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Entrepreneurship Development in Delhi through Microfinance

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ABSTRACT: *Microfinance can play a pivotal role in encouraging entrepreneurship and self-employment in an urban region like Delhi which does not fit the classic definition of a poor agricultural society, but is still plagued by the identical problems of poverty and lack of risk-bearing capacities amongst the poorer members of the society. These hyper-urban areas are often left out of the development policy loop as a majority government and private initiatives seek to target the rural, agrarian regions of the country. The objective of the study is to analyse the impact of microfinance activities of SHGs and community groups on the development of entrepreneurship in Delhi. The data extracted from the reports by NABARD reveals that the Self-Help groups (SHGs) and other institutions employing microfinance as a tool of encouraging entrepreneurship and income augmentation have a minimal presence in Delhi. The state machinery and the private sector both need to undertake definite, result-oriented measures to better address the issues of urban poverty prevalent in Delhi.*

KEYWORDS: Entrepreneurship, Microfinance, Microfinance Institutions (MFIs), Economic Development, Self-Help groups (SHGs), SHG Bank Linkage programme.

INTRODUCTION

Socio-economic transformation is a fundamental element of the process of human evolution. Economic growth is the most important quotient of better living standards. The principal objective of developing countries like India is to attain a stable, sustainable and speedy scale of economic growth. Attempts are made by the state machinery for the creation of an atmosphere in which a rapid utilization of productive resources can take place. This certainly influences the positive alteration of the existing social and economic structures and facilitate the potential productive elements in the development of resources.

Delhi, the capital of India is one of the largest cities in the world with a population of around 16,753,235 people. Like in many other thickly populated urban centres around the world, there is massive competition for access to resources and a great disparity between the income levels of the populace. The city whilst boasting of citizens with some of the highest per-capita incomes in the world, also has a dark underbelly where a vast populace still struggle to provide themselves with three square meals daily. In the state of Delhi only, it has been assessed that 40% of the population live in slums & resettlement camps. It is estimated that the migrating population in Delhi is increasing from neighbouring states like Uttar Pradesh, Rajasthan, Bihar, etc. A number of factors like poverty, pursuit for better employment, landless

labourers, hope of leading a comfortable life in the city, availability of various income opportunities, etc. are responsible for people from all across the country settling in Delhi. Thus, the expansion of slum dwelling, resettlement camps and unauthorized colonies also goes on unchecked.

The state must formulate well-organized and effective schemes in the social, economic, political, cultural and technological spheres to realize a desirable management of all sectors of the economy and achieve the necessary and requisite participation of people in the economy-building activities. This can be guaranteed by implementing good practices of planning and management by the government to deal with the problems of the deprived sections of society. The government has a duty to provide all the facilities which allow for the achievement of the fullest possible potential of every citizen. It must enable each person to take active steps to better their individual economic status. One of the ways in which this can be done is by providing the needy and poorer sections of society access to financial capital through the means of microfinance, which will enable them to engage in risky, albeit profitable entrepreneurial ventures not only improving their economic status but also contributing to the economic growth of the country.

MICROFINANCE AS A CONCEPT

The Microfinance sector has evolved a long way from micro savings to micro credit and then to

micro enterprises. It has also encompassed the services of micro insurance, micro remittance and micro pension. The ongoing progression of development has given a great opening to the underprivileged to achieve reasonable economic, social and cultural empowerment, to accomplish better living standards and quality of life for participating households. The socio-economic environment of the deprived throws up big challenges for the Micro Finance Institutions (MFIs) in facilitating the funds of the financial institutions so that they reach the poorest of the poor. Microfinance is very essential for improving the standards of living amongst the economically weaker sections of society, promoting entrepreneurship, economic development of a region, etc.

