

IMPACT OF MICROFINANCE ON SOCIO ECONOMIC TRANSFORMATION OF WOMEN ENTREPRENEURS : A STUDY IN BANGALORE DISTRICT

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Abstract: Rapid growth of financial system depends upon strong and sound system of credit policy in an economy. Credit is a basic lubricant that helps to provide a push to the development process (Singh, 2000). It is a fourth basic prerequisite after food, cloth and shelter for the development of people. The descriptive research design has been used in this study. As a source of data collection both primary and secondary data has been used. As a primary source the population comprised all women members who are beneficiaries of micro finance services of bank linked self help groups. The samples were selected from Bangalore district particularly the industrial areas like, Hampapura, Gonipura Soldevanahalli and Machohalli, using multi stage simple random sampling method. As a secondary source statistical data about SHGs in India has been collected from NABARD, Micro Finance in India for ten years from 2009-10 to 2018-19 This study concludes that, micro finances institution plays an important role in the development of countries economy as well as the socio-economic conditions of women entrepreneur. It was observed that in India the enterprise owned and controlled by a women having a minimum financial interest of 51 percent of the capital and giving at least 51 percent of employment generated by the enterprise to women a statement by the government of India (GOI, 2017).

Key Words: Socio Economic Transformation, Financial system, underdeveloped nations.

1. NTRODUCTION:

Rapid growth of financial system depends upon strong and sound system of credit policy in an economy. Credit is a basic lubricant that helps to provide a push to the development process (Singh, 2000). It is a fourth basic prerequisite after food, cloth and shelter for the development of people. The provision of credit to the needy on right time at the right place leads to accelerate rural development and poverty alleviation (Pitt and Khandker, 1998). Delivery of credit at the doorsteps of those who are not covered by the formal banking business coupled with capacity building is one of the superior instruments to look poverty into a museum (Yunus, 2009). In a developing country like India, where majority of the population resides in rural areas, rural development becomes imperative for the economic development and for the rural development, poverty reduction needs to be the focus of the development programmes. Though Government of India has initiated various poverty alleviation programmes since independence, not much progress has been marked. The root cause of the problem of poverty has been the economic dependence and lack of access to the credit. Most of the poor people living in rural areas are considered to be non-bankable and deprived from basic financial services due to lack of saving and collateral facilities offered to the finance provider, specifically the banking institutions (Arora and Meenu, 2010). As a result, low demand for credit has been observed in rural area, especially among backward caste, small farmers and people belonging to north east region (Rangrajan, 2008). The provision of different financial services from formal sources to the poor people living in rural area has led to initiate the mission of financial inclusion in India. Financial inclusion has been defined as the “provision of affordable financial services” (RBI, 2006) to those who have been left unattended or under-attended by formal agencies of the financial system. These financial services include “payments and remittance facilities, savings, loan and insurance services”. The process of financial inclusion ensures an access to financial services, timely and adequate credit needed by vulnerable groups such as weaker sections and low-income groups at an affordable cost (Rangarajan, 2008). It generally helps the financially excluded sections, largely comprising of marginal farmers, landless laborers, self employed and unorganized sector enterprises, urban slum dwellers, migrants, ethnic minorities, senior citizens and women (Thorat, 2007). Microcredit means provision of small loans to very poor for self-employment project which leads to generation of income (Gutierrez-Nieto & Serrano-Cina, 2005). Microcredit can be express in these words: Micro-loan generally deliberated to help poor clients in a community in order to develop and sustain a business to enhance their family’s income (Orbuch, 2011). The microcredit is provided by MFIs or NGOs to that poor section of community who has lack of access to conventional financial system due to weak financial position. “The Key characteristic of microfinance is ability of securing of

microcredit without any collateral” (Asia Focus, 2010).

2. STATEMENT OF PROBLEM:

In India, the emergence of liberalization and globalization in early 1990's aggravated the problem of women workers in unorganized sectors from bad to worse as most of the women who were engaged in various self-employment activities have lost their livelihood. Microfinance is emerging as a powerful instrument for poverty alleviation in the new economy. A good number of studies regarding the entrepreneurial initiatives of women have been reported worldwide (Key *et al.*, 2003; Jahanshashi *et al.* 2010). However, the situation prevailing in developing and underdeveloped nations is not as conducive to female entrepreneurship. Amha and Ademassie (2004) believe that more than half of all women entrepreneurs in Ethiopia face gender-related challenges to establishing, operating and expanding their entrepreneurial activities. Among the few empirical studies in India, an important one is that of Rani (1996), which examined the socio-economic background of women entrepreneurs, analyzing their motivational factors, major strengths and weaknesses against their environmental threats and opportunities. This implies that microfinance institutions have not reached the poor of which women form the majority. To support the observation, Eluhaiwe (2005) noted that most women entrepreneurs in developing countries do not have easy access to credit for their entrepreneurial activity due to the service that microfinance institutions provide and some of the conditions attached to them, they are not able to reach the poorest of the poor that they seek to serve. United Nations Consultative Group to Assist the Poor (CGAP, 2003) also confirmed that most microfinance clients today fall in a band around the poverty line and the extremely poor are rarely reached by microfinance in Africa countries. In the same vein, Sanusi (2012) opined that access to finance is one of the major factors impeding the growth of women-owned businesses. The micro credit intervention has no impact on child related health, economic and social mobility decisions. Participation in micro credit program is found to be insignificant in explaining all the outcome indicators of empowerment for sampled household (Ashok 2014).

