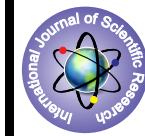


Entrepreneurship Development Through Micro Finance in Assam



Commerce

KEYWORDS : Micro Finance; Entrepreneurship, Development

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ABSTRACT

It is a firm belief that the development of India entirely rests with the development of its rural areas which constitutes its major portion contributing nearly 40% of its national income. Therefore, since independence rural development has remained as one of the burning issues of the five year plans. Government of India, therefore, launched various challenging programme for uplifting the status of poor people resulting in the rural development. The concept of micro finance and entrepreneurship development are considered as the most vibrant tool in this direction. The researchers through this paper try to examine a symbiotic relationship between these two approaches in Assam. The objective of the present study is to examine the development of entrepreneurship through micro finance in the state of Assam during the period from 2007-08 to 2011-12.

Introduction

It is a well known fact that India is a classical land of villages, which constitute the backbone of the country. Uptill date villages continue to contribute 40% to our national income, which play a vital role in the economic life of the nation. It is a well established fact that the country shall develop economically if villages grow. These villages were once self-sufficient units, but with the passage of time they have become the victims of innumerable problems such as illiteracy, casteism, untouchability, conservatism, economic backwardness, and so on. The British people did absolutely nothing to develop our villages. On the contrary, villages lost their autonomy, self-reliance and supremacy during the British period. They subjugated the villages by destroying the cottage, home and small industries. The economic structure of the villages shattered, their social fabric was disturbed. This resulted in the growth of poverty at an alarming rate not only in the rural areas which ultimately enveloped the entire country. (Rao, 2010)¹

It is only in the second half of the twentieth century that the burning problem of poverty has become a matter of our concern and obligation, after a long neglect of the poor during the British rule. Thus with the very beginning of planning in India, the problems of the poor have been the main point of focus for the planners while formulating the plans and setting out the objectives (Singh, 1985)².

Government of India had launched different programmes for uplifting the economic status of poor people like Integrated Rural Development Programme (IRDP), Community Development etc. 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. Most of research has been done either on microfinance or entrepreneurship separately. But empirically there lies a symbiotic relationship between these two fields.

Objectives

The objective of the present study is to examine the development of entrepreneurship through micro finance in the state of Assam.

Scope

The study has been made for the period from 2007-08 to 2011-12

Methodology

The study has been conducted on the basis of secondary sources of information like various reports of NABARD, books, journals and periodicals.

Concept of Entrepreneurship Development

Economic growth and technological advancement is the urge for

every developing country. In India, since independence the Government initiated the route of planned economic development. But this does not mean that individual and group 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 thus small industries could be effective tools for widening the entrepreneurial base (i.e. entrepreneurship development) in the country. (Batra, 2004)³

The entrepreneurship development is in fact a key to achieve overall economic development. It is a process in which persons 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. (Desai, 2010)⁴

Entrepreneurship Development consists of three phases:

- i) Initial phase-** Creation of awareness about the entrepreneurial opportunities based on survey.
- ii) Development phase-** Implementation of training programmes to develop motivation and management skills.
- iii) Support phase -** Infrastructure support of counseling and assisting to establish new enterprise and to develop existing units.

Concept of Micro Finance:

The concept of micro finance is a step towards the direction of economic growth and it has emerged as an effective poverty alleviation tool because it is based on the fundamental principle that human beings are motivated to do whatever it takes to make themselves as well off as possible.

Microfinance is a simple but powerful tool that enables 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 by local organizations called microfinance institutions. The loans are used by the working poor to establish or expand small businesses that generate additional income for the family. This extra income allows a poor family to buy food, access healthcare, educate their children, put aside savings and lay the foundation for a better future.

Micro finance has gained a lot of significance and momentum in the last decade. India now occupies a significant and a niche

in global micro finance through promotion of self help groups (SHGs) under SHG-Bank Linkage Programme (SBLP) and the micro finance institution model. The Indian model offers greater promise and potential to address poverty as it is focused on building social capital through access to financial services through linking with the mainstream. In its simplest term it means banking for the poor. (Mansuri, 2010)⁵

Entrepreneurship Development through Micro Finance

The extent to which microfinance and entrepreneurship are interrelated is dependent on the extent to which it addresses the economic development process. Yunus (1994), claims, "If we are looking for one single action which will enable the poor to overcome their poverty, I would go for credit. Money is power." Credit invested in an income-generating enterprise as working capital or for productive assets leads to establishment of a new enterprise or growth of an existing one. Profit from the enterprise provides income, and a general strengthening of income sources.

The extent to which microfinance and entrepreneurship and are interdependent is becoming increasingly recognised by experts in their respective fields of work, associated with economic development. Over 500 million poor people around the world run profitable microenterprises and often cite credit as the primary constraint to business growth (IFC, 2002) thus, credit is essential for poor entrepreneurs in LDCs. Additionally, firms supplying the finance to these entrepreneurs are equally dependent on them for business, and to expand their services to more villages or urban areas.

