CHAPTER – I

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In India agriculture remains still the dominant source of livelihood. However, the role of agriculture in both employment and income generation has been steadily coming down over the last two decades. In order to overcome this situation rural entrepreneurship has emerged as an effective instrument for employment generation and alleviation of poverty. In addition to that, rural entrepreneurship is a necessary instrument to cope with the low productivity in farm sector. The rural entrepreneurs are facing a number of challenges, like, lack of infrastructural facilities, financial problems, lack of adequate knowledge and information, inadequate technical knowledge, and raw material problem and so on. Among them the inadequate knowledge and information is the major problem before rural entrepreneurs.

Lack of credit accessibility has been the major obstruction in promoting micro-enterprises in rural areas. Microfinance plays a crucial role in reaching out to the micro-enterprises as they lack access to the services of formal financial institutions; furthermore, they are reluctant to finance rural microenterprises because of underlying risk of repayment (Sapovadia, 2006). In India, the Self-Help Group (SHG)-Bank linkage programme is the dominant microfinance programme that connects between banks and poorer sections of population. Microfinance programmes bring the power of credit by way of loans to the poor, without requirement of collateral or previous credit record, which in turn lead to the development of micro-enterprises, especially involving rural women. So far microfinance programme is pretty successful in Bangladesh, Indonesia and other Asian countries. In India, a successful business model has been developed, overcoming traditional challenges of serving low income group population. The business of micro-financing is generating above 20 percent return on investment. The resiliency of microfinance industry during the time of economic meltdown has proved its self sufficiency and long term potential of the sector. Most importantly, major portion of investment in micro-finance sector comes from domestic sources, indicating the confidence in its business model.

Regarding the impact of micro-finance programme on poor it is established that
Microfinance programme has the ability to increase income of poor people, build viable businesses, and reduce their vulnerability to external shocks. Increased income transforms into household asset creation which actually facilitates in alleviating poverty. Rural women play a significant role in the domestic and socioeconomic life of the society. In rural areas, employment opportunities for women is worse because of lack of land for farming, lack of alternative opportunities and several cultural constraints that prevent them to secure work in urban areas for better income. Micro entrepreneurship is an agenda for empowering women, which helps to increase decision-making within a family. In almost all countries in the world majority of the business owners are male. However, empirical evidence suggests that more and more women are showing interest in small business ownership and many have been running business successfully. In general terms, women-led microenterprises tend to be associated with activities that provide part-time employment. They are small in size and have loose, informal structures, require very little start-up capital, and little or no formal education. However, many women entrepreneurs in the developing world have remained illiterate and live in poor rural communities.

One of the most essential factors contributing to success in micro-entrepreneurship is access to capital and financial services (Sapovadia, 2007). The direct access to institutional credit to rural women is very limited and there is gender bias in extending the credit to them. Women from the non-farm sector have better access to banks than the women working in the farm sector. Male members of a family have greater influence on women borrowers on accessibility to credit utilization and its repayment. In this context, credit for micro-enterprise development has been a crucial issue over the past two decades. Empirical evidence recognise that investments in women bring about large dividends. It offers the most effective means to improve health, nutrition, hygiene, and educational standards for families and consequently for the whole of society. Therefore, a special support for women in both financial and non-financial services is essential.

Regarding access to financial services, women depend largely on their own limited cash resources or, in some cases, loans from extended family members for investment capital. Smaller amounts of investment capital effectively limit women to
a narrow range of low-return activities, which require minimal capital outlays, few tools and equipment and rely on farm produce or inexpensive raw materials. In general, women need access to small loans (especially for working capital), innovative forms of collateral, frequent repayment schedules more appropriate to the cash flows of their enterprises, simpler application procedures and improved access to saving accounts.

Enhancing the income of micro-entrepreneurs essentially requires management skills and education. Orientation of technical knowledge to informal sector is also necessary. Recent research has revealed the extent to which individuals around the poverty line are vulnerable to shocks such as illness of a wage earner, weather, theft, or other such events. These shocks produce a huge claim on the limited financial resources of the family unit, and, absent effective financial services, can drive a family so much deeper into poverty that it can take years to recover from it (Imai et al., 2010).

