



INTERNATIONAL JOURNAL OF TRENDS IN EMERGING RESEARCH AND DEVELOPMENT

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Volume 3; Issue 1; 2025; Page No. 181-184

Received: 07-11-2024
Accepted: 12-12-2024

Economic and Business Impacts of Microfinance Services Are Significant

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DOI: <https://doi.org/10.5281/zenodo.17589382>

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Abstract

Microfinance is an endeavor that seeks to offer low-income people, regardless of their location, the opportunity to borrow money. Raising their social and economic standing, enhancing their children's educational possibilities, and improving their own well-being are all ways to make these people feel better about themselves. There are a variety of options for business owners and entrepreneurs in the country's less developed and rural areas, including small lending and credit services, access to savings accounts, startup funding, and money transfers. By empowering women to participate in the economy, it promotes gender equality, assists small-scale firms in overcoming difficulties, increases family income, and imparts greater agency to women.

Keywords: Economic, Business, Microfinance, institutions and financial

Introduction

Microfinance has become more important in rural India as a tool to alleviate poverty and promote economic development due to limited access to traditional banking services. The concept of microfinance emerged in the late 1970s, but the expansion of microfinance institutions (MFIs) and self-help groups (SHGs) in the 1990s caused it to truly take flight. The impoverished, especially women, have benefited greatly from the financial services made available by these groups, who make up a large percentage of rural residents (Sriram, 2010) [6]. When it comes to In India, the two most common models of microfinance institutions are the SHG-Bank Linkage Programme (SBLP) and the MFIs model.

As a result of the SBLP, which NABARD set up in 1992, SHGs may network with financial institutions and get loans without pledging collateral. According to NABARD (2016), about 100 million low-income households were helped by the 8 million SHGs that were part of the SBLP. Meanwhile, microfinance institutions (MFIs) provide modest loans to individuals and groups, allowing them to launch modest projects businesses or other income-generating ventures. Particularly in the developing nations, microfinance has

grown in prominence in the last few decades as a tool with the ability to promote economic and social growth while simultaneously reducing poverty. Helping underprivileged individuals, particularly women, gain economic independence is one of its crowning achievements. In addition to the usual obstacles, it may be difficult for women to receive loans, have assets to use as collateral, or even gain certain permissions when they seek to start or expand their own businesses due to social and cultural conventions.

In order to bridge this gap, microfinance institutions (MFIs) provide small-scale, personalized financial services to individuals with modest incomes. The impact of empowering women to launch their own companies extends far beyond monetary concerns. Giving them a boost to their confidence, helping them rise in the community, and family, and improving their children's educational opportunities and overall welfare. More and more, women are gaining the ability to make choices for themselves and their communities as they gain economic independence. Looking beyond the financial results to larger societal ones, this research offers an in-depth analysis of how microfinance assists women entrepreneurs. Microfinance has received a

lot of praise for the positive improvements it has the ability to bring about, but its efficacy and sustainability must be thoroughly evaluated in many contexts.

One kind of financial service in India is microfinance. Insights from Bangladesh's Grameen Model, established by Professor Mohammad Yunus, sparked the birth of India's micro-credit and microfinance sector in the 1990s and spread to many other nations. It all began in a little town in Jobra, Bangladesh, before growing into a massive international industry. Small Lending and credit services, savings account access, startup financing, and money transfers are all available to entrepreneurs and company owners in the country's less developed and rural areas. When it came to microfinance, Andhra Pradesh was an early adopter among Indian states, but in 2010 it was hit by a surge of protests. Following a string of borrower suicides and intensified pressure from credit bureaus, borrowers rebelled against the microfinance sector, which was already under intense global scrutiny.

Literature Review

According to Khandker (2014) ^[1], who analyzed two sets of panel data from Bangladesh between 2001 and 2012, microfinance organizations had an effect on the impoverished. The longer he let the borrowings go, the less money he made. Prior loans would have the most effect on the average borrower, over time, the relative advantages would become more uniform. Increased spending amounted to 20.5 Taka for every 100 Taka borrowed, with 4.2 Taka coming from present borrowings and 16.3 Taka from past borrowings. He had also shown that microfinance reduced poverty among non-participants via spillover effects, in which those who do not take part in the economic activity itself benefit from it.

Littlefield, E.; Morduch, J.; and Hashemi, S. (2014) ^[2] microfinance programs mobilized a variety of funding for a variety of Millennium Development Goals, including ending extreme poverty and hunger, eliminating HIV/AIDS and other infectious illnesses, promoting gender equality, ensuring quality education for all children, and lowering the global infant mortality rate. Providing low-income households with access to financial services has a substantial impact on the success of the Millennium Development Goals. as shown by this presentation of the results of many microfinance studies. Financial services helped the impoverished with a broad range of requirements, including investing in health and education, handling family crises, and investing in micro-enterprises. Through the use of a wide range of cutting-edge goods and techniques, a considerable number of microfinance institutions demonstrated a profitable ability to serve the most disadvantaged members of society.

