Poverty, microcredit, and Mahatma Gandhi: lessons for donors

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Third world poverty and donor commitment

The most pressing moral, political, and economic issue of our time is poverty in the developing countries. Dr James D. Wolfensohn, President of the World Bank succinctly put the problem, “But at the start of a new century, poverty remains a global problem of huge proportions. Of the world’s 6 billion people, 2.8 billion live on less than $2 a day, and 1.2 billion on less than $1 a day”. (World Bank 2000). Distribution of global economic gains achieved during the twentieth century has been extraordinarily unequal and unethical, creating more losers than winners. The average income in the richest 20 countries is 37 times the average in the poorest 20 – a gap that has doubled in the past 40 years. Intra-country disparities too are equally or even more disturbing. Bill Clinton in his address at Warwick University on 14 December 2000 impassionedly pleaded for a “third way”, so that globalisation proceeds with a “human face”.

Donor intentions have been benevolent. The White Paper on International Development by the British government (UK Government 1997) provides specific targets for donors. Of the world population of 5.7 billion (1995), 23% i.e., 1.3 billion constituted the poor: those living on less than $1 a day at 1985 purchasing power (adjusted to current price). The target is to reduce this proportion to 12% of 7.3 billion world population by 2015 i.e., a reduction from 1.3 billion to 0.9 billion over 15 years. The World Summit for Social Development (Copenhagen, 1995) and the World Food Summit (Rome, 1996) endorsed these goals. The White Paper identified two key elements to ensure success in donor efforts:

(a) Clear set of internationally agreed policies and principles which promote sustainable development and encourage environmental conservation; and
(b) political will to address them in both poorer and richer countries.

However, on both these scores, there have been failures. Donors have not been able to translate the rhetoric and good intentions into practical action, despite massive aid to developing countries. In 1997 alone, official development assistance flows of long-term debt to developing countries amounted to US$ 44,200 million: about 40% of this as loans from multilateral institutions and 4% from bilateral donors (World Bank, 1998a). Such aid was mainly in two forms: the “hardware”, which advocated/promoted macro economic policies and the “software” which supported specific projects for
livelihood activities, social infrastructure, physical infrastructure, etc. The major problem was that often policies and projects ran in different directions lacking coordination among donors.

**Donor failure: strong evidence**

As the governments in developing countries, prompted by donors, courted globalisation, liberalisation, and privatisation (the GLP trio) progress in poverty reduction stalled or even reversed, for example the number of poor in Indonesia rose from 22.5 million in early 1996 to around 50 million by end of 1998 (IFAD 1999). In India, a decade or more of GLP did not make much impact either on employment generation or poverty reduction. Only about 8% of the labour force at about 400 million is in the organised sector, the balance mostly in the low-skilled and low-paid jobs in the informal sector. The sunrise information technology sector provided only about 500,000 “green collar” jobs. Dr John Langmore, an official at United Nations commented “it was reported that Wall Street banks had set aside $13 billion for their year-end bonuses. Which means that the Wall Street dealers received on bonus day more than ten times the daily income of the poorest fifth of humankind”. Five years after the Copenhagen declaration, many of the dangers, particularly those relating to social inequities that were forecast have been realised. While globalisation may have provided a better life to a few people, the benefit of the new economics has eluded the majority of the world’s population.

Criticism that aid has not delivered the expected results came from other quarters too. Between one-quarter to one-third of projects funded by the World Bank in recent years have been less than satisfactory (World Bank 1998b). The Committee appointed by the US Congress, headed by Prof. Allan Meltzer recommended downsizing and reorientation of both the World Bank and IMF based on their findings that:

(a) Private capital is available to the larger developing countries;
(b) success rate of Bank projects is very low; and
(c) there is a considerable amount of duplication between the Bank’s activities and that of Regional Development Banks.

The Committee’s main recommendations are:

(a) Countries with a per capita income of more than $4,000 be kept out of bank lending and that those with incomes of more than $2,500 should obtain only limited loans from the bank; and
(b) The bank should lend only for global public goods like AIDS treatment, global environment programmes etc., directly to the service providers bypassing Governments.