It is thus important to investigate superiority of credit provided to micro-entrepreneurs by investigating the determinants of income earned from their business. In the present study we have considered some selected socio-economic and business related indicators of micro-entrepreneurs, especially among women. Does access to MFI finance have a measurable impact on earnings of micro-entrepreneurs compared to other means of finance used to run business? The present study attempts to offer an insight on the issue. We have drawn data from a field survey conducted in Howrah district, South of West Bengal in the eastern region of India. The survey was conducted with the help of a voluntary organization in the district. There are several such organizations who have been involved with the rural community people and have implemented various government-sponsored programmes covering educational, self-employment, health, microfinance and other income generation activities in the districts of Howrah, Hooghly and Purulia of West Bengal. The contents of this chapter has been classified as follows: in the next section we present the literature review. The basic model of the empirical analysis is discussed in the following section. This is entailed with the description of data and empirical results in the subsequent sections respectively. The major findings of the study are summarized in the concluding section.
1.1 Microfinance – Indian Perspectives:

Nearly 60% of India’s mammoth 1.2 billion population lives in rural areas. Unfortunately, India’s rural population is contributing 8% of gross domestic product. India’s formal financial services sector is yet to meet the growing need of rural population. India’s booming informal lending market bears the testimony to it. To create stability in society, a well-organized and inclusive financial system should be built for the deprived classes and the small enterprises to thrive on it. It would assist them to be part of the growing economy along with the reduction in inequality and poverty. Access to easy and affordable credit for the backward classes by creating equal and fair opportunity, enables them to integrate better into the economy and actively contribute to development. It even helps them to be prepared at times of financial turmoil, as they can maintain their expenditure by accumulating their savings during those hard times. Despite the importance of access to finance as a crucial weapon to alleviate poverty, globally around 2 billion people are excluded from basic financial services. In most developing countries, a large segment of the society, particularly who has to make ends meet, have no reach to finance. Rural societies in India have suffered a continuous erosion of their standard of living due to inadequate access to productive assets and financial resources. They have to depend on their informal source of income and are supplied with resources at reasonably high price. This situation is even worse in the smaller, less developed countries, where 90% of the population is deprived of this access. This indirectly damages the growth of society, when an individual with brilliant entrepreneurial skill cannot implement the same due to lack of financial facilities. Rural people are hindered by limited access to finance, thus stagnating the progress of the country to prosperous future.

The access to finance in developing countries has been considered as necessities of life just like food and water. Inadequate access to financial services is considered one of the main reasons behind inadequate economic opportunity and poverty situation in developing countries. In most South Asian countries rural population comprise two thirds of the total population, where economic development is skewed towards urban areas, which drives inequality in income distribution. Poverty is the persistent and widespread problem with the majority of the poor people
who are living in rural areas. Rural financial services have been considered as an important tool for poverty reduction for long period of time. Financial services available to the rural population are costly and rigid. Despite the phenomenal growth of microfinance sector during the past couple of decades, most part of the country is starving for adequate financial services.

In rural areas financial services primarily include credit, savings, insurance and remittance services. However, rural credit is a small amount of credit, which is tied with income generation activities, while savings and insurance are used to protect and stabilize the families and livelihood of the people. Domestic migrant labour remittances play a crucial role in rural household income in most South Asian countries. Rural people demand access to payment and money transfer services. When it comes to remittances, majority of foreign remittances come through informal channels, even among households with a bank account. Remittance transfers can promote access to financial services for the recipient. The success of Western Union is a significant progression towards financial inclusion. In 1993 Western Union remitted money to India from 41 countries, which increased to 190 countries and the services stem down to the village level. Currently the company has 100,000 agent locations in India.

Financial inclusion has become the thrust area for policy makers around the world, particularly in developing countries. Less than 5% of Indian villages have bank branches. Around 60% of adult population has bank accounts, while 40% of the population is unbanked. In rural areas 60% of the population is unbanked. But the solutions are not easy. However, financial inclusion seems to be content with ensuring everyone with a bank account. In reality, financial inclusion indicates something more than that. Since 2005, the Reserve Bank of India (RBI) initiated a drive towards financial inclusion to accommodate a wider section of population under banking services with savings accounts to all ‘unbanked’ households. A wider penetration of banking services helps to bring more savings into the economy, which transform into higher growth. Currently the government uses banking network to route payment to the beneficiaries of poverty alleviation schemes.

