

Micro-finance: A Supportive Tool for Entrepreneurship Development in Jammu and Kashmir

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Abstract - Boosting job creation, raising income, reducing vulnerability and increasing investments in human capital needs an access to financial services which comes under the ambit of Microfinance which cater to needs of poor clients and other needy stakeholders. Microfinance is a way forward to reach the targets of financial inclusion. Enterprises take micro loans for their start-ups. The present paper attempts to find out the awareness of microfinance programmes among different stakeholders, and to see the impact of Microfinance on entrepreneurship development. People get information of microfinance programmes through their friends, relative, peers, government officials etc. In the present global scenario their remains certain points to be given a due consideration like performance appraisal, cash flow management, new financial product strategy, advanced technology etc which will boost interest of microfinance among individuals and will also enhance the enterprise development.

Key Words: Microfinance, income, entrepreneurship, stakeholders, cash flow, financial inclusion etc.

I. INTRODUCTION

Microfinance is an important term which is used to designate financial services, such as loans, savings, insurance and fund transfers to entrepreneurs, small businesses and individuals who lack right to use the traditional banking services. Micro finance program has different modalities. Most of which are community based such as saving and credit cooperatives and some are on priority sectors which include agriculture, small industries and services which are executed through the financial institutions [1]. Micro finance refers to small scale financial services delivered to the people (persons, public, individuals, and society) who farm or herb, who operate small or micro enterprises, where goods and services are produced, recycled, repaired or traded. Lack of access to finance is a major problem for micro entrepreneurs to start up or to scale up the enterprises. With the help of microcredit sub part of microfinance, it has been found a supportive tool to enhance the habit of entrepreneurship among and across the gender (male female). Women are creditworthy than men. The general conviction and acceptance is that economic dependence of women is a major obstacle to their socio-economic empowerment. Participation in the labour force of women is therefore, regarded as an index of their empowerment. It is believed that economic independence of women bounces the personal self-sufficiency and power of decision making. Studies have shown that a decline in their employment adversely affects their fertility, nutrition and mortality. Benefits through microfinance have reduced the health hazards for the community and particularly the women sects of the society. Women of the lower strata considered

as empowered because most of them work as labour, not only maid servants, labour on daily wage basis and employed women in salaried jobs- both skilled and non-skilled. But there are also a large amount of women which are out of labour force. [2] Microfinance provide small loans to them which helps increasing their efficiency. Various types of institutions offer microfinance:

- credit unions,
- commercial banks,
- NGOs (Non-governmental Organizations),
- Cooperatives, and sectors of government banks.

The development of for-profit MFIs is rising. In India, these 'for-profit' MFIs are referred to as Non-Banking Financial Companies (NBFC).

There are several types of microfinance companies functional in India.

- Joint Liability Group (JLG)
- Self Help Group (SHG)
- The Grameen Bank Model
- Rural Cooperatives

Areas Developed by Microfinance

- Border Area Development
- Agriculture
- Tourism
- Handicrafts
- Micro trade
- Macro trade
- Small scale industries
- Rural transformation

- Urban transformation

Financial Inclusion Program in the state of Jammu and Kashmir was launched in 2006. Different banking institutions have taken number of steps for achieving the goals of financial inclusion. The banks are taking various strategies to reach the abandoned sets of people/population in the State in order to enhance their progress. In the State of Jammu and Kashmir microfinance is still in its initial stage of progress and development. There are various formal sources like District Cooperative Societies, Public Sector Commercial Banks, Regional Rural Banks and Private Sector Commercial Banks which are providing microfinance services to few thousand SHGs formed under SHG-Bank Linkage Model initiated by NABARD in 1992.

The main problems identical to poverty, unemployment, and illiteracy remained undetected which has intensified over the past two decades due to the continuous uncertainty and inattention by government and other non-governmental agencies. As a result of this, the State still has 21.63% of BPL Population (Directorate of Economics and statistics 2014-15).[3].