The primary reason for donor failure is the incompatibility between their “hardware” and the “software”: i.e., macro policy driven by the GLP and the goals of individual projects. This contradiction is best illustrated here by the microcredit sector. On the one hand, donors promoted microcredit projects to help the poor engaged in micro enterprises (MEs), but on the other, GLP promoted by them rendered the very same MEs unviable. Microfinance institutions (MFIs) had to be subsidised heavily for long periods to keep afloat. Such contradictions were seen in other sectors too. One possible way to resolve these contradictions is by revisiting and adapting Gandhian thoughts on economic development as explained later in this paper.

**Microcredit: contradictions**

People have been lending and borrowing small sums of money for years. This seemingly ordinary activity came to be rechristened as microcredit in the late 1980s. Soon this process of lending and collecting small sums of money, which was used by the poor to become first generation entrepreneurs, based on their potential earnings rather than collateral, became one of the trendiest international development activities. According to one estimate, of the 500 million or so entrepreneurial poor (i.e., those who can borrow and run micro enterprises), only 10 million have so far been reached by formal institutions. If 10% of them are to gain access to institutional finance by the year 2005, and 30% by 2025, MFI total portfolios in micro loans, now about US$2.5 billion, would grow to about $12.5 billion by 2005 and about $90 billion by 2025, serving about 180 million clients (Women’s World Banking Global Policy Forum 1995). If $1,000 were to reach to each one of them (deposits plus loans) then the value...
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of micro finance industry would exceed $500 billion! Two apex bodies, CGAP (the Consultative Group to Assist the Poorest), an arm of the World Bank and the Microcredit Summit Campaign, an International NGO, have been spearheading the movement for the past five years. They along with 20 or so donors have accepted a target of 100 million to be reached by 2005; 1359 signatories at the microcredit summit held in Washington, February, 1997 signed a declaration to reach 100 million of the world’s poorest families, especially women of those families, with credit for self-employment and other financial and business services by the year 2005. Emphasis of the Washington summit, as with CGAP, is primarily on self-employment through MEs.

The microcredit summit campaign has been vigorous in its promotional efforts through hundreds of international and national networks: governments, MFIs, banks, NGOs, etc. Their recent estimates are that 13.8 million clients (of which 10.3 million are women) have been reached: about $10 billion as loans (and $20 billion as savings). Of about 1100 MFIs, just eight giants (seven in Asia, one in Latin America, and none from India or China) account for more than 75% of this reported business (World Bank 1996b). While some MFIs had more than 2 million clients, others operated with less than a thousand. Accuracy of these data depends on the quality of reporting by these mega MFIs. It is not clear as to how many poor could cross the poverty line, nor what was the aggregate donor funding: grants, concessional loans, expatriate consultants, etc. It is most likely that the deserving and poorest, but located outside the mega orbit, have been bypassed, especially in Africa.

The messiah is an unassuming man in Bangladesh: Prof. Mohammad Yunus who pioneered in the 1970s the innovative concept of Banking of the poor, by the poor, for the poor termed as Grameen Bank (GB). Today the GB operates in 40,000 villages, practically half of Bangladesh. The GB portfolio consists of micro loans averaging $160 to over 2.37 million poor (95% women), roughly 18% of all the MFI clients in the world. The concept of the GB is being replicated in 58 countries by more than 220 institutions mostly with donor support. The critiques of the GB have no quarrel with this “reverse banking”, but complain such “banking with a heart but without a head” is extremely costly and would soon run out of steam, if steam is not provided by donors.

