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Abstract

Microfinance is gradually emerging as one of the most effective strategies to promote entrepreneurship. It can effectively generate employment and sustain the income of the households by giving them opportunities of work. During the past 25 years, the microfinance movement has challenged the conventional financial sector. Today microfinance is very much in the agenda of public policy and it has been increasingly used as a vehicle to reach entrepreneurial goals. Microfinance in India is represented by Self Help Groups (SHGs) which are linked to Banks mainly women as its members.

.Micro enterprise requires small capital. But the poor people find it difficult to gather and manage their finance due to rigid government policy. Hassle free micro finance is fast becoming a tool to promote 'Sustainable Micro entrepreneurship'.

The paper attempts to analyze the growth and role of microfinance in developing the micro entrepreneurship. It indicates some challenges faced by microfinance groups to promote sustainable micro enterprise.

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1. INTRODUCTION

Since independence our success in the development sectors are only moderate. Unemployment and poverty still pose major challenge for us, especially in rural areas. It all happened irrespective of the high opportunities of employment generation lies in agriculture sector and rural non-farm sector (RNFS).Micro-enterprises can play an important role in improving the quality of life and poverty alleviation. Micro-enterprises, whether in the informal or organized sectors, provide opportunities for gainful employment while preserving the social structure. Microfinance can play an important role to meet credit needs of rural poor. According to Singh (2002), "In India, the need for microfinance is higher as the demand for credit to start micro-enterprises by the poor people could not be met by the institutional initiatives of rural finance up to large scale. Due to the failure of percolation theory of social development, poor people are highly dependent on non institutional sources of credit. Growth of micro-finance in India has been in response to the failure of institutional initiatives of rural credit and exploitation attached with informal system of credit". Non government organizations (NGOs) in India acted very promptly for the growth of micro finance sector as it provides space to the poor people to use their on savings for credit linkages and finally starting the viable micro enterprises.

The United Nations General Assembly designated 2005 the international year of micro credit. The year has seen the launch of a wide array of programmes throughout the UN system to raise public awareness about micro credit and microfinance, while promoting partnership and innovation among governments, donors, international organizations, NGOs, the private sector and microfinance institutions (MFIs). Micro finance has already made a positive impact on quality of life of millions of poor people by providing greater access to credit, savings, insurance, transfer remittances, and other financial services which would otherwise be untouchable.

2. OBJECTIVE OF THE STUDY

The paper attempts to analyze:

i) Need and importance of microfinance to promote micro enterprises.

ii) Constraints faced by the microfinance sector in promoting micro enterprise and suggest the measures to overcome the limitations.

3. CONCEPTUAL FRAMEWORK OF MICRO ENTERPRISE AND MICRO FINANCE

3.1 Micro Enterprise

Dictionary meaning of micro enterprise is "very small-scale business, esp. owner-operated with few employees" (*Webster's New Millennium™ Dictionary of English, 2003-2005*).

The term "micro enterprise" refers to a very small-scale, informally organized business activity undertaken by poor people.

According to Schreiner& Woller "Micro enterprises are tiny businesses; most have one employee, the owner" (Schreiner& Woller, 2003).

Street vendors, carpenters, machine shop operators. Seamstresses and peasant farmers---micro entrepreneurs come in all types, and their businesses in many sizes. This diverse group requires a variety of support to grow and improve. Many of these men and women and their employees are poor and have limited access to services. But they do not lack potential. More than 80 percent of the businesses in Latin America and the Caribbean have l 0 employees or less, and they account for as much as half of all employment in many countries. Numbered at some 50 million, these micro enterprises can no longer be considered marginal. They are the heart of the region's economy.

Microenterprise in the production sector is defined as a unit where investment in plant and machinery does not exceed Rs. 25 lakh whereas a micro enterprise in the service sector is an enterprise where the investment in equipment does not exceed Rs.10 lakh; (notification No. S.O. 1722(E) dated October 5, 2006 specified by the Ministry of Small Scale Industries).

3.2 Micro finance

The term microfinance is of recent origin and is commonly used while addressing the issue of financial support to micro-entrepreneurs.