Microfinance is a financial service for poor people and enhances their welfare.
As poverty eradication strategy, many developing countries have been providing credits to rural poor through micro-finance programs. Micro credit programs typically lend to customers through community organizations. In India, these organizations are known as ‘Self Help Groups’ (SHGs). Apart from banks, post offices and money lenders, SHGs are the major financial service providers in rural areas, which are permitted as informal entities to receive bank loans and the whole group is responsible for loan repayment. In recent years the dominance of micro credit as an alternative has questioned the fundamentals of rural credit system in developing countries for channelising credits to the poor. The NGO led microcredit programmes have been more successful in reaching their target groups of poor more effectively than state-led programmes and institutions. Several studies have led to conclusion that micro-credit programmes have generated a positive change in the income of the beneficiaries, but the change is only minuscule. Regarding other aspects of performance, microcredit programmes have positive impact on the number of days of family employment.

Based on common beliefs it is argued that the popularity of microfinance lies in its high repayment records. Microfinance programs generally target rural women because women honour their loan contracts more than men. The basic argument behind targeting women borrower is high repayment rates, less likely to misuse loans, and they are more likely to share benefits with their other family members, particularly children. Based on available evidence it is observed that repayment rate of women borrower is higher than those of men due to the fact that women are more conservative in investment matters. The other techniques to reduce repayment default used by various MFIs are group lending, targeted credit, community based credit etc. However, lending to women and repayment performance have not been rigorously studied yet. A number of recent studies have found no significant relationship between gender and repayment. Normally it is observed that women involved in business have quick turnover, which in turn lead to regular repayments. While a male borrower is generally involved in risky activity such as agriculture, which has a long history of debt forgiveness. Apart from gender, other personal characteristics of borrowers like education, occupation, social groups are equally important. It is important to identify the factors affecting repayment of loans by rural borrowers.
The recent crisis of microfinance in Andhra Pradesh has attracted widespread attention. Andhra Pradesh is the hub of microfinance sector in India. The state itself contributes a quarter of total micro-lending business. It is alleged that the coercive techniques used by microfinance lenders are linked to a spate of suicides in the states. As a result of this, Andhra Pradesh government has passed a law in October, 2010 imposing restrictions on their business practices to arrest suicides by farmers who are unable to repay loans. The law requires mandatory disclosure of interest rates, area of operation, recovery methods and others. This resulted in the sudden drop of recovery rates from 95% to mere 10%. The dark side of the microfinance sector has been exposed for the first time in history. Indian microfinance sector faces serious crisis in its lifetime when the government of Andhra Pradesh imposed restrictions on micro lenders. Without any delay banks stopped providing credit to micro lenders across the country. Instead, banks increasingly preferred to provide credit directly to self help groups to meet their obligations on priority sector lending. At the same time borrowers also stopped repaying loans which have high repayment rates. The impact of this crisis is reflected on the results of stock market listed microfinance company SKS. Microfinance reported five consecutive quarters of losses, prompting the company to cut jobs, shut branches, shifting the headquarter outside of Andhra Pradesh.

India is a country with deep-rooted and well developed financial system. Despite this impressive infrastructure, banking used to be concentrated in the urban areas, and thus an overwhelming majority of the poor, residing in rural areas, were deprived from the facilities. Since early 1950s, the development of a vast network of co-operative banking, facilitating the poor had begun. Success on the part of financial improvement in the country which in turn affected the global system positively, led to the nationalization of commercial banks by 1969. A number of banks were built even in the distant areas. Their main purpose was to free the poor from the unfair grip of the unscrupulous money lenders by making loans available at low rates. They even had to respect the policies which made it mandatory to lend money to the rural population at subsidiary rates. During the 1990s, a healthy competition arose in the banking sector, with a partial deregulation of the interest rates. A nationwide attempt was made to harmonize the commercial banks, NGOs and the informal local groups or self-help
groups (SHG). This effort was pioneered by the NGOs and is now being aptly supported by the government. This micro-banking system, or “SHG Bank Linkage” as it is popularly known, has grown manifold in the past decade, yet it retained its effectiveness towards the rural households. Many believe that this system is destined to be the country’s leading banking plan, extending its outreach to the backward people. However, even with these plans with far-reaching effects, the informal money-lenders continue to be a dominant power in the rural India, forcing the poor, who are deprived of micro-banking in any and every way, with their high rates.