Iron law of returns

Whichever way banking is defined or grounded, unless the borrower is able to reap a return higher than the borrowing rate, both the lender and borrower would soon be in trouble. This iron law of “Borrower returns and lending rate compatibility” operates ruthlessly. This indeed is emerging as an intractable problem in microcredit: with the promotion of GLP, MEs are becoming increasingly non-viable. Those engaged in them are drifting to become survivalists or simply unemployed. Since the 1990s, more than 1 million MEs in India have closed shop and another 2 million units are hanging by a thread. Together they account for nearly 13% of 24 million such MEs operating in India; MEs constituting 97% of all enterprises. These figures may lack full authenticity, but they certainly indicate the trend in India and in other poor countries. Khadi, handspun cloth, a major part of Gandhi’s economic reform programme in India, yarn spun by hand from cotton using a traditional device called the Charka is a typical case. Even with massive subsidies from the Government of India (GOI) the Khadi has no market and is virtually extinct. Next in turn to become unviable were the handlooms; many indebted handloom-artisans in several parts of India who could not keep afloat took their lives, rather than face their creditors. After handlooms, power looms are becoming unviable. The Times of India, 5 January 2001 reported: “Owners of six power loom units in the city of Solapur have committed suicide during the last six months fearing bankruptcy, President of district power loom owner’s Association Srinivas Chatale has claimed. Several power loom owners in the city had to draw loans to sustain their businesses. However, in view of the falling demand for textile products and the overall fiscal crisis faced by the sector, many were finding it difficult to repay them. The state government should come to the rescue of the power loom industry and prevent such tragic developments, he said.” MEs in many other poor countries simply could not

compete with modern technology and mass production. The emerging global scenario is best captured by Richard J. Barnet and John Cavanagh: “The surplus of gifted, skilled, under-valued, and unwanted human beings is the Achilles heel of this emerging global system. The problem is starkly simple: an astonishingly large and increasing number of people are not needed or wanted to make goods or to provide the services that the paying customers of the world can afford. The gathering pressures of global competition to cut costs threaten the vast majority of the 8 billion human beings expected to be living on earth in the first quarter of the next century with the prospect that they will be neither producers nor consumers. The global economic system prizes the efficient production of goods more than the dignity of human beings” (Barnet & Cavanagh, 1995).

Microcredit: a magic wand?

Here comes microcredit as a saviour. A typical microcredit success story: Rajamma took out a loan of Rs.7,000 (US$196) to purchase a milk cow. Within 10 months, she cleared the loan and released her daughters from their bond. Now Rajamma owns the cow and a female calf and earns over Rs.1,200 (US$34) each month. With her savings, she bought half an acre of land and has taken another loan to irrigate it for groundnut cultivation. Rajamma’s eldest daughter is learning tailoring while the younger girls are in school. The implication, all these miracles would not have happened but for her joining a local self-help group and the loan from Bridge Foundation, a Microcredit NGO, in Karnataka, India (Countdown 2005).

A closer study reveals a different picture. For the nearly 500 million poor livestock farmers in India the major problem is not non-availability of finance, but many other things: unavailability and low quality of dairy cattle and fodder, the high cost of concentrate feed, poor veterinary services, and poor linkages to the market (World Bank 1996a). The World Bank Report while praising the 65,000 Milk cooperatives (9 million members), which try to resolve some of these problems, hardly makes any mention of finance as a major issue.

Hard-core poor to Micro entrepreneurs?

Borrow, risk that sum to a specific activity, reap returns and repay according to a predetermined schedule: all these require skills often beyond the hard-core poor. It is absence of these talents, which put them in the hard-core strata in the first place. The assumption of many donors that a loan can undo these deficiencies is unrealistic. This is all the more true for women survivalists in the informal sector, who are scared of getting indebted in ventures located outside their household. Several recent studies show that hard-core poor are not reached by microcredit as is being claimed; this is only to be expected. “Careful measurement of the economic impact of micro finance programmes or institutions is fraught with methodological difficulties, and the results of studies are often contradictory. Nevertheless, evidence is gradually emerging. For example, a recent review of 13 micro finance institutions found that borrower households above or on the poverty line experience a higher impact than households below poverty line, suggesting that while effective, such institutions are not necessarily well targeted toward the poorest households” (World Bank 2000).