There is, however, no statutory definition for microfinance. The taskforce on Supportive Policy and Regulatory Framework for Microfinance has defined microfinance as "Provision of thrift, credit and other financial services and products of very small amounts to the poor in rural, semi-urban or urban areas for enabling them to raise their income levels and improve living standards". The term "Micro" literally means "Small". But the task force has not defined any amount. However as per the Micro Credit Special Cell of the Reserve Bank Of India, the borrower accounts upto the limit of Rs. 25000/- could be considered as micro credit products and this amount could be gradually increased upto Rs. 40000/- over a period of time which roughly equals to US $ 500 – a standard for South Asia as per international perceptions. However the Micro Financial Sector (Development and Regulation) Bill, 2007 defined the microcredit as loans not exceeding Rs. 50000(Rs. 150000 in case of housing).

The term microfinance, sometimes, is used interchangeably with the term micro credit. However while micro credit refers to purveyor of loans in small quantities, the term microfinance has a broader meaning covering in its ambit other financial services like saving, insurance etc., as well.

The mantra is banking through groups. The essential feature of the approach is to provide financial services through groups of individuals, formed either in joint liability or co-obligation mode. Basically, groups can be of two types:

Self Help Groups (SHGs): The group in this case, does financial intermediaries on behalf of the formal institution as is being done under SHG-Bank Linkage Programme. This is the predominant model followed in India, both by banks and the microfinance institutions (MFIs).

Grameen Groups: In this model, financial assistance is provided to the individual in a group by the formal institution on the strength of group's assurance. In other words, individual loans are provided on the strength of joint liability/ co-obligation. This microfinance model was initiated by Bangladesh Grameen Bank and is being used by some of the Microfinance institutions (MFIs) in our country.

3.3 Models of Microfinance Practices in India

There are a variety of delivery models for microfinance in India:-

i) **The SHG Bank Linkage Model**

Under this model, groups are formed by different agencies known as Self Help Promoting Institutions (SHPIs). These could be NGOs, Voluntary Associations, Government Agencies, Panchayati Raj Institutions, Vikash Volunteer Vahini (VVV) clubs, banks, cooperative societies etc.

ii) **Micro Finance Institutitons (MFIs)/ NGO-SHG Models**

This model involves NGOs, MFIs, NBFCs etc., for accessing funds either from banking system and/or Developmental Financial Institutions (DFIs) like NABARD & SIDBI for giving loans to SHGs either in group or individual mode.

iii) **NGO/MFI Federation – SHG Model**

In this model SHGs get financial services, mostly savings and credit, with the help of federations. Federations have been promoted by MFIs like Dhan Foundation, PRADAN, SEWA etc.

iv) **Grameen Model**

This model the financial assistance, i.e., loans for productive purposes is provided by the MFIs/NGOs directly to the members of small groups (i.e. affinity groups consisting of about 5-7 members) directly on the strength of group assurance. It is often coupled with an obligation to save by group members. This model is followed in India by SHARE Microfinance Ltd., ASA and CASHPOR Financial and Technical Services Ltd.

v) **The Cooperative Model**

This model has been initiated by Cooperative Development Forum (CDF), Hyderabad which has relied upon a "Credit Union" model involving saving first strategy. It has built up a network of Women Thrift Groups (WTGs) and Men Thrift Groups (MTGs).They is registered under Mutually Aided Co-operative Society Act (MACs).

4. **NEED AND IMPORTANCE OF MICRO ENTERPRISE**

Micro Enterprise is a proven way to strengthen viable small businesses resulting in increased household income and savings and thus the alleviating the crunch of economic poverty.

Mentioning the importance of Micro and small enterprises (MSEs) in India, Awasthi (2004) asserted that "Micro and small enterprises (MSEs) constitute an important segment of the Indian economy. Besides providing employment to nearly 25 million persons, mostly belonging to the lower rung of socio economic strata in the society, the sector helps the process of economic diversification, utilization of otherwise dormant resources, balanced regional development, production of and demand for wage goods, equitable distribution of income, and widening the base of entrepreneurial supply"

Rangarajan (2005) opined that promotion of micro enterprises is a viable and. Effective strategy for achieving significant gains in income and assets for poor and marginalized people.