Microfinance has become a significant part of the economic landscape in South Asia. Policy measures too were crafted with this in mind. Studies suggest that microfinance programmes not only help the poor but also contribute to economic growth. There are, however, several aspects of rural finance that remain outside the purview of the extent paradigm of financial inclusion. In Bangladesh, despite the widespread presence of Micro Finance Institutions (MFIs), their share of total money management is relatively small. There is self-selection problem that is associated with the involvement in micro finance programmes, which implies that individuals with similar characteristics behave differently regarding their participation in schemes. Therefore, there is a need for micro-finance institutions to focus on the heterogeneity of the demand structure of financial services for the poor. The present volume sets out to address the issues of social and behavioral aspects of the rural population based upon the rural financial systems. Issues of intensification and diversification of rural financial instruments have also been considered at that juncture. Given that there have often been reports of discrepancies between macro level analysis and field level data, it is crucial to take account of the emergent forms and characteristics of rural finance at the micro level. This has become especially necessary with the increasing decentralization of economic and political processes. Such micro level analysis must take note of the regional and sectoral characteristics. It is at this level that we become aware of the need to go beyond the traditional forms of analysis of the demand for financial services in rural areas. Issues such as household strategies, gender, structures of community organizations etc are of critical salience. All the above issues have direct bearings on policy formulation as well as on the all round development of rural
society. Rural finance, in the current context of financial inclusion drive, requires adequate policy responses. A key concern appears to be the development of a comprehensive information base on all aspects of rural finance.

1.2 Financial Need of Rural People:

Agriculture forms the basis of the primary source of income for the rural population of India, mainly comprised of small to even smaller farmers and sometimes of the homeless poor. The people tend to have multiple sources of income, the income which is irregular, volatile and fluctuating, forcing them to spend at such an unorthodox and infrequent manner. Though wage labor forms the primary source of income for the agricultural people, irregular employment by the land owners make it an unreliable form, dependence on it being inversely proportional to the size of the land owned. They have to depend on the sale of agricultural income as the most important secondary source. This ranges from farm produce and dairy products to even some waste products of commercial and economical value. The expenditure incurred by these poor farmers also changes drastically depending on the income. Moreover, it is reported that they have to face steep expenditure, at least once a year, for which they are left with no choice than to finance whatever they are left with at home, or most notably to take loan from relatives, or even worse from money-lenders at a high rate. The farmers understand the importance of a steady income, so that they can spend at one time, what they have earned on previous other occasions. The rural banking now-a-days have understood the demands of the farmers and are trying to reach a larger population to meet their needs. Their services include agricultural lending, lending to farm households for non-agricultural production and consumption purposes, loans made to non-farm rural firms, rural savings deposit services and other financial services such as the insurance.

1.3 MFIs in Rural Financial System:

India’s formal financial sector consists of a vast network of commercial banks, regional rural banks and cooperative banks. Banking sector has been evolved through a series of policy interventions. The main emphasis is to provide financial services to the poorer sections of society. Unfortunately despite such a huge network of banking
infrastructure, a large section of rural population continued to remain outside the horizon of formal banking systems. As an alternative policy measure, a new delivery mechanism was introduced for savings and loan products. This led to the emergence of SHG-Bank linkage programme that enable banks to reach the poorest of the poor. The programme was launched by NABARD as a pilot project in 1992. Currently, the SHG-Bank linkage programme contributes around 60% of the loan portfolio. However, this mechanism of directing credit has suffered from the mismatch between what the poor people needed and what conventional financial institutions could offer.

MFIs play an important role in bridging the gap between formal financial institutions and the rural poor. Lending money to the rural poor is a costly activity which affects the financial sustainability of MFIs. In several countries competition amongst the MFIs have increased rapidly that led to lower interest rates, more efficiency and introduction of new financial services. MFIs in India are heterogeneous in nature and only a few of them have managed to reach the poor with substantial volume of credit. Others operate in a limited geographical boundary and with little amount of credit. The activities of MFIs are basically concentrated in southern states compared to other parts of the country. The top 10 MFIs have been able to reach out to 2 million poor customers. Interests charged by the MFIs are exorbitantly high, which varies at a range difference between from 20–30%. There are many activities like petty trades in which interest charged by MFIs to micro-enterprises run by poor exceed 20% per day. In livestock rearing activities they charge 10% per month. For agricultural activities interest rate comes down to 40–50% per annum. The rate of interest seems to come down as capital investment goes up. In our study, none of the micro-entrepreneur managed to earn Rs. 30,000 per annum with an average income of below Rs. 2000. This income is not sufficient enough to run their families single-handedly. Thus, the families remain poor, while they are paying higher rate of interest.