Graduating from survivalists to entrepreneurs is a slow and difficult process. “Enterprise, including self-employment, is rigorous and demanding. Some have the capacity to survive as self-employed entrepreneurs, but most do not. When there is an array of options relatively few choose self-employment. In the industrial economies less than 5% of the unemployed opt for readily available self-employment assistance, and in spite of increasingly sophisticated selection and screening procedures, between 30–60% of these fail within the first few years. Developing countries, with large numbers of unemployed and fewer options on offer, have a much higher portion of their citizens self-employed, but similar levels of self-employment fail. Much remains to be learned about self-employment capacity and potential” (ILO 1996).

Lender transaction costs: where rubber hits the road

One USAID study of 12 MFIs spread over three continents concluded that staff cost was the
important determinant of MFI viability. According to the report, only two factors explained the differences: salary levels of programme staff relative to local GDP, with lower salaries associated with more financially viable programmes, and the effective real rate of interest, that is, relative to inflation (USAID 1995).

Banking, managing money, and accounting are technical jobs. Entrusting them to unskilled workers to reduce costs is fraught with difficulties. Cost reduction gimmicks encouraged by some MFIs at the behest of donors, such as sub-contracting micro finance operations to smaller NGOs by big NGOs, employing commission agents, recruiting very low cost bank workers (some NGOs hired bank workers at a monthly salary of $10 to $20) etc. have not worked. Most regional rural banks, promoted in India as a low-cost financial delivery mechanism became unviable quickly: a court verdict upheld the demands of their employees for parity with highly paid commercial bank staff (Padmanabhan 1987).

To reduce costs of lending, donors promoted groups (known as self-help groups of 5 to 30 members). This created other problems. Promotion of SHGs and sustaining them has been found very expensive and requires the right type of NGOs. Attracted by generous donor terms, spurious NGOs sprung up, often with political patronage. Out of 185 NGOs recently scrutinised by GOI, as many as 30 had to be blacklisted. SHGs are non-registered bodies with no one regulating them. Despite the fact that SHGs are 33% cheaper for the lender and 80% for the borrower, banks are reluctant to use them as a conduit (DFID 1998).

**Repayment: scratch where it itches**

The euphoria of solidarity group lending, thanks to the GB peer group’s initial success, as a
force to check loan delinquency, is waning. “The unpacking joint liability credit contract” looks critically at how joint liability is enforced in Grameen Credit Guarantee Groups. The research shows that pressure from loan officers, rather than peer pressure among group members, is in fact the most “zipping force” (DFID 1998). It is also doubtful if MFIs correctly record their loan arrears.

It is probable that they under-report their loan delinquencies. Many donors do not closely monitor the loan arrears of the lenders they fund. Attempts at the quantification of repayment performance in donor-assisted projects, often encounter serious measurement difficulties. Records are not timely nor clearly kept; financial disclosures are sanitised; loans in default are rolled over to mask borrower failure to repay, etc. Arrears accounting even in the three of the well-known MFIs: Grameen Bank in Bangladesh, Aga Khan Rural Support Programme in Pakistan, and Lilongwe Land Development Project in Malawi, is fraught with methodological problems (Von Pischke et al. 1998).

**Cold money from donors**

One indicator of continued MFI dependence on donors is the high Subsidy Dependence Index (SDI) of many MFIs. If the lending rate of an MFI is 10% and its SDI 100%, then it would have to raise its lending rate to 20% to become subsidy independent. For example, the CARE Peri-urban Lusaka Small Enterprise Project, a Zambian MFI has an SDI of 1146% (World Bank 1998c). It would have to reset its lending rate of 40% to about 440%, if it has to become sustainable without donor support! A World Bank Website on North African MFIs, states that despite prolonged donor support, out of 60 MFIs, only ten are nearing financial sustainability. The GTZ evaluation of a cross-section of 84 credit funds supported by it, came to the conclusion that only five of the credit funds evaluated were found to be conducive to financial system development (GTZ, 1997).

