

Microfinance and Entrepreneurship Development

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I. INTRODUCTION

The roots of Microfinance were seen in the 19th century but these little roots took the shape of trees in the 20th century. These trees were grown by a very famous personality named Prof. Mohammed Yunus. He won noble prize for this work. He was very much moved emotionally by seeing the financially poor condition of his countrymen and that emotional outlet was in form of Microfinance under Grameen Model for the development and poverty alleviation and uplifting the standard of living of his countrymen. Seeing this tree grow many nations all over the world thought of joining hands and to make these scattered trees grow into a dense forest. And their efforts really started bearing fruits on these trees. In the same time NABARD (National Bank for agricultural and Rural Development) took the initiative to bring the same changes in the rural areas of India. And as the time moved further the gloomy faces of people started changing into the smiling faces as slowly and steadily money started rolling into their hands and they started to move out of the clutches of money lenders. "Microfinance in India works under 4 major models a) Self Help Group b) Grameen Model c) Joint Liability Group d) Co-operative society"-^[1]

Microfinance Institutions are in great favor of lending money to female category of the society because they feel the female fraternity is very much sensitive towards their family so they work hard order to repay the loan amount well in time. Microfinance works at the very root level so the major economic disturbances like the issue of 2007 and 2011 does not have the impact on economic life of the citizen of nation. Microfinance has the major role to play in the flagship programme of government of India started by Sh. Narendra Modi for example skill India, Start-up India, Make In India.

And a place to link the major 4M's of a business to give a start to some kind of Manufacturing and Selling is known as **Enterprise** and the person who links all these 4M's in such a manner that maximum return can be generated through operational activity of an Enterprise is known as an **Entrepreneur**. The process of developing and making a positive growth in enterprise, entrepreneurship and ultimately the society is known as Entrepreneurship. And when there is an increment in entrepreneurial skills and knowledge through some structured training is known as **Entrepreneurship Development**. "The best example of Entrepreneurial Success is Dhirubhai ambani-founder of Reliance Group and also

according to the report of NSSO out of every 1000 Indians 250 are self employed"^[2]

II. MICROFINANCE A BENEFIT TO SOCIETY

1. *Easy access to banking activities:* - The major objective of Microfinance is to work at root level and get the un-developed rural areas to be matched with streamlines places and in India majorly the best of doing the same is by providing financial inclusion through banking activities and as Microfinance works with no collateral security on loans and also provides the service of micro saving that makes MFI's to make banking activities easily accessible.
2. *Easy Survival:* - As loans are easily available to the individuals or the group for the start of business and MFI's also help in growth and development of started business for the easy repayment of loans that makes the survival easy for the related individuals.
3. *Employment Opportunities:* - The employment and income earned from that employment completely depends upon the skill set of individual and the level of employability depends upon the conditions of the economy but development of businesses is always healthy for economy so for economical development and to increase the employability level the MFI's tries to develop and support the small business groups.
4. *Women Empowerment:* - As discussed earlier the MFI's believe in giving loans to women oriented business groups as they are taken to be very sensitive towards family and especially when it is all about loan repayment so indirectly Microfinancing helps in the women empowerment which is of real great importance.
5. *Financial Independence:* - The major problem in rural India is taking the money from money lenders on a very high rates and ultimately losing all their wealth in repayment of loans and sometime losing their live by suicidal attempts in case of increased burden of non repayment of loans. But under Microfinancing not only provides loan but also helps in business growth and development slowly covering their loans and making the owner independent with his/ her earnings and hence providing easy and fast financial development.

Microfinance provides incredible opportunities to the individuals but the results get multiplied and better in qualitative nature when attached with Entrepreneurship Development. So, following are the benefits of Entrepreneurship Development.