II. ENTREPRENEURSHIP DEVELOPMENT

Most frequently we come across the words like creativity, innovation, inventiveness, imagination and originality which are the characteristics of a good entrepreneur. Creating new things out of alternatives available through original ideas, innovating new methods or techniques of performing work and tasks related to the improvement of productivity in an organisation, new methods in managing workforce, new methods of saving costs- labour cost, material cost, and production costs etc. are essentially the main function performed by an entrepreneur. Thus, entrepreneur is the leader who perform each and every task economically i.e. by bringing all the tasks/activities together and managing these activities while considering the factors in the related environment like government policies, societal rules and regulation, related competition and social demand etc. Around the globe and particularly in India, we see the increase in the number of entrepreneurs. Most of the people are coming with ideas of establishing new business outlets. This is the result of entrepreneurship development which is a process of enhancing the art, knowledge and skills of entrepreneurs through imparting the necessary training to new masses through classroom teaching and through seminars, conferences, and other programmes.

Entrepreneurship is growing around the globe. Everywhere entrepreneurs are seen engaged in different kinds of business activities. The foundation of a nation's industrial development lies in the exercise of entrepreneurship.

By doing this, the confidence and speed at which new businesses or ventures are made gets better. Looking through a broader perspective, this thing makes room for

employment and improves the economy of a business or country. The steps below will explain how to create an effective entrepreneurship development program and how to go about enhancing it.

- Define and outline the agenda or the programme objectives.
- Focus on venture development.
- Select qualified/educated persons with high entrepreneurial intellect.
- Select uneducated people who are interested in entrepreneurship.
- Identify the market segment with greater potential.
- Provide financial and knowledge based support through different corporate/private sectors.
- Provide a detailed methodology for operations to excel in short as well as in long run.
- A successful entrepreneurship development program requires government policies.

Empowerment of entrepreneurs both socially and economically is passive which has come to be accepted and considered necessary. Economic, Social and decision making empowerment of entrepreneurs would include taking control over their lives, building self-confidence, becoming conscious of their own situation and gaining skills, solving problems and developing self-reliance. Empowerment of entrepreneurs is mainly based on their participation in decision making process with regard to raising and distribution of income, expenditure and investments at all levels. The entire efforts of entrepreneurs both men and women empowerment are to help them to exercise their rights in decision making at all levels both within and outside the households and enable them to be treated as equal partners in the society. Efforts are on to enhance the capacity of entrepreneurship to earn and ensure that they get access to and control the whole family or community assets.

Benefits to society through entrepreneurship

Following points highlight the benefits through entrepreneurial activities

- Enhancing Leadership Qualities
- Leaders to the Society
- Providing new employment opportunities
- Enhancing the interests
- Overall development

Microfinance a long way forward

- Access to poor clients in order to end the cycle of poverty
- Loan repayment rates are better which empowers the women.
- Educational benefits
- Social welfare and health benefits

- Sustainability
- Job creation

Relationship between Microfinance and Entrepreneurship Development

The Government of India outlooks at a point where they want to have financial attachment and inclusion and to make backward India to get joined with modernised 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 purpose of Indian Government so that problem of unemployment can be restrained 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.

III. REVIEW OF RELATED LITERATURE

According to “The Bharat Microfinance Report 2014” The number of Microfinance services providing Bodies has showed an increase from small/few numbers to several hundreds. As on March, 2014 credit which has been provided or given to poor/deprived or financially excluded clients has crossed the 33,000 crore mark, and the number of financially deprived clients who have been benefited by different schemes of Microfinance have crossed 33 Million(number of beneficiaries). The survey further revealed that Self Help Group Bank Linkage Program has changed the lives of individuals by providing a Loan Portfolio of Rupees 43,000 crores.[3].

An extensive level of non-quantifiable remunerations has enlarged from project implementation, some of which are directly related to microenterprises and others that are only indirectly related. Sub-borrowers have benefited from establishing microenterprises, which provided them self-employment and income-generating opportunities. The Project also enabled the implementing agencies to extend benefits to poor rural women. In 1997, the Government of Nepal wished the Asian Development Bank (ADB) to finance a project aiming the rural poor with financial and technical services under the Government’s Agricultural Perspective Plan (APP) and other planned improvements in the rural finance sector. The Rural Microfinance Project was prepared under technical assistance supported by ADB. (Nepal: Rural Microfinance Project).[4]

Microfinance is linked with startup program. Startup India has been guaranteed an opening capital of 10 thousand

crore over a period of four years from the government. This seed capital is proficient of drawing tenfold investment by 2022. Credit guarantee for start-up lending is another booster. Startup plan unfolded on January 16, 2016 in front of domestic and international entrepreneurs. Internet-based businesses from food to fashion, health to education, and travel to payment platforms- all have taken Centre stage recently.

