Microfinance And Gross National Happiness (GNH) -A Study On The Impact Of Living Standards Of The Poor

Purna Prasad Sharma[*]

purnaprsd@yahoo.com

ABSTRACT

The study primarily aims to discover the role of microfinance in enhancing the index of Gross National Happiness (GNH). To do so, microfinance is linked with one of the key indicators of GNH i.e., the living standards of the poor. Microfinance, as one of the tools of poverty eradication, has been given due consideration by the policy planners across the globe. The skill of the poor found worthy in multiplying paltry amount of their disposal and free from the clutches of avaricious moneylenders. Also, the paper focuses on the capability development of the poor at micro level through the fighting weapon called microfinance for achieving happiness at individual level. The study relies on secondary data obtained from various sources such as Centre for Bhutan Studies, United Nation's Development Programme, US Census Bureau, UNICEF, World Bank, Ministry of Rural Development, BDBL, and NABARD and mainly confined to India and Bhutan.

1. INTRODUCTION:

The proliferation of microfinance can be traced back to the seventies with the introduction of this concept in Bangladesh by Prof. Mohammed Yunus , the recipient of nobel peace prize in the year 2006. Since then a number of countries have been found adopting this tool to fight against poverty. The term microfinance is typically meant "banking for the poor". Its primary focus is on loans, savings, insurance, transfer services, and other financial services to the low income clients (Khandelwal, 2007). It is the "provision of thrift, credit and other financial services and products of very small amounts to the poor in rural, semi-urban or urban areas for enabling them to raise their income levels and improve living standards" (NABARD, 2000).

The concept of Gross National Happiness has been found emphasizing more on the inadequacy of measuring country's economic development through traditional theory called GDP. Apart from GDP, the GNH concept has been found underscoring "four pillar" objective approach that is (i) Balanced Equitable Development, (ii) Environment Conservation, (iii) Preservation and Promotion of Culture and Heritage, and (iv) Good Governance in line with Millennium Development Goal (MDG) to introduce as the vital measurement indicators for measuring the overall economic development of a country. Besides, the four pillar objective approach, the Centre for Bhutan Studies, concatenating with an international group of scholars and empirical researchers in Bhutan has identified the nine provisional Gross National Happiness (GNH) indicators in the name of (i) standard of living, (ii) health of the population, (iii) education, (iv) ecosystem vitality and diversity, (v) cultural vitality and diversity, (vi) time use and balance, (vii) good governance, (viii) community vitality, and (ix) emotional well being. The present study has made an attempt to link microfinance with one of the nine provisional GNH indicators that is standard of living and finds whether microfinance in real terms is helpful in increasing the living standards of the poor in India and Bhutan.

The term GNH was coined in 1972 by Bhutan's fourth king, Jigme Singye Wangchuk with

---

* Assistant Professor, Gaeddu College of Business Studies, Royal University of Bhutan (Kingdom of Bhutan)

the objective of building Bhutanese economy to serve Bhutan's unique culture based on Buddhist spiritual values. There is no exact quantitative definition of GNH (McDonald, R. 2005) but the elements that contribute to GNH are subject to quantitative measurement. One of the real instances of GNH would be low rates of infant mortality that correlates positively with subjective expressions of well being or happiness within the country. GNH has been viewed to refer to the concept of quantitative measurement of well-being and happiness. These two measures are motivated by the impression that subjective measures such as well-being are more relevant and important than more objective measures for instance consumption. Albeit, the GNH is not measured directly, the prime factors which are believed to lead happiness are taken into consideration for measurement. GNH has always been projected as a simple term but the wide range of its scope of defining "happiness to all" has made it slightly complex to operate practically.