Schreiner (2004) has defined support for microenterprise in terms of asset-building. He highlighted the fact that microenterprise programs help people to build human, financial, and social capital for the development of micro businesses that will improve people's well-being.

NGOs are playing important role as catalyst in helping the rural unemployed persons to acquire training through MEDPs (Micro-Enterprise Development Programmes) so that they can become self-employed by starting their enterprises in RNFS. Moreover, they can also become job providers instead of job seekers. Thus, institutionalisation of MEDPs through NGOs can be an alternative approach of rural development in India.

The success of any MEDP in terms of starting the enterprises by the trainees trained under it depends mainly upon the availability of loan. Micro-finance sector can provide help to solve this problem.

5. MICROFINANCE AND ENTREPRENEURSHIP: DIFFERENT APPROACHES

The approaches of NGOs for delivering services of microfinance can be classified under four broad categories:

i) **Self-Help Group Promotion Approach**

The SHG promotion approach is based on the premise that the NGO promotes SHGs and provide them services of financial advisor. This ultimately leads to build the capacity of SHGs in terms of savings mobilization,linking them with banks and providing technical support in starting the viable micro enterprises by the SHG members.In this approach NGO basically is a mediating contact between SHGs and Banks.

ii) **Minimalist Approach of Micro Finance Institutions**

The approach of promoting MFIs is based on the premise that financial institutitons like Small Industries Development Bank of India (SIDBI), RKM and other donor agencies provide bulk lending, soft loans and some grant to such NGOs which can act as MFIs by on lending money to the poor people.
The example of such MFIs are SEWA Bank & FWWB in Gujarat, BASIX in Andhra Pradesh etc.

iii) **Micro Enterprise Development Approach**

Entrepreneurship Development Programme (EDP) means a programme of entrepreneurship development designed to help a person in strengthening his/her entrepreneurial motive and in acquiring skills and capabilities necessary for playing his/her entrepreneurial role effectively. To make EDP successful and effective, the role of the NGOs has significant importance in terms of identification of place or location, promotional activities, selection of potential entrepreneurs, entrepreneurial training, monitoring and follow-up mechanism.

iv) **Social development Approach**

The social development approach of micro finance is based on the premise that people should earn more money by investing in the viable micro enterprises. One share of the profit should be spent on social development i.e. health, education,housing,drinking water, sanitation etc.By earning profit from the micro enterprises people will increase their paying ability for services being delivered to them under different projects of social development run by by NGOs and State/Central Government.

6. MICROFINANCE AND MICROENTERPRISE: INDIAN PARADIGM

The financial sector reforms motivated policy planners to search for products and strategies for delivering financial services to the poor – microfinance - in a sustainable manner consistent with high repayment rates.

The search for these alternatives started with internal introspection regarding the arrangements which the poor had been traditionally making to meet their financial services needs. It was found that the poor tended to – and could be induced to - come together in a variety of informal ways for pooling their savings and dispensing small and unsecured loans at varying costs to group members on the basis of need. The essential genius of NABARD in the Bank – SHG programme was to recognize this empirical observation that had been catalysed by NGOs and to create a formal interface of these informal arrangements of the poor with the banking system. This is the beginning of the story of the Bank-SHG Linkage Programmed.

6.1 SHG - Bank Linkage Programme

The SHG – Bank Linkage Programme started as an Action Research Project in 1989. In 1992, the findings led to the setting up of a Pilot Project. The pilot project was designed as a Partnership model between three agencies, viz., the SHGs, banks and Non Governmental Organisations (NGOs). SHGs were to facilitate collective decision-making by the poor and provide 'doorstep banking'; Banks as wholesalers of credit, were to provide the resources and NGOs were to act as agencies to organise the poor, build their capacities and facilitate the process of empowering them.