In India, majority of the MFIs are operating as non-profit organizations, which are registered as non-bank financial companies (NBFCs), Section 25 Companies, Societies and Trusts. Indian micro-finance industry witnessed a spectacular growth in the last decades with an average portfolio size doubling in a year-on-year basis, which is likely to cross Rs. 1.4 crore or $30 billion in 2014. Andhra Pradesh ranks at the top
in terms of MFI penetration at state level, followed by Orissa, Karnataka, Tamil Nadu and West Bengal. The three states from South India, Andhra Pradesh, Karnataka and Tamil Nadu are contributing around 60% of loan portfolio of MFIs. Easy availability of loans from banks, both public and private, helps Indian MFIs to grow at such lightning speed. Banks have to oblige the priority sector lending requirements set by the RBI, which promote banks to lend to MFIs for financial deepening in rural areas. India’s prominent MFIs are Bandhan, Share, Spandana, Basix and SKS Microfinance.

The biggest problem faced by the borrowers from MFIs is that they have to pay periodic interest payment even if they fail to do so. As a result a young entrepreneur fails to focus on innovation and expansion of his business as monthly interest payment looms unavoidably large. This has ignored the result oriented task of increasing profits. Unfortunately, MFIs serve upper half of the poor living below the poverty line and only half of the loans are used for business purposes. The co-operative based microfinance could provide the requisite institutional structure to solve the existing problems facing by microfinance industry.

Regarding credit delivery of MFIs to SHGs, it is noticed that the group members have to save a minimum of Rs. 10 for the period of six months. After that SHGs get the eligibility to apply for loans from MFIs. The loan amount is four times the amount saved. It is mandatory that the SHGs must maintain an up-to-date resolution (copy) of their meetings and a regular group meeting should be held every month. There exist two systems of repayment of loan, daily and weekly. This is a collateral free loan in which cashier or secretary should act as the guarantor. The processing of loans takes around one month.

1.4 Lending to Women:

Commercial banks in India have traditionally been focussed on men clients for lending who control most of the formal businesses. Women control a large segment of informal business, both in rural and urban areas. They often fail to sustain their business due to the shortage of funds. Microfinance intends to bridge the gap between demand and supply of credit for women borrowers. MFIs consider women as their trustworthy clients. Most of the clients of MFIs represent women because of better
utilization of funds, enabling them to do better business, which in turn resulted in higher repayments rates. When women work as groups, lenders are not at all worried about defaults in repayments. Lending to women has been found to have positive impact on social protection. Research has shown that a woman contributes a significant portion of their income for household consumption compared to the income of her male counterparts. Income of the women micro entrepreneurs is utilized for supporting children’s education, health and nutrition (Littlefield et al., 2003).

MFIs prefer women not because they are secure and utilize their loans properly, but also because they could be easily handled or managed. Women spent most of their time at home and prefer to work as a group. Credit to micro-enterprises has become an important issue over the past two decades. Women largely depend on their own capital, in some cases they are taking loan from their family members for investment. Smaller amounts of investment delimit women to be involved in low return activities using fewer equipments and low quality raw materials. Women need access to small amount of loan for working capital, frequent repayment schedule, simpler application process and improved access to savings account. They need awareness, motivation, technical skill and most importantly, support from their family members, government and other agencies.

1.5 Micro Enterprises in India:

The micro enterprises, which play a vital role in Indian economy, comprise of a wide variety, ranging from artisan-based cottage industries and household enterprises to small scale manufacturing firms. These enterprises which have been mobilizing skills, capital, growth and products or services especially in the rural areas have a vast diversity when it comes to ownership, organizational structure, financial status and technologies. These enterprises are generally independent in decision making and have little market share in financial terms. Micro enterprises which are next to agriculture in providing employment use skills that are carried on from one generation to other, with minimum modification. From 1967 onwards, Indian Government reserved certain items exclusively to be manufactured by small enterprises, considering the employment generation. Starting with forty-seven reserved items, the
numbers have increased to 800 which comprise over half of India’s industrial production and almost one-third of export revenue. The government policy concentrated on catering employment and demands of growing population, through these enterprises, rather than make an effort to modernize their units and make them capable of a healthy competition with medium and large industries in India and outside. The outdated technologies, poor management, declining labour productivity are nullifying their profits. Liberalization has increased problem for micro-enterprises. The new market paradigm which favours the strong, large and medium industries is gradually eating away profits of micro-enterprises. The small enterprises are also facing problems in terms of imports. In today’s market, the micro-enterprises need to develop both quality and productivity and also take care of the changing demands, that is, they need to be competitive to thrive in the market.