Happiness is often misunderstood by many by dissecting completely from money component. It has to be understood that a vast majority of the poor are basically from the rural segment and the fundamental requirement of many is for their survival and not for their materialistic fulfillment . Happiness has been perceived differently by the different economic strata of the people. The level of living standard of the poor could well be related with happiness. As the poor increase their living standards, they acquire happiness. The amelioration of the living standard and subsequently acquiring happiness by the poor could well be connected with meeting at least the two bottom layers of the needs such as physiological and safety (Maslow, 1943). Albeit every individual tries to meet the upper layer of needs, once the lower layer needs are fulfilled

2. OBJECTIVES:

The present study primarily focuses on attaining the following objective:

 (i) To study the scenario of human development and living standard of the people in the developed countries vis-à- vis developing countries such as India and Bhutan.

(ii) To study the impact of microfinance on the living standards of the poor in particular and on achieving GNH in general.

3. SCOPE AND METHODOLOGY:

The study mainly concentrates on exploring the level of poverty and standard of living of the poor in two Asian countries that is India and Bhutan. Also, it pores on the role of microfinance, especially the microcredit on the eradication of poverty as well as increasing the living standards of the poor in these two nations. Besides, the level of standard of living of the poor is tried to link with achieving happiness at an individual level in particular and help increasing the GNH index at large. To draw the appropriate inferences, the study mainly relies on the secondary data collected from the various sources such as Centre for Bhutan Studies, United Nation's Development Programme, US Census Bureau, UNICEF, World Bank, Ministry of Rural Development, BDBL, and NABARD.

4. LIMITATIONS:

The study is primarily depending on the secondary data obtained from the various sources. A few data that relate to poverty level of the poor are found to display varying results by the reporting agencies. The reason may be the lack of uninterrupted updating of data by them. The very recent and updated data from the reporting agencies have not been found which would otherwise lead to draw the latest inferences from the study. Lastly, the findings of the study may not portray the global scenario of the impact of microfinance on the living standards of the poor as it basically concentrates on India and Bhutan.

5. PERFORMANCE ANALYSES/IMPACT ON CAPABILITY BUILDING AND LIVING STANDARD.

The analyses of the study begin with tracing out of those countries where Human Development Index (HDI) is high as well as very high and comparing the same with India and Bhutan. The comparative picture of HDI facilitates to comprehend the position of India and Bhutan in Human Development with those of other countries. The HDI basically discusses the average achievement by a respective country in terms of longevity , knowledge , and a decent standard of living . At the later part, the study demonstrates the overall scenario of microfinance and its impact on capability development and living standards of the poor. The study at the end traces the important aspects of human life that is happiness and tries to see whether microfinance or more appropriately, microcredit really helps the poor in increasing their living standard and contributes really in enhancing the

index of Gross National Happiness (GNH).

5.1 The Human Development Index: Country profile

The close analysis of HDI (Table 1.1) reflects the respective country's position with regard to human development vis-à-vis their population. The developed countries, like Norway top the HDI ranking with an index figure of 0.955 followed by Australia (0.938) and Netherlands (0.921). All these countries are found to surpass the overall world HDI of 0.694. The important element that has been captured in all these highest HDI ranking countries is their population. Besides other factors, the controlled and minimal population of these respective countries might have helped gaining highest position in HDI. In addition, the other countries like Mexico (0.775) and Brazil (0.758) also lead the world HDI and stand at 61st and 85th position respectively. India remains at 136th position in terms of human development with the vast population of 1,258 millions. The immense population, especially the rural mass with diverse cultural heritage, varied lifestyles, fluctuation of economic system, and different issues with respect to health and hygiene pose a challenge for human development in this country.