Chowdhury, M. Jahangir Alam; Ghosh, Dipak; and Wright, Robert E. (2014) ^[3] tested the hypothesis that micro-credit may alleviate poverty in Bangladesh by using actual data. There was an emphasis on the duration that program participants had availability of micro-loans, in addition to on specific and subjective measures of poverty. The expenses of acquiring 2,112 calories per day, the minimal required for adults, are the basis for objective poverty. One way to determine a family's level of subjective poverty is to ask the breadwinner how much money they make each year and if

they think their family is poor. With the help of Grameen Bank, the Association for Social Advancement, and the Bangladesh Rural Advancement Committee (BRAC), 954 homes that had received microcredit were polled. Results showed that micro-credit alleviated poverty on both an objective and subjective level. Overall, 54.6% of the sample was considered to be living in poverty, whereas 60.2% of the sample felt they were poor. It was obvious that the 'new' and 'old' group members belonged to different socioeconomic levels. There was an objective poverty rate of 65.3% among the new members. whereas among previous members it was 50.2%. Similarly, compared to 47.9% of long-term members, 90.2% of new members reported being in a poverty-level subjective condition.

Kabeer, N.; and Noponen, Helzi (2014) ^[4] The authors of the article showcased the findings from an evaluation of the macroeconomic impact of the microfinance program run by PRADAN in the state of Jharkhand, which is among India's poorest. The research was place in the Allahabad, Dumka, and Banka districts of Jharkhand. The impact of the microfinance program was studied by comparing four hundred SHG members with one hundred forty-four non-members from these three regions. The main objective of the study was to examine the effects of microfinance on women's choice and agency, livelihood, basic requirements, assets, savings, and debt situations. Researchers found that members' access to a range of foods and the amount of food needed to satisfy basic needs was higher than that of non-members. Their dwelling was more aesthetically pleasing, with more rooms and doors, and they had better access to potable water. Members were raising school enrollment and working for greater gender equity. People in the group farmed and raised their own cattle instead of depending on low-skilled wage labor. Because moneylenders charged such exorbitant interest rates, members were less likely to go into debt and more inclined to save money than non-members.

Montgomery, Heather (2015) ^[5] looked into how the microfinance lending program at Khushhali Bank affected the lives of low-income families in Pakistan. Prospective consumers, who were not yet enrolled in the program were used as a benchmark for assessing its efficacy. All throughout Pakistan, in both urban and rural regions, 28,811 residences supplied the bulk of the data. Being involved in the microfinance program at Khushhali Bank improved monetary and social welfare indicators, as well as sources of revenue, as shown by the available evidence. This was especially the case for the program's entry-level participants. Those with the lowest incomes were able to save more for their kids' medical bills and school tuition thanks to the program.

Research Methodology

Understanding how microfinance influences women business owners is the primary goal of the research. Consequently, the study's population consists of all women who have taken out loans from a certain microfinance institution. Out of 463 responders, a subset was chosen at random from each district's total population of 1310 women business owners.

The study's findings were derived from a combination of primary and secondary sources. findings. Women in the

designated districts who have taken out loans from the State Women Development Corporation (SWDC) or Centre for Entrepreneurship Development, Madhya Pradesh (CEDMAP) served as the core data source. Secondary data is essential for comprehending theory and terminology, even if primary data is critical for found in the research. As for the secondary material, it came from a wide range of books, academic journals, and journal articles, both digital and physical.

Data Analysis

In this part, we questioned respondents about how microfinance services affect the economy. We wanted to know whether these services had an overall positive effect on their economic condition and if they believed microfinance had helped with economic growth. Regarding this, we asked respondents to express the following on the effects of microfinancing on the economy. Several intriguing findings were derived from the answers to important questions that provide explanation and more thought after reviewing the survey frequency data.

Table 1: Data presented as a percentage and a frequency distribution with regard to Lessening Inequality

Poverty Reduction	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	SD	15	3.2	3.2
	D	34	7.3	10.6
	N	7	1.5	12.1
	A	214	46.2	58.3
	SA	193	41.7	100.0
	Total	463	100.0	100.0

Reducing poverty is microfinance's primary objective. In order to determine whether microfinance programs are effective, the author posed this question. Positive improvements in wellbeing were seen over the course of the research. The statement has 46.2% agreement and 41.7% strong agreement. Among those who took the survey, 7.3% strongly disagree, 3.2% disagree very much, and 1.7% are unsure. The majority of them said that their household welfare improved along with their income, which led to a steady decline in their poverty level.