In India too, there are a number of banks and financial institutions which are involved in the financing of microfinance institutions like NABARD, SIDBI, etc. The National Bank for Agriculture and Rural Development (NABARD) itself finances more than 500 banks that on-lend funds to Self-Help groups (SHGs). SHGs include 20 or fewer members, of whom the majority are women from the poorest castes and tribes. No deliberations on microfinance in international conferences are complete without reference to India's experience in the sector. For more than two decades, financial institutions sustained the microfinance programmes in the country. And they are continuing to do so, mostly as part of their Corporate Social Responsibility (CSR) activities. But still the scope and effect of microfinance schemes in urban areas like Delhi has not been studied as thoroughly as desirable.

OBJECTIVE OF THE STUDY

The objective of the study is to scrutinise the progress of entrepreneurship development through micro finance in New Delhi.

SCOPE

The study aims to provide a snapshot of the microfinance sector in Delhi for a period of five years from 2009-10 to 2013- 14.

METHODOLOGY

The research has been conducted by delving into secondary data sources like several reports of NABARD, journals, publications and books.

ENTREPRENEURSHIP DEVELOPMENT WITH SELF-HELP GROUPS (SHGs)

Entrepreneurship is the active process of spotting an economic demand in an economy, and supplying the factors of production (land, labour and capital) to satisfy that demand, usually to make a profit. In a developing country like India, however, the dearth of growth in the formal sectors and a high rate of poverty has caused a substantial percentage of the population opting for self-

employment and micro-entrepreneurship to improve their income levels. This is actually a good sign as these enterprises aid in creating employment and revenue for the country. Effective entrepreneurship practices may ensue in the formation of micro, small and medium enterprises (MSMEs). The government and the administration have a vital role to play in endorsing microfinance by providing education, resources and most relevantly access to affordable finance. Here, MFIs can play an important role. They can reach the people in most need of financial aid who are often outside the reach of governmental agencies. This can play a significant part in hyper-urban societies like Delhi, where even though the populace is afflicted by poverty, it still does not get as much attention in government schemes and policies as rural poverty.

The entrepreneurship development is of vital importance to achieve overall economic development in which people are encouraged and motivated to embark upon business activities though they might have certain degree of uncertainty and risk attached to them. The course of entrepreneurial development highlight on training, education, orientation and creation of healthy and favourable platform for the growth of enterprise.

In places like Delhi, where the population already has a strong native culture of enterprise and entrepreneurial activities, SHGs can help even the poorer sections of the society to jump on the enterprise bandwagon by giving them access to responsible financial capital through the means of microfinance.

ENTREPRENEURSHIP DEVELOPMENT THROUGH MICROFINANCE

Multiple studies have examined the correlation between microfinance or entrepreneurship and the manner in which they mutually affect each other. But, for economic development to take place in the low income groups, especially the poor, a mutual relationship is to take place between the two fields together in order to reap the benefits of microfinance funding. The point to which microfinance and entrepreneurship are interconnected is dependent on the magnitude to which it concentrates the economic development process. Keeping this in view, NABARD launched Micro Enterprise Development Programme (MEDP) in 2006, to encourage the entrepreneurial talents of members of Self-Help Groups (SHGs) to establish micro enterprises as a livelihood alternative in farm or non-farm sector, either on individual basis or on group. Skill development is an imperative means to increase the employability and improve productivity of the working poor, thus, reducing poverty and segregation. For delivering skill development training, financial grants are made available by MFIs to eligible training institutions. These training institutions spot

the economic prospects in the group and carry out the training accordingly as per the requirements. Both soft and hard skills related to enterprise are delivered during the training. Nearly 10,600 skill upgradation training programmes have been undertaken covering about 2.91 lakh members of

matured SHGs (NABARD Report, 2013-14). This study attempts to study the presence, scope and effect of the SHGs and the microfinance sector as a whole in the eradication of poverty and income augmentation in the urban region of Delhi.

PROGRESS OF ENTREPRENEURSHIP DEVELOPMENT UNDER MICROFINANCE IN NEW DELHI.