Bhutan, however with a total population of 0.7 million ranks 140th in HDI and stands far behind in human development. The minimal population does not seem to play a major role for human development in this country. In depth, the problems of the population need to be checked. The genuine problems of the population, whether it is small or large is well reflected in the living standards and health and

Table 1.1. Human Development Index (HDI): The country profile

Country	HDI	Ranking#	Population (in millions)
Very high Human Development			
Norway	0.955	1	4.9
Australia	0.938	2	22.9
Netherlands	0.921	4	16.7
High Human Development			
Mexico	0.775	61	116.1
Brazil	0.758	85	198.4
Medium Human Development			
India	0.554	136	1258.3
Bhutan	0.538	140	0.7
World	**0.694**	**-**	**6984.9**

*Source: Human Development Report, 2012. Published by United Nations Development Programme (UNDP).   #
Ranking out of 187 countries. ^ US Census Bureau, World population, 2012*

hygiene conditions which are well captured in life expectancy in years (Table 1.2). The life expectancy in India and Bhutan are at the range of 66 years to 68 years which is quite low when compared with other high ranked HDI countries which ranges from 74 years to 82 years. This connotes low level of standard of living and poor health of the general population in India and Bhutan as compare to the countries listed in the table. The problem of population is further aggravated when "under 5 years mortality" rate is considered. This figure stands at 56 per 1000 live births in Bhutan and rising further to 63 per 1000 live births in India as compare to less than 20 per 1000 live births in the rest of the countries as listed in the table. The Adult literacy rate which is one of the key indicators of human development is found to stand below the world literacy rate of 88.1 for India (62.8) and Bhutan (52.8).

The high rate of early school dropouts, discrimination involved in educating male and female child, existence of acute poverty in the rural part, and low inclusive growth are some of the reasons designated for low literacy rate in these two nations. Also, the GNI per capita income is not favouring much to these two SAARC countries in terms of income value of per individual as compared to other countries. All these factors unanimously support the prevalence of low standard of living and poor health of the people in particular and lower HDI in general in these nations.

Table 1.2. Human Development Index (HDI): Key indicators:

Country	HDI (Ranking)#	Health {(Life expectancy at birth)(yrs)}[1]	Under 5 years mortality (per 1,000 live births)[2]	Adult literacy rate, both sexes (% aged 15 and above)[3]	Income {(GNI per capita in ppp terms (constant 2005 international $)}[4]
Very high Human Development					
Norway	1	81.3	3	n.a.	48,688
Australia	2	82.0	5	n.a.	34,340
Netherlands	4	80.8	4	n.a.	37,282
High Human Development					
Mexico	61	77.1	17	93.1	12,947
Brazil	85	73.8	19	90.3	10,152
Medium Human Development					
India	136	65.8	63	62.8	3,285
Bhutan	140	67.6	56	52.8	5,246
World	-	**67.9***	**51****	**88.1**	**11,574*****

*Source: Human Development Index from Human Development Report, 2012, published by United Nations Development Programme (UNDP). # Ranking out of 187 countries. *United Nations World Population Prospects, 2010. **Childinfo, Monitoring the system of Children and Women, UNICEF, 2011. *** World Bank Report, 2012.*

6. PREVALENCE OF POVERTY: COUNTRY PROFILE

The existence of poverty and its eradication have always been a major concern for the world's developing regions. Poverty indicates the condition in which a person is not able to have access to the basic needs of minimum living standards, adequate for his physical and mental development. Poverty is the outcome of capability deprivation (Sen, 1999). It indicates deprivation of basic capabilities that are extremely important rather than lowness of income. The main causes of poverty include lack of resources for the poor, extremely unequal income distribution in the world and specific countries in particular. The revised standard criterion outlined by the World Bank in 2008 for identification of poverty is the people living on less than $1.25 per day. The estimation made by the World Bank vindicates that around 25 percent of the population in developing regions lives below the poverty line with a current threshold of $1.25 a day (United Nations, 2009). Despite the progress in hunger alleviation, the year 2010 witnessed approximately 925 million people who were suffering from it which was attributed to a sudden spike in global food prices and the onset of a worldwide economic crisis .