The MFI model has operated well in the Indian context because of the scope and willingness of the Microfinance Institutions to advance small amounts of loan funds to poor people at practically their doorsteps with basic documentation. The Microfinance Institutions are intermediaries that either borrow from the banks for onward lending or facilitate the connection of banks with the needy people. The single most difference between and SHG and an MFI is that in the SHG concept, is that in an SHG concept the loan is advanced to the group which in turns decides upon its further use. In case of MFI’s the loan is given to the beneficiary directly. The MFI keeps track of the loan amount, repayment and collections. The MFI model is characterized by diversity of forms. SEWA (Ahmedabad) was the pioneer in this area (it is registered as a trade union), several NGO’s started operations with donor funding. Gradually, financial institutions such as NABARD, SIDBI, FWWB and Rashtriya Mahila Kosh started funding these NGO’s which morphed into NBFC’s in the 1990’s. The priority sector status helped to attract funding from banks and shareholder equity (PE) started pouring in fuelled by the subprime crisis in the West and the relatively safe investment option.

Objectives of the Study

- To study awareness of microfinance and its programmes among different stakeholders in Jammu and Kashmir.
- To study role of microfinance programmes in entrepreneurship development.

IV. RESEARCH METHODOLOGY

In view of the specific objectives, methodology followed in carrying out the present study involved mainly the use of data from secondary sources, collected from various organizations like Department of statistics, Ministry of MSME-GOI, and JKEDI. In addition to this, data have also been collected from other reliable sources like articles, journals and newspapers. The study is exploratory in nature which is based on usage of stratified random sampling for looking out the awareness of people regarding micro loans. Data regarding the demographic profile indicate the literacy rate of the state of Jammu and Kashmir which further can help the researcher to find out the behavioural pattern of investments, loan repaying after monthly and yearly usage, and the pattern of micro financial loans taken and their

repayment made by the rural households for their timely need of the finance.

V. ANALYSIS AND INTERPRETATION

One of the most important objectives of this study was to find out study awareness of microfinance and its programmes among different stakeholders in Jammu and Kashmir, the role of microfinance program on construction of enterprise and employment generation through developing entrepreneurship. It has been found that the purpose of loan taking of the respondents was to start a small scale business. Micro finance program (group creation, improvement, awareness and credit facilities) as Banks in the state has been remained helpful for the deprived people to start their own micro enterprises. Data presented below shows the awareness of microfinance programmes among different people and impact of microfinance on entrepreneurship.

DEMOGRAPHIC PROFILE OF JAMMU AND KASHMIR AS PER CENSES 2011

Population	12,548,926
Male population	6,665,561
Female population	5,883,365
Sex ratio	883
Literacy rate	68.74
Male literacy rate	78.26
Female literacy rate	58.01
Population density	124
Contribution of state population in the total population of the country	1.04

Source: census 2011[4]

Jammu & Kashmir a famous state has a population of 1, 25, 48,926 which comprises male population of 66, 65,561 and female population of 58, 83,365 comprising 1.04% of national total population. The sex ratio (number of females per 1000 of males) is 883 against the national average of 940 which is much lower. Jammu and Kashmir which is considered the educationally poor states in India. The total Literacy rate is 68.74% in which male literacy rate of 78.26% and female literacy rate of 58.01% against national average of 74.04% with male literacy rate of 82.14% and female literacy rate of 65.46%, not only the literacy rate is lower than national average but also female literacy rate is also much lower than the national average (Census, 2011).