1.6 Rural Women-Entrepreneurship:

The basic objective behind motivating women to enter into entrepreneurship is to provide better family support (Bharathi Kollan and Indira J Parekh, 2005). In developed countries women entrepreneurs have significant contribution in economic development. Increase in work participation helps women to contribute to their family income and be empowered economically. Women entrepreneurship is perceived as an important tool for empowerment that effectively increases women participation in intra-household decision making and allows them to access information. The ownership and control over various assets enable her to take decisions that make a woman entrepreneur more powerful. Economic independence provides automatic empowerment to women, enabling self-employed women to attain better status and take decision in family matters. The indicators of progress of society come in the form of plans, policies, legislatures and laws, which are fructified only when women receive economic power in their hands. This resulted in the uplift of women’s status by providing economic independence. Empowerment process works in a chain system, where a beginning ends in a change, the change again leads to another beginning. This process also helps in indentifying areas to be targeted, planning strategies for action and outcomes. Empowerment has to be tailor-made to suite
clients. Women are often keen to undertake income generating activities, particularly those who are not able to meet their basic needs and are unable to help their family. However, several constraints restrain them. Hence, an integrated package beyond training in entrepreneurship, technical-skills and provision of micro-credit facilities must be provided. Entrepreneurship Development Programmes (EDPs) with women are conducted all over India. A number of institutions and NGOs are promoting EDPs. In spite of the above mentioned efforts, the progress of encouraging women to entrepreneurial vocations has not been significant.

Rural areas characterized by fragile resources, low income, weak capital base and low productivity, led to a situation of perpetual poverty. Rural women constitute a majority of total female population of the country. They are disadvantaged on any given indicator of development compared to her male counterpart. The proportion of women in small and micro-enterprises is very small. In general, women are active in the areas that are low in investment and are less risky. In every stage of their business they are facing constraints like social and cultural barriers, educational barriers, infrastructural barriers and so on. Due to these constraints women entrepreneurs do not constitute a homogeneous group. There is no single type of micro-entrepreneurs, they differ in social background, level of education, experience and age. In spite of this, for women, micro-enterprise ownership has emerged as a strategy of economic survival.

**Outline of the Thesis**

It is known that India is an agriculture based economy. So microfinance programmes are considered as a tool to support the rural people in various ways. It facilitates the rural borrowers to maintain the social and economic status in the rural areas. The scope of microfinance in rural India is enormous and a profitable segment for the MFIs.

In West Bengal, a number of Mahila Samities has been organizing group based activities. The SHG based programme in West Bengal has different visions and missions, for instance, when SHGs are formed as neighbourhood groups they are considered for bringing about changes in social status to their members. Again, when SHGs are formed as producers-groups the purpose was skill development /
upgradation, support for infrastructure and seed capital. In the programmes, the main focus of considering SHGs as microfinance groups was credit accessibility for the betterment of livelihood related activities.

SHG promotion with women as the prime target is the new mantra of alternative development in developing countries where the government or NGOs or the donor agencies are focusing on three main paradigms (Mayoux, 1999). The first is the financial self-sustainability which focuses on the entrepreneurial poor increasing their microfinance access. This is mainly viewed in terms of economic empowerment of women. Secondly, it is the poverty alleviation paradigm, where women contribute their income into their household expenses in order to exercise the power of decision making. The third is the feminist empowerment paradigm where women are given support to challenge the gender subordination at the micro level.

Microfinance, as we understand, is more than the microcredit. It comprises of the following:

i) **Microcredit**: means making small loans to low-income entrepreneurs so that they can develop small business. Microcredit has helped large numbers of poor people to overcome problems due to irregular and undependable income, and to smoothen their cash flows.

ii) **Micro-savings**: are deposit services that allow people to save small amounts of money for future use, often without minimum balance requirements. The conventional way of dealing with emergencies and expenses is to sell valuable assets such as livestock and equipment. If farming families have access to savings facilities, they can put aside part of their earnings to meet future expenses, so avoid going into debt or having to sell their assets.

iii) **Micro-insurance**: includes life insurance for entrepreneurs and their employees and, on a smaller scale, crop insurance. It is a system by which people and businesses make payments to share risks.