The poverty is very much pervasive in the African countries. In Asia, along with many other countries, poverty is very much prevalent in India and Bhutan. More than 20 percent of the people reside below the national poverty line (Table 1.3). Bhutan witnessed more than 10 percent population living below $1.25 per day whereas this figure stands at 33 percent in case of India. The poverty scenario gets more aggravated when the threshold limit is increased to $2 per day. The figure increased up to 50 percent for Bhutan and 76 percent for India which is quite high as compare to overall world poverty figure (48 percent). With majority of population residing in the rural areas, (more than 60 percent in both the countries) and comparatively (with urban areas) the existence of low literacy rate, low standard of living, low inclusive growth and lack of industrialization and transportation along with corruption and socio economic disparities contributes more towards the prevalence of poverty in these nations.

Table 1.3. Poverty backdrop in high and medium HDI countries

Poverty estimates	Very high Human Development			High Human Development		Medium Human Development		World
	Norway	Australia	Netherlands	Mexico	Brazil	India	Bhutan	
Rural population (as % of total population)2011*	21	11	17	22	15	69	64	48.0
Population living below US$ 1.25 a day (%), 2010-2011***	n.a.	n.a	n.a.	1.2	6.1	32.7	10.2	20^
Population living below US$ 2 a day (%), 2000-2009**	n.a.	n.a	n.a.	9	10	76	50	48
Population living below the national poverty line (%), 2009-10#	n.a	n.a	n.a	51.3	21.4	29.8	23.2	-

Sources:
*World Bank, World Development Indicators, 2012. **Population Reference Bureau (PRB), 2011 World Population Data Sheet. ***Human Development Index from Human Development Report, 2012, published by United Nations Development Programme (UNDP). #Central Intelligence Agency, The World Fact book. Retrieved from https://www.cia.gov/library/publications/the- world-factbook/fields/2046.html on 10th April, 2013.

Note: ^ indicates self calculation from the data retrieved from:
 (i)   www.worldbank.org/en/news/press-release/2008/09/16/new... on 10th April, 2013 and
 (ii) www.worldometers.info/world-population on 10th April, 2013

7. IMPACT OF MICROFINANCE ON POVERTY AND LIVING STANDARDS OF THE POOR:

Most of the world's poor are found engaging in self employment. The maximum share of their hard earned money from different micro business set up such as goatery, piggery, poultry, weaving baskets etc. goes for their basic survival and finally there is no amount left at their disposal to expand their business and improve their quality of life. Moreover, poverty remains with them mainly because of the scarcity of financial support from the formal financial institutions. Traditionally, the poor were termed as "Non-bankable" by most of the formal financial institutions which led to very low inclusive growth. However, with the passage of time, the government and the policy planners have been found emphasizing more on designing small financial products that suit the capability development and eradication of poverty. Apart from introducing small products, effective delivery models are also designed to guarantee both delivery mechanism and recovery pattern. The success story of microfinance delivery models, those designed in Bangladesh, has led to the adoption of the models by most of the countries worldwide to eradicate poverty and enhance the living standards of the poor. About 21 percent of the Grameen Bank borrowers managed to lift their families out of poverty within about four years of participation in microfinance programme (Khander, 1998). Among many south Asian countries, India, is not very new in the field of microfinance whereas Bhutan is at its nascent stage in this field.

7.1. Proliferation of Microfinance in India : Impact on capability development and improvement in the living standard of the poor

The small scale provision of finance to the poor is not a new phenomenon in India. SEWA , the oldest microfinance organization in India, was established in Gujarat in 1972, is a trade union that started first organizing self-employed women in India. Although the concept of Self-help was discovered by social-development NGOs in 1980, the introduction of SHG Bank Linkage Model by NABARD in1992 and its success in subsequent years

of its operation in terms of its outreach and increasing living standard of the poor has made this model as one of the largest microfinance programmes in the world. The high repayment rate of more than 80 percent, as claimed by NABARD, is the key feature of this programme. This indicates clearly the benefit obtained by the poor which not only helps them in increasing their living standard but also empowered them in different sphere of their life.