“Another study found that the majority of microfinance programmes reviewed still required financial subsidies to be viable. Increasingly, the performance of these institutions is evaluated by two primary criteria: their outreach to target clientele and their dependence on subsidies. Although these criteria do not provide a full assessment of the economic impact of microfinance institutions, they highlight the social cost at which microfinance institutions have reached their objectives. These results on targeting and the prevalence of subsidy dependence point to the challenges faced by microfinance programmes: continuing to move toward financial viability while extending their outreach to their target clientele” (World Bank 2000).

Prof. Dale Adams and Dr J. D. Von Pischke hold the view that many of the loans being made to micro enterprises will not be repaid, most of these programmes are likely to be transitory, and many of the targeted borrowers will not be materially assisted in the long run through programmes that increase their debt, as in most cases, lack of formal loans is not the most pressing problem faced by these individuals. They caution that providing financial services to the poor is expensive and building sustainable financial institutions to do this requires patience and a keen eye for costs and risks (Adams & Von Pischke 1992).

**Inclusive economic development: Gandhian thoughts**

Mahatma Gandhi (Mahatma: literally great soul, title first conferred on Gandhi by Rabindranath Tagore, a friend of Gandhi and a Nobel prize-winning writer) never used development jargons such as: “opportunity”, “empowerment”, “security”, “entitlement”, “safety-net”, “outreach”, “demand-driven”, “self-select”, etc. But his famous quotation says it all: “To a people famishing and idle, the only acceptable form in which God can dare appear is work and promise of food as wages. The hungry millions ask for one poem – invigorating food. They cannot be given it. They must earn it. And they can earn only by the sweat of their brow”.1

Anthony Copley has best summarised the Gandhian philosophy “We come back to the idea that Gandhi stressed means rather than ends, particular issues rather than a totally transforming vision of new society. But the vision of Ram Rajha (Kingdom of God) was there. It is worth looking ahead to one description of
his future society, which appeared in his journal Harijan on 22 July 1946: Life will not be a pyramid with the apex sustained by the bottom. But it will be oceanic circle whose centre will be the individual always ready to perish for the village, the latter ready to perish for the circle of villages till at last the whole becomes one life composed of individuals, never aggressive in their arrogance, but ever humble, sharing the majesty of the oceanic circle of which they are integral units. Therefore, the outermost circumference will not wield power to crush the inner circle, but will give strength to all within and will derive its own strength from it” (Copley 1987).

Gandhi knew intimately the problems, aspirations, strengths, and weaknesses of the poor. Also, he knew the motivations, greed, drive, and capabilities of the rich. His advice to the son of a rich industrialist, who had pledged all his wealth to Gandhi, makes interesting reading:

“Speak little; listen to all but do only right; make account of every minute; live like poor; never take pride in riches; keep account of every pie spent; study with concentration; take regular exercise; maintain a diary; pray twice a day; and the strength of heart is million times precious than keenness of intellect.”

“Happiness”, Gandhi explained to Margaret Bourke-White, Life Magazine photo-journalist, “did not come with things – even twentieth-century things – but it can come from work and in pride in what you do” and he initiated her into the complexities of spinning (Attenborough 1982).

Gandhian thoughts: major elements

British Viceroy to India in 1926, Lord Irwin, a deeply religious Anglcan, noted on Gandhi, “a most baffling enemy, generous, irrational and elusive and hard to pin down on a point of logic as a butterfly on the plains of his native Gujarat” (Copley 1987). Yet, out of the seemingly contradictory and complex positions of Gandhi, one could isolate the following key strands:

(a) the most valuable asset of the poor is their semi-skilled and unskilled labour. This is neither storable nor readily convertible into financial or physical assets; (b) the appropriate mechanism that can tap and convert this asset into purchasing power for millions of poor is low-technology employment;

(c) the rich, through abstaining from conspicuous consumption, are responsible for accumulation of capital. They should deploy that capital as trustees of the poor, in enterprises where the poor can be wage-employed;

(d) since too much centralisation of production would lead to ‘anomie’ – a lack of social or moral standards in both society and the individual, it should be avoided. In this, perhaps Gandhi was echoing the ideas of the French sociologist Emile Durkheim (Durkheim 1893). Emile emphasised the importance of shared social norms and values in maintaining social cohesion and solidarity. Absence of social control of individual behaviour is the major problem in a modern society. In his view, such pursuit of private interests without regard for the interests of the society as a whole could lead to social breakdown;

(e) those unproductive poor, who can neither be self or wage employed should be protected by the state through appropriate safety-nets, financed by philanthropists;

(f) cultivating a spiritual attitude would temper excessive human greed, envy as also craving for goods;

(g) nature has to be respected; the temptation to gratify immediate needs at the neglect of long-term good has to be checked.

