

Microfinance, Rural Women Entrepreneurs and Sustainable Development

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ABSTRACT

It is undeniable that the emergence of microfinance programme in India in the late 1990s led to a significant portion of rural poor women being able to link with banking services today. As SHG members, poor women now have access to bank deposits and loans. At present, more than 8 crore women are linked with microfinance institutions in India, and a total credit flow of Rs 17,342 crore has been generated within SHGs. Microfinance has a considerable role in encouraging women entrepreneurs to start small businesses in rural areas. In addition to farming and housework, rural poor women are now running small businesses. They work in a broad range of micro-enterprises, including baking, dairy farming, poultry farming, etc. Their contributions include an increase in family income, raising household savings, empowering women, reducing poverty, investing in children's health and education, housing, clean water, improved sanitation, creating new jobs, increasing GDP, and so on. In this way, women entrepreneurs have a great role in positive social change. Thus, the development of the country through rural poor women entrepreneurs is not just a temporary development, it is a sustainable development.

Keywords: *Microfinance, Entrepreneurship, Sustainable Development, Self Help Group*

Introduction

“Microfinance enables the poor to lift themselves out of poverty through entrepreneurship.”

Pierre Omidyar

The Indian financial market is quite large and well structured. The banking system is well-developed. However, due to certain rules and regulations in the banking system, the poor, particularly rural poor women, are deprived of banking services. Many poor women are interested in starting a small business. But they have no capital to start this business. Even if they requested a loan from the bank, it would not be granted because they lacked any assets that could be pledged as collateral for a loan.

Again, the poor can start a business by borrowing from informal sector sources such as moneylenders, merchants, traders, etc. But in the informal sector, the interest rate is

extremely high. So it is not possible for them to start a business by taking loans from the unorganized sector.

To solve this problem, a microfinance program was developed so that the poor, particularly the deprived women in rural areas, could easily get a small loan from the formal banking system. Mohammad Yunus, a Nobel laureate Economist, first thought of a microfinance program and started this program in 1976 in the village of Jobra in Bangladesh. He arranged loans for 42 poor women in that village. The women got loans. Return interest and principal on time. Yunus was the first to prove that poor women were creditworthy and could repay the loan on time.

In India, NABARD launched the SHG-Bank Linkage scheme in 1992, and based on the recommendations of NABARD, the RBI, through banks and NGOs, launched the microfinance program in India in 1994.

Microfinance is a collateral-free small loan that is provided to poor women who cannot afford loans from ordinary banks. It serves as a link between the banks and the poor. The poor, especially the rural poor women, joined this program and started getting loans easily. No property should be pledged for getting this loan. However, such a type of loan is not given to just one person. To get such a loan, a group of taking 10 to 12 women has to be formed. This group is called Self-Help Group (SHG). Each group will withdraw and repay the loan from the bank. In this way, SHGs meet the small capital needs of rural poor women, and the poor women are able to overcome financial difficulties. They started small businesses along with agricultural and domestic work.

Concept of Entrepreneur

The term "Entrepreneur" derived from "Entreprenre," which means to begin something new. In English, entrepreneur is someone who begins a business. In a broad sense, entrepreneur implies a person who proceeds with determination to start a business, intending to make a profit and successfully running the business. An entrepreneur should have self-sacrificing spirit, initiative, an attractive personality, risk-taking ability, leadership, quick decision-making ability, creativity, fairness, honesty, responsiveness to suggestions and criticism, and many more.

The term "entrepreneurship" was used first by Richard Cantillon in 1785. According to Joseph Schumpeter (1934), entrepreneurs are innovators who introduce new products or services.

An entrepreneur not only creates jobs for himself but also provides livelihoods for others. It creates new wealth, leads to capital formation, and develops human resources. It plays a significant role in raising the country's GDP and addressing the unemployment issue.

Concept of Sustainable Development

Development is a nonstop process through which a country's per capita income rises, wealth is distributed more equitably, poverty and inequality are reduced, and the crucial requirements of the larger population are met on a permanent basis. Sustainable development basically refers to planned development for the next generation. It is a long-term, ongoing process of growth that satisfies the requirements of the current generation lack of impeding the fulfilment of those of the future generation. It is used to evaluate people's attitudes and behaviour. People's overall socio-economic progress occurs through sustainable development. The primary goal of it is to utilize resources wisely and to improve the quality of human life, including health, education, nutrition, and so on. Social and economic curses like poverty, illiteracy, starvation, inequality, and others can be eliminated with the help of sustainable development.

Literature Review

Das (2003) came to the conclusion in his paper that the microcredit-SHG model has attracted a lot of attention recently. It is a source of loan for the poor, who were previously viewed as being unbackable.