The progress of microfinance, under this model (SBLP) as well as through other MFIs in recent years could be observed from Table 1.4. As on 31st March, 2011, more than 74 lakhs SHGs had saving bank accounts with an outstanding savings of Rs 70.16 billion as against over 41 lakhs of SHGs with savings

amount of Rs 35.13 billion as on 31st March 2007, thereby, recording a growth rate of around 16.14 percent and 20.65 percent respectively. Similarly, during 2010-11, the Commercial banks including Regional Rural banks and Cooperative banks financed a little less than 12 lakhs SHGs with bank loans of Rs 145.48 billion as against around 11 lakh SHGs with bank loans of Rs 65.70 billion during 2006-07, registering a positive growth rate of 4.22 percent and 23.13 percent respectively. The positive growth rate in both of these components indicates a sound proliferation of microfinance in terms of helping the poor in accessing small finance of their need and enhancing their living standard in the Indian economy.

Table-1.4: Progress of the Micro-Finance in India

A. SBLP Model						
SI. No.	No of years	Savings A/c with banks as on 31st March:		Loan disbursed during the year:		Loan outstanding with SHGs as on 31st March:	
		No. of SHGs (in lakhs)	Amount (in billions)	No. of SHGs (in lakhs)	Amount (in billions)	No. of SHGs (in lakhs)	Amount (in billions)
1	2006-07	41.61	35.13	11.06	65.70	28.95	123.66
2	2007-08	50.10	37.85	12.28	88.49	36.26	170.00
3	2008-09	61.21	55.46	16.10	122.54	42.24	226.80
4	2009-10	69.53	61.99	15.87	144.53	48.51	280.38
5	2010-11	74.62	70.16	11.96	145.48	47.87	312.21
	Growth Rate (%)	*16.14*	*20.65*	*4.22*	*23.13*	*13.85*	*26.52*

B. MFI Model: Profile of Microfinance Institutions					
SI. No.	No of years	Loan disbursed during the year:		Loan outstanding with MFIs as on 31st March:	
		No. of MFIs	Amount (in billions)	No. of MFIs	Amount (in billions)
1	2006-07	334	11.52	550	15.84
2	2007-08	518	19.70	1109	27.49
3	2008-09	581	37.32	1915	50.09
4	2009-10	691	80.63	1513	101.48
5	2010-11	469	76.05	2176	106.89
	Growth Rate (%)	*10.15*	*67.94*	*35.82*	*66.93*

Source: Compiled from "Status of Microfinance in India"- NABARD Annual Report 2007-08 to 2010-11
http://www.nabard.org/departments/pdf/Micro%20Finance%202010-11.pdf
http://www.nabard.org/pdf/Status%20of%20Micro%20Finance%202009-10%20Eng.pdf
http://www.nabard.org/pdf/Status%20of%20Microfinance%20in%20India%202008-09_131109.pdf
http://www.nabard.org/fileupload/DataBank/Publications/Micro%20Finance%20in%20India%20-%202007-08.pdf

The loan outstanding figure portrays the fact that in the current year, 2010-11 around 48 lakh SHGs had the outstanding bank loans of Rs 312.21billion as against 29 lakh SHGs with bank loans of Rs 123.66 billion in 2006-07. A growth rate of around 14 percent were observed in terms of number of SHGs having outstanding loans with the banks with 27 percent growth in loan outstanding amount over the period of five years. The positive growth rate of loan outstanding both in number and amount indicates that an increased number of SHGs have participated and availed the loan from SBLP. This also shows the success of the same programme in terms of outreach. The programme has benefited the poor.