6.2 Performance and Accomplishment of SHG-Bank Linkage Programme

The programme has come a long way from the pilot stage of financing 500 SHGs across the country. NABARD extends 100 par cent automatic refinance facility to all banks against their lending to SHGs or through NGOs to SHGs. As on 31 March 2007, 41,60,584 SHGs were maintaining savings bank accounts with the banking sector with outstanding savings of Rs. 3512.71 crore, thereby covering more than 5.8 crore poor households under SHG Bank Linkage Program. The Commercial Banks had the maximum share of savings from 22, 93,771 SHGs (55.1%) with savings amount of Rs. 1892.42 crore (53.9%) followed by Regional Rural Banks with savings bank accounts of 11, 83,065 SHGs (28.4%) and savings amount of Rs. 1158.29 crore (32.9%) and Cooperative Banks having savings bank accounts of 6, 83,748 SHGs (16.4%) with savings amount of Rs. 462.00 crore (13.2%). The share of SGSY SHGs in the total was 9, 56,317 forming 22.9% of the total SHGs having savings accounts in the banks.

The Micro Enterprise Development Programme (MEDP) for skill Development programme was launched in March 2006 by NABARD with the basic objective to enhance the capacities of the members of matured SHGs to take up micro enterprises through appropriate skill upgradation/ development in existing or new livelihood activities both in farm and non-farm sectors by way of enriching knowledge of participants on enterprise management, business dynamics and rural markets programme.During 2006-07, a total 297 Micro Enterprise Development Programmes (MEDPs), both under Farm and Non –farm activities, were conducted covering 7,579 members of the matured SHGs.

6.3 Microfinance in India: Some relevent facts

In the financial year 2007/08, microfinance in india through its two major channels – SBLP and MFIs – served over 33 million Indians, up by 9 million over the previous financial year. 4 out of 5 microfinance clients in India are women.

Per 31st March 2008, the outstanding micro-credit portfolio of India Microfinance was about Rs. 22,000 crore. 75% are accounted for by SBLP, 20% by large MFIs and 5% by medium and small MFIs.

SBLP reports over Rs. 3,500 crore savings of SHG-members (2006/07). MFIs are prohibited from accepting savings; however, one third of their clients are served under the SHG-model and thus encouraged to save among themselves and/or open savings accounts with banks. The MFI KBS Local Area Bank reports about Rs. 40 crore savings portfolio for its 1 lakh clients (2007/08).

Table 1:The Bharat Microfinance Report, 2008

Outstanding Portfolio (in Rs. Crore)		
SBLP*	*10,644*	*16,900*
Sa-Dhan, 223 MFIs	3,456	5,954

Total**	***13,582***	***21,961***
Client Outreach (in million persons)		
SBLP*	16.01	*21.57*
Sa-Dhan, 223 MFIs	10.04	14.1
Total**	***24.55***	***33.55***

* SHG-Bank Linkage Programme is spearheaded and implemented by NABARD. Figures in italics are estimates,

** The total has been reduced by 15% of MFI-figure, assumed to be the overlap with SBLP

Given these quantitative achievements, the main findings are:

i) Microfinance has reduced the incidence of poverty through increase in income, enabled the poor to build assets and thereby reduce their vulnerability.

ii) It has enabled households that have access to it to spend more on education than non-client households.

Families participating in the programme have reported better school attendance and lower dropout rates.

iii) It has empowered women by enhancing their contribution to household income, increasing the value of their assets and generally by giving them better control over decisions that affect their lives.

iv) In certain areas it has reduced child mortality, improved maternal health and the ability of the poor to combat disease through better nutrition, housing and health - especially among women and children.

v) It has contributed to a reduced dependency on informal money lenders and other non-institutional sources.

vi) It has facilitated significant research into the provision of financial services for the poor and helped in building capacity at the SHG level.

vii) Finally it has offered space for different stakeholders to innovate, learn and replicate. As a result, some NGOs have added micro-insurance products to their portfolios, a couple of federations have experimented with undertaking livelihood activities and grain banks have been successfully built into the SHG model in the eastern region. SHGs in some areas have employed local accountants for keeping their books; and IT applications are now being explored by almost all for better MIS, accounting and internal controls.