In his article, Self-Help Groups for the Success of Woman Entrepreneurs, Mohammed (2004) wrote that the challenge of eradicating poverty, fostering sustainable development, and fostering good governance can be met by microcredit.

According to Ayadurai's study (2010), female entrepreneurs in Sri Lanka must be acknowledged as a significant unit boosting the nation's economy. To enable them to "function" successfully as women entrepreneurs, they require the support of the international organisations engaged in the growth and development of entrepreneurship, particularly women's entrepreneurship.

De Aghion and Morduch (2004) claim that the rise of microfinance has opened up a broad sort of opportunities, including the expansion of markets, the eradication of poverty, and the promotion of social change.

In their study, Khan and Rahaman (2007) examined how microcredit affected the poorest segment of society and came to the conclusion that the microfinance programme had a substantial impact on raising the poor family's standard of living.

According to Lokhande's (2009) study, "Microfinance Initiatives in India," microfinance program have a considerable impact on the Indian economy by fostering microentrepreneurial activities that result in the creation of both assets and jobs.

Since there is a positive correlation between microfinance credit usage and performance, Pushpakumara (2011) came to the conclusion that microfinance plays a considerable role in lowering poverty. There is a positive impact on the monthly income, gain from the capital investment, and savings after participating in microfinance credit schemes.

Sinha, Parida and Baurah (2012), in their study showed that due to join in the microfinance programme the household consumption of the poor women increases, income and savings sharp improve, decrease in poverty.

Maru and Chemjor (2013) found in their study that microfinance empowers female entrepreneurs in households by reallocating decision-making authority to them, allowing them to generate income, assets, and savings well above what they otherwise would have or if it had been spent on consumption.

In their study, Chatterjee, Gupta and Upadhyay (2018) demonstrated how entrepreneurship helps people achieve their goals of empowerment.

According to Zgheib (2018), self-employment has the greatest potential to facilitate low-income women's empowerment in comparison to all other employment options, and this potential outweighs that provided by other employment options. Women are motivated to launch their own businesses by financial independence.

Goel and Aggarwal (2020) highlighted that the contribution of microfinance is enormous and has a significant role in eradicating poverty and empowering poor women in social, economic, and political aspects. Microfinance and entrepreneurship have inter-link which contributes to country economy through employment and uplift the social status of living specifically in rural areas.

Microfinance, Rural Women Entrepreneurs and Sustainable Development

It is undeniable that now a large section of rural poor women are capable of linking with banking services due to the emergence of microfinance scheme in India. The poor women who were earlier deprived of banking facilities before the introduction of the microfinance scheme are now getting access to bank deposits and loans as members of SHG. At present, in India, more than 8 crore women are linked with microfinance institutions, and a total credit flow of Rs 17,342 crore has been generated within SHGs. As microfinance institutions provide loans to rural poor women on easy terms, many micro-entrepreneurs have been formed in rural areas of the country. As a result, employment has been created along with self-employment for many poor people in rural areas. This is definitely a positive aspect for the economy.

Today microfinance institutions are the major source of finance in the rural economy, and the moneylender system of the past has almost disappeared.

From various reports, it can be seen that once those who took micro-loans of Rs. 5-10 thousand, now many of them have become micro-entrepreneurs with the ability to take Rs. 1-2 lakh. Thus, microfinance has now become an essential part of the country's development.

It is known that a village is made up of families, and a country is made up of villages. Obviously, a country will develop after every family becomes self-sufficient and

developed. Microfinance is sincerely pursuing that goal. Country's education rate is rising, as are health awareness and people's standards of living. In short, the nation's overall development has occurred.

The poor and disadvantaged people are able to contribute significantly to the overall development of the country by participating in microfinance scheme. Previously, these destitute proletarians were a burden on society and the state. They are now a viable economic force in their own right. Our country has made commendable progress in the areas of population control, average life expectancy, infant mortality rate, abolition of child marriage, rate of girls enrolled in school, and social health awareness.

Conclusion

From the above discussion, it is clear that Microfinance has a considerable impact on encouraging women entrepreneurs to start small businesses in rural areas. Rural poor women are now running small businesses in addition to farming and housework today. Rural females work in a wide range of micro-enterprises, including baking, dairy farming, poultry farming, growing and supplying fruits and vegetables, making sweet dishes, trading rice, grooming, tailoring, raising goats, running petty businesses, manufacturing bamboo wood products, and so on. Their contributions include an increase in family income, raising household savings, empowering women, reducing poverty, investing in children's health and education, housing, clean water, improved sanitation, creating new jobs, increasing GDP, and so on. In this way, women entrepreneurs have a great role in positive social change. Thus, the development of the country through rural poor women entrepreneurs is not just a temporary development, it is a sustainable development.

Acknowledgment

The author is thankful for kind support from Netali Nagar College management for supporting and encouragement to complete the present article

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