Awareness of microfinance

Table:

Information of Microfinance	Frequency	Percentage
Relatives	7	3.80
Friends	19	10.32
Govt. Officials	28	15.21
NGO's	130	70.65

Total	184	100.00
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(Microfinance survey of Anantnag 2016). [6]

Analysis:

In a survey conducted in district Anantnag in 2016 was found that information about the Microfinance to beneficiaries was primarily 70% delivered by Non-Governmental Organisations. The detail regarding microfinance is given above in the Table, which clearly shows how beneficiaries came to know about the Microfinance by the different stakeholders. It was found that 130 (70.65 percent) of respondents out of 184 reported samples that came to know about the MF activities by NGOs. It is seen from the table that stakeholders get information about the micro loans from their relatives, for example one business person get detailed information about different loan schemes through other business persons who are in same line of business. 10 percent of the beneficiaries come to know from their friends and likewise government officials who are working in different institutions providing loans and other financial services to different clients also make the effort to get other stakeholders under the ambit of Microfinance.

Here we've recorded some of the most popular microloan programs available to small business owners in different countries.

- SBA Microloan Program. The SBA provides funds to non-profit, community-based lenders to make microloans to small business owners.
- USDA FSA Microloans
- Kiva
- Accion
- Grameen America.

Microfinance Loan Scheme by the National Minorities Development and Finance Corporation

Parameters	Scheme Details
Loan Amount	Up to Rs 1.00 lac per member of SHG
Rate of Interest for SCA	1% p.a
Rate of Interest for NGOs by SCAs	2% p.a. (Margin for SCA 1 %)
Rate of Interest for SHGs by NGOs	7% p.a. (Margin for NGO 5%)
Rate of Interest for SHGs by SCAs	7% p.a. (Margin for SCA 6%)
Rate of Interest for Beneficiaries/SHGs	7% p.a.
Rate of Interest for NGOs by NMDFC directly	1 % p.a. (Margin for NGO 6% p.a.)
Repayment period for the Beneficiaries	3 years

Source (NMDFC) [7]

VI. ANALYSIS

Under the Micro Financing Scheme, micro-credit is prolonged to the fellows of the Self Help Groups (SHGs), specially the minority women scattered in rural area villages and urban slums. NMDFC is implementing the scheme on the pattern of Grameen Bank of Bangladesh and Rashtriya Mahila Kosh (RMK). The scheme entails that the recipients are structured into Self Help Groups (SHGs) and get into habit of saving & credit, however small. The scheme visualises micro-credit to the poorest among the poor through NGOs of confirmed path record and their network of Self Help Groups (SHGs). It is an informal loan scheme which ensures quick delivery of loan at the door steps of the beneficiaries. These factors like low interest rates on loans, and long payback period for loans encourage individuals and particularly the entrepreneurs to expand their present business that will remain on a continuum in future for that will enhance not only their day to day operations but the economy as whole.

VII. CONCLUSION AND SUGGESTIONS

From the above information it is to be concluded that for the development of a strong enterprise a business should have sufficient funds. The best way to get funds is through the application of Microfinance loans because, Microfinance is focusing to cater the needs particularly the financing needs of small, beginning farmers, non-traditional farm operations, niches, individual entrepreneurs and general public at large. Entrepreneurs and general people get aware about various microfinance schemes through their relatives, friends, government officials and most of the information is disseminated by the Non-Governmental-organisations (NGOs) which play a key role in encouraging the entrepreneurial activities. Entrepreneurship is an important source of employment generation. Microfinance supports in business creation and growth, i.e. From micro enterprise to a large business concern.

There are number of points which will help in microfinance efficiency and in turn will help in boosting entrepreneurship that needs to be given a due consideration.

1. New financial products to be developed for poor clients.
2. Providing advanced knowledge to run and operate a business.
3. Inculcating the habit of repaying the loan capital.
4. Governmental policies be made compatible with individual and entrepreneurial interest.
5. Training of Smooth cashflow management techniques to be given to all entrepreneurs and other stakeholders under the scope of Microfinance.
6. Proper budgeting and planning to be done by entrepreneurs while taking microfinance loans.

7. Capital amount to be taken in consonance with initial operations of a business(start-up).
8. Monitoring performance plays a key role in enterprises. Comparing your current performance with the set standards will help boosting the entrepreneurship.
9. Enterprises need to remain upto date with technological changes, e.g., digital payments, mobile banking, E-commerce etc.
10. Customer services should be enhanced which will help enterprises in expanding their current line of business.

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