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Development of women entrepreneurship through micro finance

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Abstract

Women entrepreneurship is a new phenomenon which is recently being recognised as a full-fledged profession among women. Women are increasingly seeking entrepreneurship as an avenue for economic growth of their families as well as of nation. Women as tiny, micro and small entrepreneurs have progressively become a key element for micro finance programmes. Self-Help Groups, especially the women SHGs are acting as an effective means to provide financial services to the poor. The paper attempts to discuss about the development of women entrepreneurship through micro finance.

Keywords: NABARD, micro finance, self-help groups, women empowerment, women entrepreneurship

Introduction

Women is often described as the better half of man. But the actual condition of women in the world does not match with this description. By and large across the world, women have not achieved even equality with men. In India, women constitute about 48 percent of the population but their participation in economic activity is only 34 percent. There is a continuing concentration of women in low paid and low status occupations which indicates that women are marginalized in the labour force. Since the turn of the century the status of women in India has been changing due to growing industrialization and urbanization, spatial mobility and social legislation. Over the years, more number of women are going in for higher education, technical and professional education and their proportion in the labour force has also increased.

Participation of women in economic activities is necessary not only for the survival of family but essential for raising the status of women in the large segment of society. Now the status of women has generally improved as they have developed stronger confidence which has changed gender dynamics and their role in household. They are able to fight for their rights and entitlements and challenges the existing norms and culture so effectively to improve their well-being. Today's women have emerged as a force to reckon with.

The eradication of poverty and a special focus on women in all poverty-alleviation programmes has been major strategies since seventies. From the early 1970s itself women's movement in a number of countries identified the absence of accessible credit as a major constraint on women's credit capacity. Credit institutions were interested in providing finance for productive purpose and the poor were highly in need of credit for consumption or for energy purpose which was actually not covered by any poverty alleviation scheme. In view of the inadequacy of the rural financial system in satisfying the credit needs of the poor, Developmental Financial Institutions and NGOs have thought of bringing an

alternative rural credit system which led to the emergence of micro finance or micro credit system.

Need of Micro Finance

The post-nationalisation period in the banking sector witnesses a substantial amount of resources being earmarked towards meeting the credit needs of the poor. Main objective of the bank nationalization was to expand the outreach of financial service to neglected sector. While the objectives were laudable and substantial progress was achieved, credit flow to the poor and especially to poor women remained low. This led to initiatives that were institution-driven and the pioneering efforts at this, were made by National Bank for Agriculture and Rural Development (NABARD), which was given the tasks of framing appropriate policy for rural credit, supervision of rural credit institutions and other developmental initiatives.

NABARD conducted a series of research studies and found out that despite having wide number of rural bank branches a very large number continues to remain as poor and the existing banking policies, procedures and practices are not well suited to meet the immediate needs of the poor. As a remedial measure for all these a need was felt for alternative policies which will fulfil the requirements of the poorest, especially of the women members of such households. Thus the emphasis was on improving the access to micro finance rather than micro credit.

Microfinance is the provision of financial services to the rural and poor clients in a sustainable manner by focusing on credit, savings and other products to help families take advantage of income generating activities and better cope with risks. Micro finance has been promoted as an entry point in the context of a wider strategy for women's economic social empowerment. One such form of micro finance has been the development of the self-help movement. Based on the concept of "self-help", small groups of women have formed into groups of ten to twenty. The results from these Self-Help Groups (SHGs) are

promising and have become a focus of intense examination as it is proving to be an effective method of poverty reduction.

The rise of SHGs and more formal SHG Federations coupled now with SHG Bank Linkage have made this a dominant form of micro finance. It was a milestone in the SHG movement when NABARD launched the pilot phase of SHG Bank Linkage programme in February 1992. As a result the SHGs were able to scale up their operations with more financing and they had access to more credit products. Micro Financial Institutions (MFIs) also become popular throughout India as one form of financial intermediary to the poor and self-help groups.

Significance of Micro Finance

Micro finance assumes importance due to the undermentioned reasons:

- Poverty reduction by providing access to the credit,
- Generation of employment opportunities by promoting informal sector,
- Strengthens democracy of grass root levels and employment of women through self-help groups,
- Promotion of savings and tapping of local resources by providing various financial services.

The United Nations has declared 2005 the International Year of Microcredit highlighting the critical role of Micro finance institutions. The development community expects microcredit and microfinance services to play in achieving the Millennium Development Goals. Since its inception in Bangladesh thirty years ago, microfinance has been widely recognized as a powerful tool for alleviating poverty and improving health outcomes for the world's poorest communities, and particularly for women and children. A study in Sri Lanka found that loans contributed to women's independent income, giving them more bargaining power in their relation with male family member. In Latin America, a study in Ecuador found a significant increase in hourly income for women and in efficiency and productivity of their enterprises.

The micro finance programme was adopted in India after the economic reforms were introduced in 1990s. The system works in India in a two-way model:

1. SHG Model under SHG-Bank Linkage Programme and
2. Micro Finance Institution Model.

The SHGs have positive impact on local community. It encourages rural population to undertake certain community-based activities. At present SGHs are targeting women. In fact, 90 percent beneficiaries are women. The SHG-based credit programme helped the subsidiary occupations like manufacturing of pickles, dairy, grocery shops, stress vending, mushroom cultivation and candle making.