Along with the direct finance to SHGs, the banks in recent times are also found financing Microfinance Institutions (other model of NABARD) for on-lending to SHGs and other small borrowers. Over five years, from 2006-07 to 2010-11, the number of loan receiving MFIs were grown by 10 percent with 68 percent growth in loan amount. Along with the growth of loan disbursement, a positive growth of 67 percent was also recorded in loan outstanding amount with MFIs. These entire phenomena, therefore, vindicates the fact that more poor have been served by the tool of microfinance to increase their living standard in particular and eradicate poverty in general. Micro financial services to the poor can be the magical formula in lifting them up from poverty and also to mainstream them with country's economic activity (Park, 2001; Shaw, 2004; Ahmed et al., 2006; Coleman, 2006; Haitt & Woodworth, 2006). It is claimed that this new paradigm of unsecured small scale financial service provision helps the poor people to take advantage of economic opportunities, expand their income, smoothen their consumption requirement, reduce vulnerability and also empowers them (Littlefield, Morduch, & Hashemi, 2003; ADB, 2004). Improved access of microfinance can enable the poor to smoothen their consumption, manage their risk better, gradually build their asset base, develop their micro-enterprises, enhance their income earning capacity, and enjoy an improved quality of life as well as stable family units (Robinson, 2001).

7.2. Proliferation of Microfinance in Bhutan: Impact on capability development and improvement in living standard of the poor

Bhutan is at its nascent stage in the field of microfinance. The rural credit in Bhutan started only in the year 1980. The Bank of Bhutan (BOB) and the Food Corporation of Bhutan (FCB) had been the earlier intervention through which Government tried to streamline the poor with formal financial institutions, But the programmes have turned out to be futile as a large segment of the poor could not obtained loan from BOB on account of collateral requirement. Also, FCB could not sustain long due to manpower and logistic problems apart from the failure of the government in subsidizing the gap in the difference of interest rates. It was only in the year 1988, a full-fledged corporation in the name of BDFCL (Bhutan Development Financial Corporation Limited), now (from, June, 2011) renamed as BDBL (Bhutan Development Bank Limited) has been established in Bhutan mainly to cater the needs of more than 60 percent of the rural poor of the country. The BDBL since its establishment has been helping poor in accessing small finance through its Agricultural Lending Division (ALD). The three financial products that have offered by this division are: (i) Small Individual Loan (SIL), (ii) Commercial Agricultural Loan (CAL), and (iii) Group Guarantee Lending and Saving Scheme (GGLS). The GGLS is a replica of the Grameen Bank of Bangladesh.

As BDBL is the sole institution in Bhutan that provide credit to small and medium-scale industrial and agricultural activities in all the twenty districts - particularly in rural areas, the financial performance of it depicts the actual state of microfinance in the country. Table 1.5 clearly indicates the profile of Agriculture Lending Programmes of Agricultural Lending Division (ALD) of BDBL. Over the span of five years that is from 2007-2011, a positive growth has been depicted in almost all the financial indicators. Loan availed by the rural population those come from the poor financial background has been increased by 54 percent in which the number of active credit accounts registered a growth rate of 15 percent. This clearly shows the interest of the poor in availing credit from the bank. The increase participation in the credit has also been observed through number of new loan disbursed which has registered a growth of 25 percent in five years. Despite credit, deposits from the rural part, also act as one of the important financial performance indicators of growth. A growth of 80 percent has been recorded in savings deposits with 58 percent increase in the number of rural depositors in five years. All these indicators delineate the fact that rural population is increasingly being served by small finance in Bhutan by BDBL. Also, this draws

the inferences of acceleration of microfinance in   Bhutan.

Table - 1.5: Profile of Agriculture Lending Programme of BDBL (Amount in millions)