Microfinance through SHGs is now an important instrument to meet the credit needs of the poor, especially in the rural areas. It helps poor households to meet their basic needs. In the developing countries like India, the microfinance programme enabled extremely impoverished people to engage in self-employment projects that
allow them to generate income. This programme is now gaining credibility in the finance industry. Many of the programs provide credit using social mechanisms, who lack access to formal financial institutions (Stiglitz, 1990).

It is necessary to understand the impact of microfinance linkage in rural area. In order to understand the various aspects of microfinance, the research study was done in three districts of West Bengal.

In the thesis an attempt has been made about rural women gaining control over the means to make a living after the microfinance linkage. In the research study, it has been shown that the income level of the beneficiaries has raised after the microfinance linkage. It is about women lifting themselves out of poverty and vulnerability. The rural women have been able to achieve economic empowerment and decision making within their houses and the society. In another study in the Howrah district, women were found to be capable of managing business.

The study organized is as follows:

An **Introduction to the Research Work**, its relevance and the formulated objectives are provided in Chapter–I.

Chapter–II is based on the **Review of Different Research Papers** done on microfinance. It examines the role of microfinance on women empowerment in SHGs. The study also focuses on gender issues in microfinance programme.

In **Chapter–II Microfinance and Women Empowerment**, the researcher studied the linkage between microfinance and women empowerment. The chapter has been divided into three sections. In India women represent 60% of the unpaid family works and are mostly engaged in the domestic work. It is well known that there is a huge gender gap in respect of economic and social independence in India. It is recognised that unless the women are empowered both economically and socially, it will be difficult to develop the economic conditions of total population in rural India. It is supposed that the mechanisms of microfinance helps to reduce the gender gap by providing small loans to the women for their needs in relations to some petty business or agriculture related activities. In Section (3) Gender Sensitivity and Sustainability Issues in Microfinance of this chapter, it has been focused that enhancing opportunities for women can be good for both efficiency and intra household equity.
Chapter–III discusses about the **Research Methodology** of the thesis.

In Chapter–IV **Status of Microfinance in India**, the present status of Microfinance linkage of NABARD has been shown and studied in detail. The database was collected from the published annual report of NABARD. One of the most important events towards financial inclusion program by NABARD is to facilitate the development of bank-SHG’s linkage. NABARD provides refinance assistance to banks at very lower interest rate for financing SHGs. The bank promoted SHGs lending program has attained another important goal to bring the rural women under the institutional credit as most of the SHGs are comprised of women members. So empowerment of rural women by economic support was achieved with this innovation.

Also, microfinance can improve long term development as women are the main brokers of children’s health and education. Microfinance plays an important role in increasing the self-employment opportunities, skill acquisition and protecting women’s rights and facilitating savings. Microfinance can increase women’s bargaining power within the household by enhancing their control over household decisions and resources.

Microcredit has spread rapidly since its beginnings in the late 1970s, but whether and how much it helps the poor is the subject of intense debate. In Chapter–V **An Impact Evaluation of SHGs after Microfinance Linkage : A Case Study**, several of the previous qualitative and quantitative studies have been reviewed which revealed that access to financial services has improved the status of women within the family and the community. Women accessing finance become more assertive, confident, and more visible and are better able to negotiate the public sphere. The leadership skills, self-confidence, and solidarity play important function in changing women’s role and status in the community. Women’s economic success plays a role in shaping the community’s perception of them as well. In this research work, the researcher intended to explore how microfinance actually contributes to empower the rural women by allowing them to unleash smaller or greater degree of creativity and their inherent entrepreneurship.

Chapter–VI – **Microfinance and Rural Entrepreneurship : An Assessment**
is to analyze the factors of women entrepreneurship development. Two types of factors were identified – (i) the facilitating factors which refer to those factors which ensure entrepreneurship and the other is (ii) the blocking factors that refer to hindrance to entrepreneurship development. The main features of women-entrepreneurship have also been discussed. The present study is an attempt to understand the features of such entrepreneurship. In spite of major contributions, the rural-based entrepreneurs suffer from lack in working capital, institutional credit facilities and poor management. Access to credit is essential to improve the living standards of rural households.

Chapter–VII finally includes the **Summary and Conclusion** of the study. Also the concluding remarks which emerge out form the findings has been provided.