Women Empowerment through Micro Finance

Micro level studies indicate that SHGs based lending does not only have positive economic impact but social impact as well. The results show that

- SHGs promoted thrift among rural people and made them self-reliant.
- SHGs promoted entrepreneurial skills among the rural,

- SHGs led to empowerment of women,
- SHGs raised the credit recovery rates in rural areas.

Small loan given through SHGs are enough for innovative and hardworking micro entrepreneurs to start small business. From the income of the small business, the borrowers of micro credit can enjoy better life, food, shelter, health care and education for their families. Thus micro credit becomes an effective tool in addressing the problems of poverty and unemployment.

The success of micro credit programme depends upon the banking system. Since NGOs, engaged in the delivery system of micro finance, are outside the control of banking system, a regulating mechanism is essential on the part of RBI to monitor the system.

To make these approaches more useful for means of poverty alleviation, sustainable development, there should be a strong intervention by the banks and block authorities. In this connection, NABARD has become the pioneer of organizing SHGs since 1992. With the help of RBI, an alternative pathway to rural development was created by NABARD in the globalised era. 40.95 million Poor households were assisted to the tune of Rs. 180 billion. Thus, Microfinance programmes have unleashed the hitherto hidden and untapped potential of the poorest.

The Challenges

Lack of second line leadership due to non-existence planning made the SHGs to depend on a single leader for a quite long time. Such groups are prone for frauds and misappropriation of powers of succession.

As most of the SHG members are illiterate, the transparency in the accounts maintenance is limited, which leads to misappropriation of group funds by the leaders and consequently, the SHG becomes defunct.

There is also a criticism that micro loans are more beneficial to borrowers living above the poverty line than to borrowers living below the poverty line. High income group are ready to take up risk and invest in new areas of technology. But poor people want to protect their subsistence.

The phenomenal growth in the micro finance sector is throwing up a lot of challenges which are to be addressed so as to make the role of micro finance meaningful. Though credit is an essential ingredient, the success of micro credit programme or SHGs, depends on six principles as identified by Grameen Bank of Bangladesh. They are hard work, education, small family, planting of trees, growing of vegetables and cleanliness. It can be achieved only by strengthening the SHG-Bank linkage programme.

Inclusive growth must encompass the social economic and political inclusion. To strengthen inclusive growth, it is essential to develop micro entrepreneurship with organizational and community-based support.

The Way Ahead

Microfinance services lead to women's empowerment by positively influencing women's decision-making power and enhancing their overall socio-economic status. Microfinance has the potential to make a significant contribution to gender equality and promote sustainable livelihoods and better

working conditions for women. Supporting their entrepreneurship is seen as having vital “trickle down” effects on wider poverty alleviation and gender inequality.

Considering the entrepreneurial environment, women’s activities are very interesting as they offer a great source of knowledge and innovation. For example: there is no single type of women micro-entrepreneur, they differ in social background, educational level, experience and age.

The provision of sustainable access to financial assistance, funds and services for women has become an essential component of many women’s microenterprise programmes. It is at the hub of the attention of government and policy makers. Major characteristics that most programmes have in common may include, Decentralised institution; Group formation to ensure financial discipline; and Support systems to enhance productivity.

It is extensively assumed that micro-finance will have a positive impact on women’s role in enterprise and economy development in various ways. The significant one can include the following:

- Helps in increasing income generating activities.
- Enhances improvement in productivity with easy availability of short term loans.
- Improve their self-confidence and economic status as independent producers of goods and services.

Further positive impact of micro finance on women entrepreneurs, may improve physical mobility, economic security, ability to make own purchases, freedom from family domination and violence, political and legal awareness and public participation, as a result of a more stable integration into microfinance circuits. Women may also use credit as a bargaining chip to gain access to other opportunities and financial institutions. However, it looks obvious that the impact of micro-finance services is higher when women actually control the financial resources acquired in their name.

Conclusion

Since the past three decades there has been a gradual change in the status of women in most of the developing countries. Women are discovering themselves and trying to create a niche for themselves in all fields. In order to improve their living conditions and increase their income, there is an increase in the number of women seeking employment. There is a growing awareness among women to start their own business and to be self-employed. There is a wide scope for women’s economic empowerment if they are led towards entrepreneurship, thus belonging not ‘Job Seekers’ but ‘Job Creators’.

Women entrepreneurs throughout the world contribute to economic growth and the sustainable livelihood of their families and communities. Microfinance helps empower women from poor households to make this contribution. It has successfully enabled extremely impoverished people to engage in self-employment projects that allow them to generate an income and in many cases, begin to build wealth and exit poverty. With the success of micro credit, most of the financial institutions have begun to realize that these microcredit borrowers should more rightly recognised and

categorized as pre-bankable. Thus, microcredit is increasingly gaining integrity among majority of financial institutions. Most of the traditional large finance organizations are contemplating microcredit projects as a source of future growth and development.

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