Outreach			Years				
		2007	**2008**	**2009**	**2010**	**2011**	**Growth rate (%)**
Loan disbursement	Total	939	926	1000	2059	1934	25.16
	Rural	280	460	599	1387	1406	54.20
	% of rural to total	*29.82*	*49.68*	*59.90*	*67.36*	*72.70*	*23.21*
Loan outstanding	Total	1791	2499	2818	3640	4542	25.07
	Rural	448	715	1012	1858	2479	54.91
	% of rural to total	*25.01*	*28.61*	*35.91*	*51.04*	*54.58*	*23.85*
No. of Active credit Accounts	Total	17596	18627	19923	25292	28895	13.86
	Rural	15589	16515	17315	22714	26360	14.67
	% of rural to total	*88.59*	*88.66*	*86.91*	*89.81*	*91.23*	*0.72*
No. of new loan disbursed	Total	5880	7833	8588	13280	13206	23.94
	Rural	5299	7288	7595	12370	12460	25.10
	% of rural to total	*90.12*	*93.04*	*88.44*	*93.15*	*94.35*	*0.93*
Deposits	Total**	79.42	137.24	264.02	1459.23	2298.38	148.29
	Savings	56.86	95.99	175.05	334.38	576.21	80.03
No of depositors	Total	7614	10947	15879	32976	44529	58.96
	Rural	7429	10654	15222	31582	42598	58.08
	% of rural to total	*97.57*	*97.32*	*95.86*	*95.77*	*95.66*	*-0.55*

Source: Self calculation from BDBL Annual Report, 2007-2011
** indicates Fixed + Recurring + Savings and Current deposits.

Besides BDBL, many informal organizations and NGOs have been formed and defunct in Bhutan in the recent decades. However, two NGOs, such as 'Tarayana Foundation' and 'The National Women Association of Bhutan (NWAB)' are still actively involved in providing microfinance in Bhutan. These organizations mostly play the role of promoter, skill trainer, and capacity builder in upbringing the self Help Groups (SHGs).

7.3. Microfinance and GNH:

The analyses of the secondary data from the various sources suffice the fact that poverty is very much pervasive in two of the south Asian countries that are in India and Bhutan. High rate of financial exclusion, low literacy rate, and low income per person indicates lower standards of living of the citizens of these countries. Despite all these, countries' effort in improving living standards of the poor through effective tool of microfinance has proved to be salubrious in the long run. The poor in both the countries are found enhancing capability development and increased their living standards through the provision of microfinance, especially

microcredit. Definition of happiness, in itself is not very concrete and varies from individual to individual. It is a subjective term and always poses a problem with regard to its quantification. For the poor who live in acute poverty, the most important drive for happiness could be their upliftment of the living standard. For a wage-based labourer, who is already in the state of poverty, the actual meaning of happiness could be an ability of earning bread and butter to feed himself and his family, ability to send children in the school at least for primary education, ability to free from the avaricious moneylenders, and streamlining with the formal financial institutions for most needed small finance. As provision of small scale finance to the poor, especially microcredit has proved to be an effective tool for meeting ground level requirements in particular and increasing living standard of the poor in general, the microfinance as a whole can be taken as one of the important factors that aid in increasing the GNH index.

8. CONCLUSION

The happiness, though differ from person to person, cannot be achieved without capability

development of the poorest class. The country where most of the population resides in rural areas and poverty is spread throughout, the capability development of this class plays a crucial role in bringing happiness to people and holistic development in the country. As it has already been observed, poor perceived happiness in terms of fulfilling their basic needs, (though advanced needs always tend to arise once the lower needs of human beings are satisfied) the provision of small finance to the poor could be one of the best alternative for the government which not only fulfill in meeting their basic needs but also helps in enhancing their living standards. It has been perceived that there exist a positive correlation between living standards of the poor and happiness. Happiness tends to increase with the increase in the living standards. Microfinance plays a significant role in increasing living standards of the poor which ultimately will bring happiness among the poor. This component is certainly a prerequisite condition for Gross national happiness albeit it may not be the sufficient condition for other pillars of GNH.

RECOMMENDATIONS

The study, however, upon analyzing the data and drawing inferences from the study, recommends the following suggestions.

- The capability development of the vast poor, especially representing rural part, is very much essential as it plays crucial role in bringing happiness among these classes. The different stakeholders such as NGOs, BDOs, Government, and banks should involve rigorously in capacity building of the poor through appropriate trainings.

- The policy planners and the government should start emphasizing more on the capability development of the poor. A special room should be created in the Five Year Plans that encompasses all the components of capability development of the poor.

