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NANOCREDIT PROGRAMMES: WHEN MICROCREDIT IS TOO BIG

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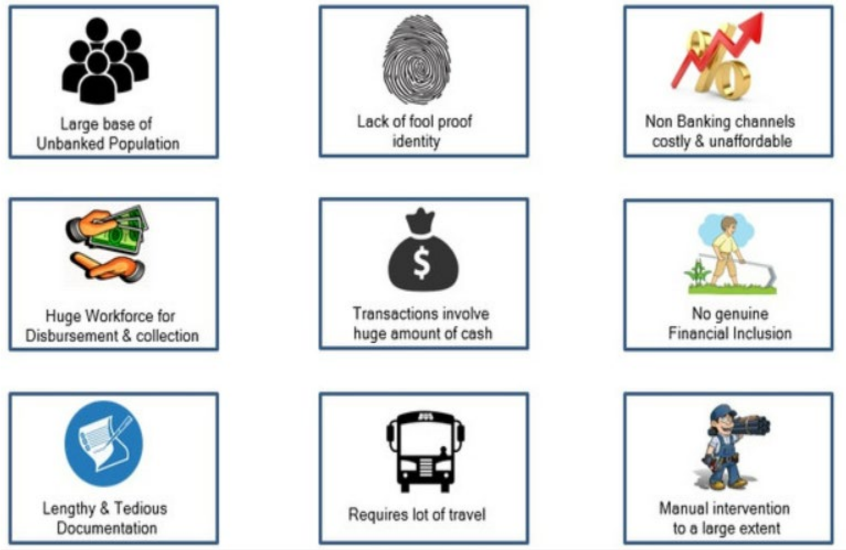

Nano Credit
Sources: AUM Consultancy (2021)

One of the most inventive strategies for poverty reduction is a microcredit programme. Despite the fact that there is a significant body of literature describing the positive and significant effects of microcredit programmes on participants' lives, there are also a number of publications arguing that microcredit programmes have a negative effect on participants' lives. Some of the complaints included how microcredit programmes have caused participants to acquire dependency disorders, as well as how high interest rates and administrative fees have financially burdened them. In reality, critics of microcredit programmes on indebtedness have said that these programmes have led to some participants falling into a debt trap, leading to the problem of loan sharks.

When the above-mentioned concerns with microcredit are not resolved, a new and innovative financial inclusion mechanism should be established as a philanthropic method to address financial burdening, indebtedness, and loan sharks. Providing new and reliable financial inclusion will provide not only financial aid and solutions, but also an easy access facility and a transparent approach without any hidden transaction charges. The concept of providing relatively small loans to the poor, inspired by nanocredit programmes in India, Indonesia, and Thailand, needs to be implemented to support their livelihood and ensure their welfare. This is where a nanocredit facility may truly help. These poor people will be able to readily acquire the finances to accomplish their short and long-term objectives thanks to this new and reliable financial inclusion. It also has the potential to be a new tool for eliminating poverty and enhancing the poor's economic prospects.

In conjunction to this, there has been evidence in the literature that nanofinance is currently practised in numerous countries such as India, Indonesia, and Thailand. In 2007, a new notion of nanofinance institutions arose in India, the country with the largest number of poor people. Mahanti, the pioneer, founded Amara Biswas, a nanofinance institute in 2007 with the purpose of preventing women from becoming money lenders and aiding them in times of need (Mahanti, 2007). This organisation was founded because a large number of people did not have access to small loans for emergency requirements (such as small company expansion, education, illness, death, and weddings), and some of these people turned to money lenders for help. Indeed, Mahanti claimed that the creation of this nanofinance institution (NFI) was aimed to complement rather than compete with microfinance institutions (MFIs).

Meanwhile, in Jember, Indonesia, the Bank for Poor Families or Bank Keluarga Miskin is in charge of nanofinance (Bank Gakin). According to a study by Musari (2017), Bank Gakin has demonstrated proven success with good responses among disadvantaged people since the banks provide them with simple access to loans. Bank Gakin was created based on the Bangladeshi Grameen Bank's concept. The bank operates in the same way that Indian self-help organisations do (SGHs). In contrast, Thailand's government has provided opportunities for non-bank organisations and the private sector to engage in a government-backed Nano Finance Project. Nanofinance, according to Thailand's government, is an alternative financing mechanism that can be supplied to those who do not have access to traditional financial institutions.

Following the ideas of nanofinance in India, Indonesia, and Thailand, it can be seen that the financial service of nanofinance is emphasised as an opportunity for those in need of money, particularly the poor, to not be dependents, but rather providers to society. The fund assists these people to improve their human and economic sustainability as well as their livelihoods, food security, emergency needs, school fees for their children, and family health care.

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