3. RESEARCH QUESTIONS:

The present study is to examine the socio-economic impact of micro finances on women entrepreneurial development. In this context the relevant questions are:

- RQ1.** What are the financial products available by microfinance institutions for women entrepreneurs?
- RQ2.** What is the degree of accessibility and the level of satisfaction of the credit facilities by microfinance institutions to women entrepreneurs?
- RQ3.** To what extent do microfinance institutions influence women entrepreneur's performance?

In order to provide answers to the above questions, it thus becomes necessary to undertake an assessment of the role of microfinance on women entrepreneurship development in Bangalore district. Hence this study has been designed to provide empirical evidence on the impact of microfinance on the socio-economic transformation of women entrepreneurs in Bangalore district.

4. OBJECTIVES OF THE STUDY:

- To examine the pattern of financial products available by micro finance institutions and rendered to women entrepreneurs.
- To investigate the level of satisfaction of micro finance institution's products among Women entrepreneurs.
- To determine the influence of micro finance institution's finances on women entrepreneur performance.
- To examine the impact of micro finances on socio-economic empowerment of women entrepreneurs

5. HYPOTHESIS OF THE STUDY:

H1: The support of micro finance accessibility is related to entrepreneurial satisfaction.

H2: The support of micro finance loan amount is related to variation in entrepreneurship performance.

H3: The support of micro finance products is related to variation in family and social relationship

H4: The support of micro finance loan amount is related to variation in family and social relationship

H5: The monthly income is related to variation in family and social relationship.

6. RESEARCH METHODOLOGY:

6.1. Research Design:

The descriptive research design has been used in this study. As a source of data collection both primary and

secondary data has been used. As a primary source the population comprised all women members who are beneficiaries of micro finance services of bank linked self help groups. The samples were selected from Bangalore district particularly the industrial areas like, Hampapura, Gonipura Soldevanahalli and Machohalli, using multi stage simple random sampling method. As a secondary source statistical data about SHGs in India has been collected from NABARD, Micro Finance in India for ten years from 2009-10 to 2018-19. The sample women members have been selected randomly in three stages. In first stage of sampling, two Talukas were selected and using structured questionnaire data were gathered. In the second stage, two villages were selected from each talukas. In the third stage, 105 women members have been selected randomly from the list of members of each area. Total 425 women members have been selected from Bangalore district of South Karnataka for this study. Of 425 samples 421 samples were selected for analysis the rest 4 samples were found to be error. The samples so collected are of socio-economic conditions of the women entrepreneur and details of micro-financial services availed by the micro finance institutions. Being a research instrument structured questionnaire (pilot study was carried out among 20 respondents).

6.2. Analytical Tools & Techniques:

Descriptive and Inferential statistical analysis was used to analyze the data. For simplicity it has divided into two sections, First section deals with descriptive statistical and second section deals with inferential statistical. The descriptive analysis is put forth using questionnaire response rate, frequency distribution, demographic profile and work experience of respondents, and the characteristics of the respondents are mentioned. Inferential statistics will be used to summarize the information discovered in a data set and to present the information in an expedient or useful form. The use of t-test and ANOVA and correlation and Regression Analysis was carried out to find the inference of the study.

7. LITERATURE REVIEW:

A good number of studies regarding the entrepreneurial initiatives of women have been reported worldwide (Key *et al.*, 2003; Jahanshashi *et al.* 2010). However, the situation prevailing in developing and underdeveloped nations is not as conducive to female entrepreneurship. Navi (2010) analyzed the impact of women entrepreneurship development on family with respect to standard of living. Attar and Jawale (2012) in their study they observed that Indian entrepreneurs stand tall from the rest of the crowd and are applauded for their achievements in their respective field. Sinha (2016) observed the problems faced by Indian women entrepreneurs. Remya S (2013) opine that there has been a rise in Rural Credit Programmes through SHGs. Vidhi Kotahwala (2012) argues by taking the examples of different cases in India that illustrate the influence microfinance has on empowering women and making them self-sufficient and independent. Namita Kumari (2012) oversees on various government initiatives to promote women entrepreneurship in India and tries to identify critical elements for any intervention scheme or programme for women entrepreneurs in India.