TABLE 1: Progress under Microfinance: Savings of SHGs with banks in New Delhi (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
2009-10	2191	234.85	NA	NA	NA	NA	2191	234.85
2010-11	3015	307.22	0	0.00	80	16.33	3095	323.55
2011-12	3451	299.59	0	0.00	85	25.43	3536	325.02
2012-13	3589	327.65	0	0.00	198	20.40	3787	348.05
2013-14	2901	660.57	0	0.00	0	0.00	2901	660.57

Source: Status of Micro Finance by NABARD

Table 1 depicts the savings of SHGs with banks in New Delhi. As on 31st March, 2011 a total of 3095 SHGs had a savings bank account with banking sector with a savings amount of Rs.323.55 lakhs as against 2191 SHGs having savings amount of Rs.234.85 lakhs as on 31st March, 2010 thereby having a growth rate of 41.26% and 37.77% respectively.

Again, as on 31st March, 2012 a total of 3536 SHGs had savings bank account with banking sector with a savings amounting to Rs.325.02 lakhs and if compared with 31st March, 2011 it listed a growth rate of 14.25% and 0.45% respectively.

Similarly, as on 31st March, 2013 a total of 3787 SHGs had savings bank account with banking

sector with a savings of Rs.348.05 lakhs and if compared with 31st March, 2012 it registered a growth rate of 7.09% and 7.08% respectively.

Lastly, as on 31st March, 2014 a total of 2901 SHGs had savings bank account with banking sector with a savings amount of Rs.660.57 lakhs and if compared with 31st March, 2013 it registered a negative growth rate of 23.4% as the number of SHGs decreased and the increase in growth rate for savings was 89.79% . Thus it can be seen above that more and more poor households are associated with commercial banks mostly, with very minimal association with Co-operative banks and the tie up with Regional Rural bank is nil in their SHG Bank Linkage programme every year.

TABLE 2: Progress under Microfinance: Bank loans disbursed to SHGs in New Delhi (Agency-wise position) (Amount in Rs. lakh)

YEAR	COMMERCIAL BANKS		REGIONAL RURAL BANKS		CO-OPERATIVE BANKS		TOTAL	
	NO. of SHGs	Loan Amount	NO. of SHGs	Loan Amount	NO. of SHGs	Loan Amount	NO. of SHGs	Loan Amount
2009-10	416	446.20	NA	NA	NA	NA	416	446.20
2010-11	344	381.76	NA	NA	NA	NA	344	381.76
2011-12	511	507.98	0	0.00	0	0.00	511	507.98
2012-13	455	640.17	0	0.00	0	0.00	455	640.17
2013-14	143	144.17	0	0.00	0	0.00	143	144.17

Source: Status of Micro Finance by NABARD

Table 2 shows bank loan disbursed to SHGs under Microfinance scheme in New Delhi. During the year 2010-11, the bank funded 344 SHGs with a

bank loan of Rs.381.76 lakhs as against 416 SHGs with a bank loan of Rs.446.20 lakhs during 2009-10 with a negative growth rate of 17.30% and

14.44% respectively. Again during the year 2011-12 the bank financed 511 SHGs with a bank loan of Rs.507.98 lakhs and if compared with 2010-11 it witnessed a growth rate of 48.54% and 33.06% respectively. And again during the year 2012-13 the bank financed 455 SHGs with a bank loan of Rs.640.17 lakhs with a negative growth rate of 10.95% and an increased growth of 26.022% respectively. For the year 2013-14 the bank

financed only 143 SHGs with a bank loan of Rs.144.17 lakhs with a declining rate of 68.57% and 77.47% respectively. Considering these it can be analysed that there is a continuous flow of bank finance to SHGs in the state of New Delhi but it is observed that there are many fluctuations in the flow of funds and to the number of SHGs that the loan is provided to.

