



Entrepreneurship development through micro-finance—An effective tool for economic development of low income group

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Abstract

Micro finance has become one of the most discussed subject in the last two decades all over the world. It has become increasingly important components of strategies to reduce poverty or promote micro and small enterprise development. It is also recognized and accepted as one of the new development paradigms for alleviating poverty through social and economic empowerment of the poor with special emphasis on empowering women.

Keywords: Micro finance, enterprise development, social, economic empowerment

Introduction

Micro- finance is a simple but powerful tool that enable the poor to pull themselves out of poverty. Most commonly, it involves making small loans to the working poor in developing countries. These loans are usually small in size and are made the local organizations called micro- finance institutions. The loans are used by the working poor to establish or expand small business that generate additional income for the family. This extra income allows a poor family to be food, access health care, educate their children, put aside savings and lay the foundation for a better future.

In India, micro-finance is generally understood but not clearly defined. It has been about three decades since the birth of micro finance with the founding of the Grameen Bank in Bangladesh by Prof. Mohammed Yunus. Md. Yunus has shown himself to be a leader who has managed to translate visions into practical action for the benefit of millions of people, not only in Bangladesh but also in many other countries. Loans to poor people without any financial securities had appeared to be an impossible idea. Grameen Bank has been a source of ideas and models for the many institutions in the field of micro-credit that have sprung up around the world. Md. Yunus and Grameen Bank have shown that even the poorest of the poor can worked to bring about their own development.

Needs of micro-finance for poverty reduction

Micro- finance is emerging as a powerful instrument for poverty alleviation in the new economy. Beyond the direct linked with poverty reduction it is an indirect link to address the issues of health, education and gender. It covers not only consumption and production loans but also includes other credit needs such as housing and shelter improvements. Woman constitute a vast majority of users of micro- credit and savings services. National Agricultural Bank for Rural Development (NABARD), Small Industries Development Bank of India (SIDBI), Housing Development Finance Corporation (HDFC), Commercial Banks, Regional Rural Banks, the Credit Cooperative Societies etc. are some of the main stream financial institutions involved in extending micro-finance.

1. Government NGOs and other financial institutions have introduced various welfare schemes and activities to reduce poverty. There are so many schemes for the

development of poor in India. Creating self-employment opportunities through micro-finance is one way of attacking poverty and solving the problems of unemployment.

A number of studies show that the participant households enjoy higher standard of living as compared to the non-participants. The programme reduces consumption as well as income vulnerability among its beneficiaries. Some of the studies also confirm that the programme is helpful in attaining millennium development goals by reducing poverty, hunger, infectious diseases and through woman empowerment. Participation in the programme has led to greater levels of women empowerment in terms of increase in knowledge, self confidence, economic, social and political awareness, mobility development of organizational skills etc.

Thus most of the studies revealed that micro-finance programme had a significant positive impact in reducing poverty, generating more employment opportunities, improvement in living standard reduced gender inequality and improved status of women where as a few studies contradict the success of micro-finance programme, particularly regarding the unchanged level of poverty, in effective reach to the poorest, lower amount of bank loans, unproductive use of group loans and mistargeting of the programme.

Entrepreneurship development through micro-finance

The concept of micro-finance and entrepreneurship development are considered as the most effective tool for economic empowerment of low income groups, specially the poor. In India since independence the Govt. initiated the rout of planned economic development. But this does not mean that individual and grouped enterprise did not have any role to play, but then there will be assistance, guidance and regulation from state in various ways in order to bring some economic transformation. The idea behind this was that the person who have no financial resources or managerial background could be induced to take small industries and then small industries could be effective tools for widening the entrepreneurial base i.e. entrepreneurship development in the country.

The entrepreneurship development is in fact a key to achieve overall economic development. It is a process in which person are injected with motivational drives of achievement and in sight to tackle uncertain and risky situations especially in business undertakings. The process of entrepreneurial development focuses on training, education, reorientation and creation of conducive and healthy environment for the growth of enterprise.

2. The extent to which micro-finance and entrepreneurship are inter related is dependent on the extent to which it address the economic development process. Over 500 million poor people around the world run profitable micro enterprises and often cite credit as the primary constraint to business growth. Thus credit is essential for poor entrepreneurs in lesser developed countries. In India the launch of the pilot project SHG- Bank Linkage programme by the NABARD in the year 1992^[3] is a step towards the initiative of both entrepreneurship development and micro-finance as a combined tool for poverty alleviation programmes.
3. This pilot project has created a milestone in the world of poverty alleviation programme through which economic progress is better expected. The idea behind this programme is the formation of SHGs in large number and growing them to successfully handle thrift and credit facilities. It is realized that not only finance is necessary but at the same time proper development of entrepreneurial skill is also necessary for the upliftment of the poor as well as economic growth. In order to form, nurture and promote the SHGs, it is necessary to have a large number of institutions which take up this work. NABARD assists various type of such institutions engaged in this work.

The micro-enterprise for which trainings are imparted to SHG members include diverse activities like goat rearing, mushroom cultivation, preparation of papd, agarbati, candles and jute products etc. It is an effective instruments for lifting the poor above the level of poverty by providing them self employment opportunities and making them credit worthy. There is a need of designing financial sustainable models and increase out reach and scale up operations for poor in India. People belonging to villages are still unaware about banking policies and credit system.

4. So NGO should communicate to them and share their view with villages. Banks should convert and buildup professional system into social banking system for poor. Govt. of India and State Govts. Should also provide support for capacity building initiatives and ensure transparency and enhance credibilities through disclosures.

Conculsion

The impact of entrepreneurship development through micro-finance has proved to be much successful. The pilot project of NABARD's SHG-Bank Linkage Programme not promoted financial aid but also had promoted entrepreneurial skill for the members of SHG which facilitated the SHG members in utilizing the financial aid received by them in an effective way. This step ultimately has helped them in overcoming their pangs of poverty. Hence, it can rightly be assumed that entrepreneurship

development through micro-finance, might bring a syenergetic Effect for alleviating the problem of poverty from the society and will guide the society towards a healthy economic life.

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