6.4 Key Lessons

(i) “Poor are bankable”. Sounds simple, but, when we view this in context of the attitudinal constraints which characterized bankers on the eve of the linkage programme, one realizes what an immense learning point this has been.

(ii) The poor, organized into SHGs, are ready and willing to partner mainstream financial institutions and banks on their part find their SHG portfolios “safe” and “performing”.

(iii) Despite being contra intuitive, the poor can and do save in a variety of ways and the creative harnessing of such savings is a key design feature and success factor.

(iv) Successful programmes are those that afford opportunity to stakeholders to contribute to it on their own terms. When this happens, the chances of success multiply manifold.

This has been possible in the Bank - SHG linkage programme on account of the space given to each partner and the synergy built in the programme between the informal sector comprising the poor and their SHGs, the semi-formal sector comprising NGOs, and the formal sector comprising banks, government and the development agencies.

(v) Yet another learning point has been that when a programme is built on existing structures, it leverages all strengths. Thus, because the Bank-SHG programme is built upon the existing banking infrastructure, it has obviated the need for the creation of a new institutional set-up or introduction of a separate legal and regulatory framework.

Since financial resources are sourced from regular banking channels and members' savings, the programme bypasses issues relating to regulation and supervision. Lastly, since the Group acts as a collateral substitute, the model neatly addresses the irksome Problem of provision of collateral by the poor.

(vi) Central banks, apex development banks and governments have an important role in creating the enabling environment and putting appropriate policies and interventions in position which enable rapid upscaling of efforts consistent with prudential practices. But for this opportunity, no innovation can take place.

6.5 Challenges:

(i)Regional Imbalances – The first challenge is the skewed distribution of SHGs across States. About 60% of the total SHG credit linkages in the country are concentrated in the Southern States. However, in States which have a larger share of the poor, the coverage is comparatively low. The skewed distribution is attributed to

- The over zealous support extended by some the State Governments to the programme.
- Skewed distribution of NGOs and
- Local cultures & practices.

NABARD has since identified 13 states where the volumes of SHGs linked are low and has already initiated steps to correct the imbalance.

(ii)From credit to enterprise

The second challenge is that having formed SHGs and having linked them to banks, how can they be induced to graduate into matured levels of enterprise, how they be induced to factor in livelihood diversification, how can they increase their access to the supply chain, linkages to the capital market and to appropriate/ production and processing technologies. A spin off of this challenge is how to address the investment capital requirements of matured SHGs, which have met their consumption needs and are now on the threshold of taking off into "Enterprise". The SHG Bank-Linkage programme needs to introspect whether it is sufficient for SHGs to only meet the financial needs of their members, or whether there is also a further obligation on their part to meet the non-financial requirements necessary for setting up businesses and enterprises.

(iii) Quality of SHGs – The third challenge is how to ensure the quality of SHGs in an environment of exponential growth. Due to the fast growth of the SHG Bank Linkage Program, the quality of SHGs has come under stress. This is reflected particularly in indicators such as the poor maintenance of books and accounts etc. The deterioration in the quality of SHGs is explained by a variety of factors including the intrusive involvement of government departments in promoting groups, Inadequate long-term incentives to NGOs for nurturing them on a sustainable basis and diminishing skill sets on part of the SHG members in managing their groups. Significant financial investment and technical support is required for meeting this challenge.

7. MICROFINANCE INSTITUTIONS IN INDIA: EMERGENCE& GROWTH

A range of institutions in public sector as well as private sector offers the micro finance services in India. They can be broadly categorized in to two categories namely, formal institutions and informal institutions. The former category comprises of Apex Development Financial Institutions, Commercial Banks, Regional Rural Banks, and

Cooperative Banks that provide micro finance services in addition to their general banking activities and are referred to as micro finance service providers. On the other hand, the informal institutions that undertake micro finance services as their main activity are generally referred to as micro Finance Institutions (MFIs).