Table 2: Ratio of respondents and frequency distribution with regard to job creation

Employment generation	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	SD	44	9.5	9.5
	D	83	17.9	27.4
	N	7	1.5	28.9
	A	143	30.9	59.8
	SA	186	40.2	100.0
	Total	463	100.0	100.0

Microfinance recipients gave mixed reviews on the statement, with 40.2% strongly agreeing and 30.9% agreeing and adding that they help others get jobs. Researchers found that numerous stores selling handmade goods, as well as beauty parlors and shops, employed paid

staff. On the other hand, 9.5% of people strongly disagree and 17.9% disagree. It was brought up that the loan amount and revenue produced are insufficient to employ a salaried worker for their unit. Only 1.5% could not make up their minds.

Table 3: Economic Independence: Distribution of Respondents by Frequency and Percentage

Independence	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	SD	15	3.2	3.2
	D	39	8.4	8.4
	N	2	.4	.4
	A	222	47.9	60.0
	SA	185	40.0	100.0
	Total	463	100.0	100.0

The opportunity to earn one's own way and contribute financially to household expenses is fostered via microfinance, which in turn encourages entrepreneurship. Respondents from the microfinance program have shown that women's entrepreneurship has resulted in a continuous increase in their income and financial autonomy, with forty percent strongly agreeing and forty-seven percent agreeing. Nowadays, women can get along quite well without men's paychecks. Domestic violence is inversely related to financial independence, and a positive correlation between income and family expenditure. Only 8.4% of people agree with the statement, while 3.2% are vehemently opposed. They said that the money they're making isn't cutting it. Men still play a crucial role in meeting their needs. 4.0% were still unsure.

Women business owners often seek out microfinance institutions in order to secure business loans. This part sought to determine if microfinance service had a positive effect on respondents' businesses by inquiring about the effects of MFI financial services. Concerning this matter, the following assertions concerning the effects of microfinancing on businesses were put to the respondents. Several intriguing findings were derived from the answers to important questions that provide explanation and more thought after reviewing the survey frequency data.

Table 4: In terms of the financial status of the company, the proportion of respondents and the frequency distribution

Financial situation	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	SD	15	3.2	3.2
	D	37	8.0	11.2
	N	4	.9	12.1
	A	212	45.8	57.9
	SA	195	42.1	100.0
	Total	463	100.0	100.0

In response to a question on whether or not respondents' businesses' financial situations have improved since they began receiving microfinance services, 45.8% agreed and 42.1% strongly agreed. When asked if a microfinance loan improved their company's financial status, 8% said no and 3.2% said no very strongly. Only 0.9% of people are unsure about their position on the matter.

Table 5: Frequency distribution and percentage of respondents with respect to Improvement in Business Turnover

Business turnover	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	SD	15	3.2	3.2
	D	40	8.6	8.6
	N	5	1.1	1.1
	A	212	45.8	45.8
	SA	191	41.3	41.3
	Total	463	100.0	100.0

When asked if their company's annual turnover has improved since they began receiving microfinance services, 45.8% almost half (41.3%) of those who took the survey felt this way. That yearly sales increase with microfinance loan is disagreed with by 8.6% of the sample and severely disagreed by 3.2%. 1.1 percent of the population feels ambivalent about the statement.

Table 6: Distribution of responses in terms of frequency and percentage with regard to improvement in sales performance

Sales Performance	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	SD	15	3.2	3.2
	D	42	9.1	9.1
	N	1	.2	.2
	A	163	35.2	35.2
	SA	242	52.3	52.3
	Total	463	100.0	100.0

For the purpose of calculating the monetary effect of the microfinance loan, we polled respondents on their monthly sales performance improvements; the resulting table Among those who have benefited from microfinance services, 4.6.3 reveals that 52.3% agree and 35.2% strongly agree that their monthly sales have been steadily increasing. Not much has changed in terms of sales success, according to 9.1% of those who oppose, with 3.2% expressing a strong disagreement. Only 0.2 percent had not yet made a choice. Deliberation stalled.

Conclusion

At the household level, microfinance has proven to have significant impacts, such as microfinance and the living conditions of female entrepreneurs' households. Better communication within families has been found by the research. According to the study's data analysis, microfinance services benefit female entrepreneurs on multiple levels: home, financial, company, and society. Microfinance institutions (MFIs) work to close this gap by offering small-scale, individualized financial services to those with low incomes. Encouraging women to start their own businesses has far-reaching effects that go beyond just financial matters. It fosters gender equality, helps small-scale businesses overcome challenges, boosts family income, and gives women greater agency by encouraging them to engage in the economy.

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