TABLE 3: Progress under Microfinance: Bank Loans outstanding against SHGs in New Delhi (Agency-wise position) (Amount in Rs. lakh)

YEAR	COMMERCIAL BANKS		REGIONAL RURAL BANKS		CO-OPERATIVE BANKS		TOTAL	
	NO. OF SHGs	LOANS O/S AMOUNT	NO. OF SHGs	LOANS O/S AMOUNT	NO. OF SHGs	LOANS O/S AMOUNT	NO. OF SHGs	LOANS O/S AMOUNT
2009-10	1564	1339.24	NA	NA	NA	NA	1564	1339.24
2010-11	657	618.58	NA	NA	NA	NA	657	618.58
2011-12	1120	1419.99	NA	NA	NA	NA	1120	1419.99
2012-13	1371	1629.37	0	0.00	0	0.00	1371	1629.37
2013-14	893	651.32	0	0.00	0	0.00	893	651.32

Source: Status of Micro Finance by NABARD

Table 3 shows bank loan outstanding against SHGs in the state of New Delhi. As on 31st March, 2010, 1564 SHGs were having outstanding bank loan of Rs.1339.24 lakhs as against 657 SHGs with outstanding bank loan of Rs.618.58 lakhs as on March 31, 2011 with a negative growth rate of 57.99% and 53.81% respectively. An increase is seen in the number of SHGs and loan outstanding

amount with 70.47% and 129.56% respectively as on March 31, 2012. Similarly, the year 2012-13 saw an increase of 22.41% and 14.75% respectively. But the commercial banks experienced a relief in the year 2013-14 when the bank loan outstanding against SHGs reduced by 34.865% and 60.02% respectively.

TABLE 4: Progress of Micro Enterprises Development Programme (MEDP): New Delhi position

YEAR	NO. OF PARTICIPANTS (SHG MEMBERS) CURRENT YEAR FIGURES	NO. OF PARTICIPANTS (SHG MEMBERS) CUMULATIVE FIGURES
2009-10	NA	NA
2010-11	520	520
2011-12	60	580
2012-13	30	610
2013-14	31	641

Source: Status of Micro Finance by NABARD

Table 4 depicts the progress under the Micro Enterprise Development Programme (MEDP) for New Delhi which was introduced by NABARD for skill development of the SHG members. By analysing the figures in the table we see that there is a minimal increase in the number of SHG

members participating in Micro Enterprise Development Programme each year. It can be concluded that there is a negligible response from the SHG members towards the programme. Hence, the success of Micro Enterprise Development Programme (MEDP) is very limited in New Delhi.

TABLE 5: Progress of NABARD's training and capacity building programmes to SHG members in New Delhi

YEAR	NO. OF PARTICIPANTS (SHG MEMBERS) CURRENT YEAR FIGURES	NO. OF PARTICIPANTS (SHG MEMBERS) CUMULATIVE FIGURES
2009-10	NA	305
2010-11	0	305
2011-12	30	335
2012-13	0	335
2013-14	0	335

Source: Status of Micro Finance by NABARD

Table 5 shows the statistics of NABARD's training and capacity building programmes achieved in the state of Delhi. From the figures above it is seen that there is no participation by SHG members at all and the cumulative figures are also stagnant except in the year 2011-12 which saw increase by just 30 members. Thus, it is evidently clear that the SHG programmes are not successful in Delhi.

ANALYSIS AND DISCUSSION

This data from NABARD shows that SHGs and microfinance have a very limited presence in the Delhi region. This region has one of the highest levels of poverty amongst the urban populace in the country. This abject poverty which has led to myriad problems in the city can be addressed by introducing SHGs employing microfinance as a tool of poverty alleviation in mohallas and neighbourhoods. SHGs can employ the expertise of women and make them active participants in the SHG/microfinance model. The constitution of India has made sufficient provisions for safeguarding gender equality and growth of weaker sections. The Directive principles of state policy states the need for special attempts to develop women belonging to

backward sections. But the objective of empowerment of women and gender equality cannot be accomplished without including capacity building channels and community participation.

CONCLUSION

There is an urgent need to introduce SHGs employing the microfinance model in the Delhi region to undertake poverty alleviation schemes amongst the urban poor. These schemes can induce the urban poor to take up risky but profitable entrepreneurial schemes. The urban environs of the city can provide unique opportunities for entrepreneurship. But as the data shows, there is a severe lack of presence and outreach of MFI institutions in the Delhi region. An increase in the presence of SHGs employing microfinance will help in improving the lives of the people of the region. The government and the private sector both need to deliberate upon and take concrete steps to increase access to microfinance of the urban poor in Delhi.

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