In India the launch of the pilot project "SHG -Bank linkage programme" by the NABARD in the year 1992 is a step towards the initiative of both entrepreneurship development and micro finance as a combined tool for poverty alleviation programmes. This pilot project has created a milestone in the world of poverty alleviation programmes through which economic progress is better expected. It provides financial system in India with valuable insights for addressing the massive task of mainstreaming the very poor and underprivileged with the formal banking system. This idea behind this programme is the formation of SHGs in large numbers and grooming them to successfully han-

dle thrift and credit facilities. Because NABARD realized the fact 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 resulting in the eradication of poverty 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. They are called Self Help Promoting Institutions (SHPIs). NABARD assists various types of such institutions engaged in this work. NGOs engaged in social sector intermediation are one such institution which is providing their helping hands to the NABARD on poverty alleviation programmes.

From the year 2006 NABARD launched Micro Enterprise Development Programme (MEDP). This programme was launched to nurture the entrepreneurial talents of members of mature SHGs to set up and run micro enterprises as a livelihood option in farm or non-farm sector, either on individual basis or on group basis. Support is extended under the programme to members of such SHGs to enrich their knowledge on enterprise management, business dynamics and rural markets. Nearly 5000 skill upgradation training programmes have been conducted under these initiatives covering nearly 2 lakh members of mature SHGs. Most of the trained SHG members have since started on their journey to become promising entrepreneurs by availing loans from their SHGs. The micro enterprise for which trainings were imparted to SHG members included diverse activities like goat rearing, mushroom cultivation, preparation of papad, agarbatti, candles and jute products etc. (Status of Micro Finance by NABARD)

At the same time NABARD also organized training programmes for nurturing members of SHGs to enhance their effectiveness under training and capacity building programme.

Entrepreneurship Development through Micro Finance in Assam: Analysis and Interpretation

With respect to the state of Assam, the Entrepreneurship Development through Micro Finance gathered momentum only from 2001-02 with the introduction of NABARD's SHG -Bank linkage programme and its position and growth can be analysed through the following facts as narrated below:

Table 1: Savings of SHGs with bank in Assam (agency wise position) (Amount in Rs. lakh)

Year	Commercial banks		Regional rural banks		Co-operative banks		Total	
	No. of SHGs	Savings amount	No. of SHGs	Savings amount	No. of SHGs	Savings amount	No. of SHGs	Savings amount
2007-08	51628	2812.51	85941	2177.75	12096	809.80	149719	5800.06
2008-09	64122	3634.35	101239	2363.94	15635	298.63	180996	6296.92
2009-10	77036	3662.24	121298	2637.95	20018	1059.75	218352	7359.94
2010-11	84597	4573.76	136642	2853.01	23881	769.83	245120	8169.60
2011-12	102764	5991.53	149291	3039.10	24510	815.35	276565	9845.98

Source: Status of Micro Finance by NABARD

Table 1 shows savings of SHGs with bank in the state of Assam. As on 31st March, 2009 a total of 1,80,996 SHGs were having a savings bank account with banking sector with a savings amount of Rs.6,296.92 lakhs as against 1,49,719 SHGs having savings amount of Rs.5,800.06 lakhs as on 31st March, 2008 thereby having a growth rate of 17.28% and 7.89% respectively.

Again, as on 31st March, 2010 a total of 2,18,352 SHGs were having savings bank account with banking sector with a savings amount of Rs.7,359.94 lakhs and if compared with 31st March, 2009 it registered a growth rate of 20.64% and 16.88% respectively.

Likewise, as on 31st March, 2011 a total of 2,45,120 SHGs were having savings bank account with banking sector with a savings amount of Rs.8,169.60 lakhs and if compared with 31st March, 2010 it registered a growth rate of 12.26% and 11% respectively and as on 31st March, 2012 a total of 2,76,565 SHGs were having savings bank account with banking sector with a savings amount of Rs.9,845.98 lakhs and if compared with 31st March, 2011 it registered a growth rate of 12.82% and 20.52% respectively.

Thus it can be analysed that more and more poor households are associated with banking agencies and SHG Bank Linkage programme every year.