- The high rate of financial exclusion should be reduced and the poor from the rural areas should be streamlined with formal financial institutions. This not only helps them in accessing small financial products of their choice from the formal financial institutions but also relinquish them from the exorbitant interest rate as charged by the avaricious moneylenders.

- Happiness Index is expected to accelerate faster

if genuine poor of the society are streamlined with formal financial system, especially with microfinance programmes. To do this, proper identification of the needy and genuine borrowers for the programme should be the primary objective of all the authorities who implement and run such programmes.

- The NGOs should play a decisive role in promoting and nurturing poor and help them accessing finance from the formal financial institutions. NGOs can play a decisive role as an effective delivery mechanism in rural development as they have innate advantage to involve people and ensure their participation in the agencies (Stephen, J.K. 2005).

- Absence of minimum educational background of the poor members is one of the prime obstacles in accessing small finance from the financial institutions. The full fledged education to the members is, however, not possible but an informal education module that imparts basic knowledge with regard to importance of small finance in enhancing their living standard should be provided to them.

- As happiness is directly related with microfinance, the government or the respective authority should work actively on simplifying the process of provisioning small scale finance to the poor.

REFERENCES

- ADB (Asian Development Bank). (2004). Special Theme: The Changing face of the microfinance industry. Building Financial Systems for the Poor. ADB: Manila. Retrieved from www2.adb.org/Documents/Reports/ Annual_Report/2004/special-theme. pdf, Date of visit - 12th November, 2011.

- Ahmed, S. M., Petzold, M., Kabir, Z.N. & Tomson, G. (2006). Targeted intervention for the ultra poor in rural Bangladesh: Does it make any difference in their health seeking behaviour? Social Science & Medicine, 63(11), 2899 - 2911.

- Coleman, B.E. (2006). Microfinance in Northeast Thailand: who benefits and how much? World Development, 34(9), 1612 - 1638.

- Hiatt, S. R. & Woodworth, W.P. (2006). Alleviating poverty through microfinance: Village banking outcomes in Central America. The Social Science Journal, 43 (2006), 471 - 477.

- Khandelwal, A.K. (2007) Microfinance

Development Strategy for India, Economic and Political Weekly, 42 (13), 1121-1126.

- Khander, S.R. (1998). Fighting Poverty with Micro credit: Experience in Bangladesh. Oxford University Press: NewYork.

- Littlefield, E., Morduch, J. & Hashemi, S. (2003). Is Microfinance An Effective Strategy To Reach The Millenium Development Goals? CGAP Focus Note No.24. Retrieved from www.cgap.org/gm/document-1.9.2568/ FN24.pdf, Date of Visit - 16th July, 2010.

- Maslow, Abraham (1943). Theory of human Motivation. Psychological Review, 50, 370-396

- McDonald, Ross (2005). Rethinking Development, Local Pathways to Global Wellbeing. St. Francis Xavier University, Antigonish, Nova Scotia, Canada. Pp.3

- NABARD (National Bank for Agriculture and Rural Development). (2000). NABARD and Microfinance. Mumbai.

- Park, A. & Ren, C. (2001). Microfinance with Chinese characteristics. World Development, 29(1), 39 - 62.

- Robinson, M. (2001). The Microfinance Revolution: Sustainable Finance For the Poor. Washington DC: World Bank.

- Sen Amartya, (1999), Development as Freedom, Oxford University Press Oxford

- Shaw, J. (2004). Microenterprise occupation and poverty reduction in microfinance programmes: Evidence from Srilanka. World Development, 32 (7), 1247 - 1264.

- Stephen, J.K. & Selian, A. (2005). Role of NGOs in microfinancing through Self Help Groups. Indian Journal of Marketing, 35(8), August.

- United Nations. (2009). The millennium development goals report. New York, NY: United Nations. Retrieved from: http://www.un.org/millenniumgoals/pdf/MDG_Report_2009_ENG.pdf, Date of Visit - 15th January, 2010.

SMS
V A R A N A S I