Gandhi saw the several virtues of simplicity and the consequent social capital. Abstention from “conspicuous consumption” and promotion of “simple living” has a considerable demonstration effect. Gandhi emphasised relative poverty. He knew that poor evaluated their poverty not only in relation to their need but also in relation to the affluence they see around. Gandhi was not against technology per se, but was cautioning that this “servant” once allowed into the house could “graduate” into the master, making the existing master a servant. It is interesting to note that during 1970s, Philip Slater voiced the same concern. He noted “We talk technology as the servant of man, but it is servant that now dominates the household, too
powerful to fire, upon whom everyone is helplessly dependent. We tiptoe and speculate upon his mood” (Slater 1970). Gandhi would have also disapproved the “one-size fits all” definition of poverty for the nation as a whole, let alone the $1 per day norm for the whole world, now advocated by donors.

**Gandhi: his time has come**

Gandhian ideas looked utopian and impractical for many, even for his close associates. March of events, particularly the failure of “techno-global-capitalism”, in creating a just society, seems to be vindicating Gandhi now more than ever. High growth rates occur in poor societies for a long time without those benefits trickling down. Surprisingly, even in America, nine years of unprecedented economic growth has not brought down substantially the percentage of poor (those whose annual income is less than $16,660 for a family of four), which was 15.1 in 1993 and 12.7 by 1998. (The Economist, 20 May 2000). Many are now questioning the complicated poverty definitions (such as the one based on purchasing power needed for a given level of calorie consumption) and the idea that the poverty line can be crossed once and for all like a river. Most important, however, has been Gandhi’s suggestion to put purchasing power into hands of the poor and out-reach to villages. Today in India, while the Government is struggling to find storage space for the accumulated food stocks of about 40 million tonnes, millions of poor go hungry. Similarly GOI discovered that of its 589,000 villages (where 80% of the poor live), only 274,000 villages (with 1,500 population) i.e. 47% had been connected by all-weather roads; for villages with a population of 1000 the percentage is even lower at 37%. If only they had listened to Gandhi. Gandhi’s policy was to emphasise the importance of *khadi* and seemingly to turn his back on industrial capitalism. His was a belated rallying to the interests of those disposessed weavers who had drifted back to the villages to seek employment within the rural economy. “*Khadi* became the governing obsession in Gandhi’s constructive movement in the 1920s. By encouraging everyone to some recognition of the redemptive value of manual labour, he was directing the peasantry towards a way of earning a few extra *annas*, especially during off-season or during famine – an answer of sorts to extreme poverty in the countryside. It was also a way of providing cotton yarn for the hand loom weavers and creating employment for village artisans” (Copley 1987). In sum, to borrow Richard Falk’s phrase, Gandhi was advocating a “new globalisation from below”.

In fact, Gandhi fairly accurately anticipated the black holes and contradictions of industrial capitalism. Lester C. Thurow, a Professor of Economics, expresses some of the very same concerns: “Capitalism postulates only one goal – an individual interest in maximising personal consumption. But individual greed simply is not a goal that can hold any society together in the long run. Capitalistic individuals maximise the only things that give them utility-consumption and leisure. The danger is not that capitalism will implode as communism did. Stagnation, not collapse, is the danger” (Thurow 1996). Gandhi was not an economist, but a lawyer; he belonged to the Bania community (merchant caste). He was shrewd enough to see that during colonialism, it was the primary producers who were cheated both ways; first as producers and then as consumers, to satisfy the greed of colonial masters.