Table 2 : Bank loan disbursed to SHGs in Assam (agency wise position) (Amount in Rs. lakh)

Year	Commercial banks		Regional rural banks		Co-operative banks		Total	
	No. of SHGs	Bank loan	No. of SHGs	Bank loan	No. of SHGs	Bank loan	No. of SHGs	Bank loan
2007-08	8443	3958.45	11327	4068.83	548	841.82	20318	8869.10
2008-09	11775	8300.78	13417	5647.83	1256	1747.59	26448	15696.20

2009-10	11760	9075.23	17486	6635.28	9812	3863.10	39058	19573.61
2010-11	8042	9631.52	18809	9823.59	2243	3260.50	29094	22715.61
2011-12	10072	8228.09	16279	8691.61	1661	1827.28	28012	18746.98

Source: Status of Micro Finance by NABARD

Table 2 shows bank loan disbursed to SHGs in the state of Assam. During the year 2008-09, the bank financed 26,448 SHGs with a bank loan (including repeat loan) of Rs.15,696.20 lakhs as against 20,318 SHGs with a bank loan of Rs. 8,869.10 lakhs during 2007-08 with a growth rate of 30.17% and 43.41% respectively.

Again during the year 2009-10 the bank financed 39,058 SHGs with a bank loan of Rs.19,573.61 lakhs and if compared with 2008-09 it witnessed a growth rate of 47.49% and 24.70% respectively. And again during the year 2010-11 the bank financed 29,094 SHGs with a bank loan of Rs.22,715.61 lakhs and likewise during the year 2011-12 the bank financed 28,012 SHGs with a bank loan of Rs.18,746.98 lakhs. Considering these it can be analysed that there is a continuous flow of bank finance to SHGs in the state of Assam.

Table 3: Bank loan outstanding against SHGs in Assam (agency wise position) (Amount in Rs. lakh)

Year	Commercial banks		Regional rural banks		Co-operative banks		Total	
	No. of SHGs	Bank loan	No. of SHGs	Bank loan	No. of SHGs	Bank loan	No. of SHGs	Bank loan
2007-08	40771	15292.71	30412	7755.55	4222	1176.11	75405	24224.37
2008-09	47557	18296.28	33844	11015.32	7477	3543.82	88878	32855.42
2009-10	49925	30216.34	38656	14534.45	11841	4372.58	100422	49123.37
2010-11	53243	29207.48	47632	16783.43	10714	5479.36	111589	51470.27
2011-12	55820	34048.27	52330	24105.10	9659	4868.27	117809	63021.64

Source: Status of Micro Finance by NABARD

Table 3 shows bank loan outstanding against SHGs in the state of Assam. As on 31st March, 2009, 88,878 SHGs were having outstanding bank loan of Rs.32,855.42 lakhs as against 75,405 SHGs with outstanding bank loan of Rs.24,224.37 lakhs with a growth rate of 17.86% and 35.62% respectively. Again during the year 2009-10, 1,00,422 SHGs were having outstanding bank loan of Rs.49,123.37 lakhs and if compared with 2008-09 it registered a growth rate of 12.93% 49.51% respectively. Likewise during the year 2010-11, 1,11,589 SHGs were having outstanding bank loan of Rs.51,470.27 lakhs and that for the year 2011-12, 1,17,809 SHGs were having outstanding bank loan of Rs.63,021.64 lakhs.

Table 4: Progress of Micro Enterprise Development Programme: Assam position

Year	No. of participants (SHG members) Current Year figures	No. of participants (SHG members) Cumulative figures
2007-08	390	390
2008-09	900	1290
2009-10	1500	3458
2010-11	1380	4838
2011-12	1710	6548

Source: Status of Micro Finance by NABARD

Table 4 shows the progress under the Micro Enterprise Development Programme (MEDP) in the state of Assam which was launched by NABARD for skill development for the SHG members. From the figures put forward it can be analysed that there is an increase in the number of SHG members participating Micro Enterprise Development Programme year by year, from which it can be considered that there is a decent response from the SHG members towards the programme. From this it can be considered that the Micro Enterprise Development Programme (MEDP) is reasonably successful in the state of Assam.

Table 5: Progress of NABARD's training and capacity building programmes to SHG members in Assam

Year	No. of participants (SHG members) Current Year figures	No. of participants (SHG members) Cumulative figures
2007-08	10,533	78,707
2008-09	11,955	90,662
2009-10	14,609	1,05,271
2010-11	9,298	1,14,569
2011-12	10,021	1,24,590

Source: Status of Micro Finance by NABARD

Table 5 shows the progress of NABARD's training and capacity building programmes implemented in the state of Assam. From the facts it can be concluded that quite a huge number of SHG members have actively participated the programme every year.

Not only this, from the report published by the PNRD Deptt. Assam (2009) it can be pointed out that the SHGs of the state has undertaken various micro enterprise activities like weaving, poultry, duckery, fisheries, dairy, goatery, horticulture, piggery etc.

Conclusion

The impact of entrepreneurship development through micro finance has proved to be much successful. As a matter of fact it can rightly be pointed out that the pilot project of NABARD's SHG -Bank Linkage programme not only 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 efficient way. This step ultimately has helped them in overcoming their pangs of poverty. Therefore it can rightly be assumed that entrepreneurship development through micro finance might bring a synergic effect for alleviating the problem of poverty from the society and will guide the society towards a healthy economic life.

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