8. RESEARCH GAP:

The review of literature reveals that there are sizeable numbers of studies on the characteristics of women entrepreneurs which are full of motivation and stress related issues. There are many studies on the SHGs and the role in women empowerment and poverty alleviation, financial inclusion etc. However, the studies related to socio-economic impact of women entrepreneurs in Bangalore from the micro finance institutions are not found in the existing literature.

9. RESULTS OF THE STUDY:

Government of India has instituted the micro finance institutes to fund the women folk through the self help group and through Non-profit organization are encouraging these potential women folk to start up their own ventures. From the study it was noted that there were a positive changes in the utilizing and capitalization rate of MFI's and the percentage ratio empowering women economically, socially, politically, institutionally and spiritually. Thus micro finance has been considered as the important partner in financing, guiding and mentoring. Hence, this research has taken up to see the social economic changes in the women entrepreneur through the Micro finance institutions. The study was started with understanding the micro finance and its role, its contribution in upliftment of women folk and its contribution in the form of products and services, quick credit extensions, time limits and interest rates charged, enhancement of managerial skills and overall business knowledge and authenticates the contribution of MFI's in empowering the women entrepreneurs. In order to accomplish the needs of the objectives of the study, and to derive at proper policy recommendations following the findings are summarized and policy recommendations were set.

- In the study area most of the women entrepreneurs are age between 30-40 age group which accounts to be 47 per cent of which 24 per cent of these entrepreneurs are taken the micro loan from

the micro finance institution. This implies that potential women entrepreneurs are aged between 30 to 40 years of age.

- Surprisingly, 33 % of the women entrepreneurs are illiterates and very few of them have completed their higher education. Implies that most of the educated women folk will go in search of job and they will not be involved in the any activities like small and micro business and house/cottage industrial activities. The study reveals that 100 percent of the women entrepreneurs are from primary occupation like agriculture, animal and husbandry and other agriculture allied activities.
- It was observed that 28% of the Micro finance borrower are having small family which is means it was noticed that the family which is having 4 members in the household are actively involved in taken up of entrepreneurship to support the family's financial condition. In addition to 54 percent of the borrowers are taken less than fifty thousand as the loan. And 41% of them have borrowed Rs. 50,000/- to Rs. 1,00,000/- and very few of them have availed the micro finance of more than one lakh. This is may be due to most of these women entrepreneur are not willing to take up the risk of taking the huge amount of loan, apart from this the they want the loan for other purpose.
- SHG Bank Linkage Programme (SHG-BLP), which started its journey as a pilot project in 1992 has become the mainstay for the 100.14 lakh SHGs as on 31 March 2019 covering more than 1200 lakh households for social, economic and financial empowerment of the rural poor, especially the women (NABARD 2018).
- Total number of Self Help groups in India shows increasing trend from 69.53 lakhs in the year 2009-10 to 123.36%, 125.76% and 144.02% in the year 2016-17, 2017-18 and 2018-19 respectively. There is increase in the women groups from 76.4% in the year 2009-10 to 85.19% in the year 2018-19.
- The percentage savings of women SHGs increased from 72.6% in the year 2009-10 to 87.78% in the year 2018-19. Total Loan disbursed to SHGs through Bank linkage programme have increased year by year. The trend percentage shows from 100% in the base year 2009-10 to 290.47%, 358.50% and 428.45% in the year 2016-17, 2017-18 and 2018-19 respectively.
- Total Loan disbursed to SHGs through Bank linkage programme have increased year by year. On the basis of trend analysis taking 2009-10 as the base year the trend values of remaining years shows increasing trend. From 100% in the year 2009-10 (base year) increased to 268.32%, 326.47% and 403.49% in the year 2016-17, 2017-18 and 2018-19 respectively.
- The loan outstanding amount against total SHGs is higher values year by year. The trend values from 100% in the year 2009-10 to 310.64% in the year 2018-19. The loan amount outstanding against women SHGs is also increased year by year. 100% in the base year 2009-10 to 245.09%, 305.69% and 344.03% in the year 2016-17, 2017-18 and 2018-19 respectively.
- On an average around 83% of women members are of opinion that micro finance products like daily contribution, micro loan and asset financing are highly accessible.
- Around 43% of women members are highly satisfactory on business loan taken for entrepreneurial activities. 54% are fairly satisfactory on micro insurance services. On asset financing only 86 (20%) of them are highly satisfactory and 52% are fairly satisfactory. 219 of women members get emergency loans for their entrepreneurial activities.
- The micro loan granted from the micro finance groups through various banks encouraged the entrepreneurial activities which included Live stock, Agriculture, Tailoring, small shops and small hotels. 44.9% of women members were able to generate their employment through Live stock that is cattle and cows. Women are very satisfied with the milk business. They are able to expand their activity by increasing the number of cows by taking business loans. Every year their income generation is higher.
- Around 39.7% of women are in agricultural activities. They are into farming, growing of crops like wheat, sugarcane, rice etc., Other entrepreneurial activities like small hotels, small shops are run and managed by 25 (5.9%) of women members.
- On the invested amount 40.4% of women are able to generate monthly income between Rs.5,000 and Rs. 10,000. 56.6% of earning monthly income of less than Rs. 5,000 from their entrepreneurial activities.
- From the income generation of their business activities 44.89% of women agree that their savings have been increased and around 39% strongly agree to this improvement. The social status of 48.22% women members has been improved. Around 52.97% agree that there increasing in assets both in their business and at households. Assets increase in business is about purchase of cows, cattle and increase in growing of crops.
- Analysis indicates that micro finance loan amount factor is having effect to the extent of 40.6% for