III. ENTREPRENEURSHIP DEVELOPMENT A BENEFIT TO SOCIETY

1. *Enhancing Leadership Qualities:* - Entrepreneur is the person who has to bring all the manufacturing activities together and to manage these activities as well as business as whole keeping an eye upon the government policies, competition and social requirements with the customer satisfaction on top and all these things can be done by a great leader only. So, Entrepreneurship provides quality opportunities to quality leaders and enhancing their leadership skills.
2. *Leaders to the Society:* - As already discussed Entrepreneurship Development provides enough opportunities to enhance leadership qualities and when once there is enhancement in leadership qualities the society will automatically get good leaders.
3. *Providing new employment opportunities:* - Entrepreneurship Development means to enhance the quality of leaders and also to provide new and good leaders these two objectives will lead into opening up or development of enterprises and any kind of development will give be requiring some kind of sustainability which can be achieved through manpower only and hence providing the new employment opportunities.
4. *Enhancing the interests:* - Many a times it is seen the persons not flourishing in jobs have their own great business developed in much better way because that's done according to interests of an entrepreneur which leads to good quality of leaders and a person is able to follow his/her own interest and further to add their interest providing them some monetary benefits also.
5. *Overall development:* - An Economy is known to be developed when out of many factors the per capita income is increasing and persons living below poverty line are decreasing and the new employment opportunities provided to the citizens of that economy and all these can be achieved with the help of various business houses and PSU's to provide employability various sectors require a particular kind of skill set but it all require a lot of time but a stage own business development can sort some better results and hence providing employment

opportunities with increase in standard of living a positive impact on per capita income and hence providing an overall development to the society and finally resulting in the development of economy.

IV. RELATIONSHIP BETWEEN MICROFINANCE AND ENTREPRENEURSHIP DEVELOPMENT

The Government of India stands at a point where they want to have financial inclusion and to make backward India to get joined with streamlined India in which Microfinancing plays one of the smallest but in itself a biggest role to support the mission of Indian Government and Entrepreneurship Development is again a motive of Indian Government so that problem of un-employment can be curbed and that too at a fast pace and Entrepreneurship Development provides a double faced opportunity by giving a chance to dynamic persons with their excellent ideas to be pursued until their ownership and ultimately providing employment to other persons.

When both the missions are indulged in supporting the Government of India to uplift the living standards of citizens by providing them with enough opportunities so that they can live their life with some dignity and India can be proud of saying that it is able to provide almost every citizen with the basic need of food, shelter and clothing. Then we can say that Microfinance and Entrepreneurship Development are closely related to each other.

Following are the points to relate the two terms

1. In a study at Tanzania by Kuzilwa it was found that Credit has been instrumental to the success of the enterprise at different stages of the life cycle of these businesses. Generally, startups of enterprises have been funded by own sources but for the expansion of businesses they needed credit. It was observed that inadequate credit either hindered or postponed the entrepreneurial activities. It has also been concluded that not very significantly but credit seemed to have contributed to the growth of enterprises as well as employment. After receiving credit, the output of the firms found to be increased by 40 percent. In this study it was emphasized that need for credit level need not be decided by the ceiling rather it's better to go by the absorptive capacity of the firm (Kuzilwa, 2005). He also discussed his findings based on a framework.^[3]
2. Saving is an integral component of microfinance. Since long it was a misconception that poor cannot save. Emergence of microfinance has proved that poor also has the ability to save. In fact it is their saving capacity which determines their lending capacity. Stemper stated that "Savings are an important means of establishing client history which

is considered when evaluating the loan applications” (Stemper, 1996). These savings can also be used as a substitute for collateral. Buckley (1997) viewed savings as the basis to achieve financial independence and self-sufficiency for the microenterprise. Sinha (2005) considers SHG as important model for the poor and stated that “The performance of the SHG model is exceptional in providing a savings-based mechanism for internal group credit to meet household needs. This mechanism also serves (though not always) to facilitate access to credit by poorer clients, who are more likely to need small amounts of credit for immediate household purposes but appear less creditworthy for larger MFI loans”.^[3]

3. Other than Finance management of entrepreneurship is also the major challenge for Entrepreneur so MFI also helps in managerial activities it is exactly opposite of traditional lenders where only lending

and charging the high interest rate was only activity. Undoubtedly MFI do charge high interest rates but do provide extra services to make entrepreneurship a success.

At last it can be derived from above discussion that there is a relationship between Microfinance and Entrepreneurship Development hence where entrepreneurship provides an opportunity to start a new business microfinance provides a chance for entrepreneur an option to get away from the risk of loan and its repayment and also MFI provide managerial help which gives entrepreneur a sigh of relief and give a belief that he can be successful

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