Nelson Mandela in the Time millennium issue noted “We are forced to rethink the rationale of globalisation and consider the Gandhian alternative, when we find ourselves in jobless economies, and societies where masses starve while minorities consume. Gandhi sought to free the individual from his alienation from the machine and to restore morality to the production process”. At the international conference on human values, held at Amsterdam on 28 November 2000, the high ranking participants from World Bank, UNHCR, etc. endorsed a call to abide by them while resolving political, economic, and social issues. Alfredo Sfeir-Younis, Vice-President of the World Bank, asserted that human values constituted the only instrument available for international institutions to change the world for the better. Other thoughts of Gandhi are also gaining acceptance. A recent Time/CNN poll showed 79% of Americans wanted to simplify their life. This idea of “de-possessing” is now getting popular in other industrialised countries as well.
At the recent UN Global Summit of religious leaders, suggestions by many participants had roots in Gandhian thoughts. The Global Compact of the UN, the recent joint initiative of global leaders from the world of business, labour, and civil society in support of universal values and responsible business operations, is yet another endorsement of Gandhian thoughts.

Applying Gandhian thoughts by donors

The following are the possible ways donors can translate Gandhian thoughts to help the poor:

(a) place more emphasis on putting purchasing power into the hands of the poor; wage or self-employment is only a means to that end;

(b) promote appropriate technologies, enterprises, and markets, which can tap the low/semi-skilled labour of the poor: for a long time to come such labour is going to be their major asset;

(c) emphasise gradual skill-up gradation through technical education, in particular for the poor women;

(d) involve the rich in poverty alleviation projects, emphasising the fact that the poor constitute a “future market” for their products;

(e) create an appropriate safety-net, supported by the rich philanthropists in the recipient countries, to help the unproductive poor who can be neither self or wage employed;

(f) pay more attention to the eco-friendly aspects of aided projects;

(g) promote religious, moral, and ethical education to reinforce new values of ‘inconspicuous consumption’, simple living, tolerance, compassion, and brotherhood among local, national and international community;

(h) synchronise macro economic policies with these objectives of “growth with a human face”.

In the specific context of microcredit, donors could shift the focus to wage employment for the poorest. Thus instead of spending all donor resources to reach micro finance to 100 million people for self-employment (which is obviously not helping the poorest), and to subsidise MFIs for prolonged periods, donors could support more and more viable micro enterprises where hard-core poor, particularly women can be wage employed. Even if ten million viable MEs could be promoted every year, say for the next five years, it would help 400 million hard-core poor. On an average, each unit can wage employ four, mainly survivalist women, supporting at least two dependants. Thus putting purchasing power into the hands of the abject poor, as Gandhi had envisaged, should take the centre-stage in donor policy.

Conclusion

The world is witnessing an unprecedented financial revolution as well as polarisation. Revenues of GM and Ford exceed the combined GDP of all Sub-Saharan countries: the 51 largest economies in the world are not nations, but corporations. Assets of Forbes’ 400 have soared by 20% this year to $1.2 trillion; by 2015 assets of this exclusive club could well exceed the combined wealth of the lower half of humanity. Jan Tinbergen put forward the hypothesis that the income disparity level of 1:15 between the poorest and the richest was the maximum a civilized society could tolerate (Padmanabhan 1992). In 1650 Dr. John Lightfoot, vice-chancellor of the University of Cambridge, determined on the basis of the “available evidence”, that God created Adam and Eve, at nine o’clock in the morning of 23 October 4004 BC. When new facts emerge, old conclusions have to be revisited and old assumptions questioned. It is time donors introspect on their policies, programmes, and projects that are intended to help the poor. The question is not whether to change or not, but how to change. Gandhian thoughts truly show a way and that way needs to be explored.
Note

1. This quotation from Young India (1921) a publication edited by Gandhi, is from the foreword to the book (Padmanabhan 1986). The foreword was penned by the Honourable late C. Subramaniam, Former Finance Minister of India and close associate of Gandhi for many years.

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