family and social relationship. The strong positive correlation indicates that more relationship found between micro finance accessibility and entrepreneurial satisfaction.

- The results between the micro finance loan amount and entrepreneurship performance as effect factors, the results indicate that, the correlation (R) between predictor micro finance loan amount and effect of entrepreneurship performance is positively strong.
- The results between the micro finance products and family and social relationship as effect factors, the results indicate that, the correlation (R) between predictor micro finance and effect of family and social relationship is equal to 0.381 and is strongly positively correlated.
- The results between the monthly income, family and social relationships effect factors, the results indicate that, the correlation (R) between predictor monthly income and effect on family and social relationship is equal to 0.378 and has strong positive correlations. The resultant between the micro finance accessibility and entrepreneurial satisfaction as effect, the micro finance accessibility relationship is equal to 0.630.

10. RECOMMENDATIONS:

- Majority (33%) of the women members of SHGs in Bangalore at study area were not only economically poor but also illiterates. They use the borrowed loan amount partially for daily consumption along with initiation and extension of entrepreneurial activities. In order to ensure proper utilization of micro-credit there is a need to availability of consumption credit through formal channels.
- Most of the women entrepreneurs are into the business of livestock (44.9%) and agriculture (39.7%). They are into these employment activities but could not run it more effectively due of lack of techniques and management skills. So it is recommended that the MFIs should provide skills training and adoption of better techniques for agricultural and live stock activities to these women members before extension of loan.
- While on the interaction the women members are of view that the amount of credit which was extended to them for initiation or extension of their entrepreneurial activities was too small. So it is recommended that the amount of credit which is provided to the clients should be sufficient to fulfill their requirement for initiation and extension of their business activities. More such schemes can be formulated by the Government and NGOs.

11. CONCLUSION:

This study concludes that, micro finances institution plays an important role in the development of countries economy as well as the socio-economic conditions of women entrepreneur. It was observed that in India the enterprise owned and controlled by a women having a minimum financial interest of 51 percent of the capital and giving at least 51 percent of employment generated by the enterprise to women a statement by the government of India (GOI, 2017). To take up the issues in contribution of the Indian women towards the GDP, government has stressed more on providing financial assistance to the micro Enterprise through micro finance institutions. There were various schemes which have come across to help the women folk to engage in the production activities. The financing is through the self help group and considering some of the non government organization in helping hand in securing the loan and training for livelihood. This NGO's have tried to fill up the gap of between the beneficiary and the MFI's objectives. More and more women entrepreneurs are availing this micro finance for their development and providing the opportunities for the other women folk to work. This enhanced the socio-economic conditions. According to the study total of 421 women entrepreneurs are taken for this study of which all most all have taken the benefit of micro finance one way or other. The study reveals that most of the women entrepreneurs are much satisfied with the micro Finance Institution. Thus, from the study it is clear that the micro loans are granted to the women members for all the purposes like entrepreneurial activities, to meet their financial obligations and also for family purposes. There are few of the women members who are not completely utilizing the loan amount for entrepreneurial activities, but for their personal obligations. Therefore all the micro finance indicators may not influence on the performance level of women entrepreneurs. There were significant correlations among all micro financing indicators like Business loan, Daily contribution, Asset financing and others for influencing factors of entrepreneurial satisfaction. Thus study analysis the extent of government intervention toward the encouraging women entrepreneur's through micro finance and also study tried to give some suitable suggestions and some of the remedial measure which are highly recommended to over come the present situation.

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