

This book talks about the issues developing economies face in achieving sustainable development goals of poverty reduction. Within the developmental paradigm of poverty reduction through microfinance, this book highlights the temporal shift in policy framework prescribed by the United Nations and World Bank to tackle the issue of poverty, with customisation for developing nations. This book highlights the uniqueness of the microfinance programme adopted by India in terms of the blend of democratic participation of the poor within the framework of self-reliance through the generation of profits. Various micro-financing initiatives aimed at promoting self-reliance through financial literacy, entrepreneurship, skill development and financial discipline enforced through monitoring and supervision are at the forefront of the success of these initiatives. This book, for the first time, discusses in detail the uniqueness of the innovative welfare schemes adopted by the Indian Government.

This page intentionally left blank

Acknowledgement

I dedicate this book to my parents; without their help, I would not have been able to publish this book. I want to thank the almighty for all the encouragement. Above all, I would like to thank the Government of India and the state of Kerala. Thanks to the Emerald Publishing team for making this possible. I am grateful for the outstanding support from Emerald. In particular, I would like to thank Lisa Goodrum – Commissioning Editor – Responsible Management.