MFIs are an extremely heterogeneous group comprising NBFCs, societies, trusts and cooperatives. They are provided financial support from external donors and apex institutions including the Rashtriya Mahila Kosh (RMK), SIDBI Foundation for micro-credit and NABARD and employ a variety of ways for credit delivery. Since 2000, commercial banks including Regional Rural Banks have been providing funds to MFIs for on lending to poor clients. Though initially, only a handful of NGOs were into financial intermediation using a variety of delivery methods, their numbers have increased considerably today. While there is no published data on private MFIs operating in the country, the number of MFIs is estimated to be around 800.It is estimated that the MFIs' share of the total institution-based micro-credit portfolio is about 8%.

Table 2: Legal Forms of MFIs in India

Types of MFIs	**Estimated Number***	**Legal Acts under which Registered**
1. **Not for Profit MFIs** a.) NGO - mFIs	400 to 500	Societies Registration Act, 1860 or similar Provincial Acts Indian Trust Act, 1882
b.) Non-profit Companies	10	Section 25 of the Companies Act, 1956
2. **Mutual Benefit MFIs** a.) Mutually Aided Cooperative Societies (MACS) and similarly set up institutions	200 to 250	Mutually Aided Cooperative Societies Act enacted by State Government
3. **For Profit MFIs** a.) Non-Banking Financial Companies (NBFCs)	6	Indian Companies Act, 1956 Reserve Bank of India Act, 1934
Total	700 - 800	

* The estimated number includes only those MFIs, which are actually undertaking lending activity.

8. MICROFINANCE INSTITUTIONS (MFIs): ROLES AND CHALLENGES

MFIs can play a vital role in bridging the gap between demand & supply of financial services if the critical challenges confronting them are addressed:

Sustainability: the first challenge relates to sustainability. It has been reported in literature that the MFI model is comparatively costlier in terms of delivery of financial services. An analysis of 36 leading MFIs by Jindal & Sharma shows that 89% MFIs sample were subsidy dependent and only 9 were able to cover more than 80% of their costs. This is partly explained by the fact that while the cost of supervision of credit is high, the loan volumes and loan size is low. It has also been commented that MFIs pass on the higher cost of credit to their clients who are 'interest insensitive' for small loans but may not be so as loan sizes increase. It is, therefore, necessary for MFIs to develop strategies for increasing the range and volume of their financial services.

Lack of Capital – The second area of concern for MFIs, which are on the growth path, is that they face a paucity of owned funds. This is a critical constraint in their being able to scale up. Many of the MFIs are socially oriented institutions and do not have adequate access to financial capital. As a result they have high debt equity ratios. Presently, there is no reliable mechanism in the country for meeting the equity requirements of MFIs.

As you know, the Micro Finance Development Fund (MFDF), set up with NABARD, has been augmented and re-designated as the Micro Finance Development Equity Fund (MFDEF). This fund is expected to play a vital role in meeting the equity needs of MFIs.

Borrowings – In comparison with earlier years, MFIs are now finding it relatively easier to raise loan funds from banks. This change came after the year 2000, when RBI allowed banks to lend to MFIs and treat such lending as part of their priority sector-funding obligations. Private sector banks have since designed innovative products such as the Bank Partnership Model to fund. MFIs and have started viewing the sector as a good business proposition. Being an ex- regulator I may be forgiven for reminding banks that they need to be most careful when they feel most optimistic. At a time when they are enthusiastic about MFIs, banks would do well to find the right technologies to assess the risk of funding MFIs. They would also benefit by improving their skill sets for appraising such institutions and assessing their credit needs. I believe that appropriate credit rating of MFIs will help in increasing the comfort level of the banking system. It may be of interest to note that NABARD has put in position a scheme under which 75% of the cost of the rating exercise will be borne by it.

The Bharat Microfinance Report 2008 Published by Sa-Dhan on 31st March 2008. Highlighted the following facts:-

- Growth of MFI- loan portfolios passed 70% annually between March 2006 and March 2008. The strongest impulse came from medium – often urban – MFIs in 2006/07 and from large MFIs in 2007/08.
- Indian MFIs are true to their mission of serving the poor strata of society. A stable 8 out of 10 clients have been provided loans sized less than Rs. 10,000.
- The loan segment between Rs. 5,000 and Rs 10,000 has been growing strongest. This can be explained by two impulses: On one hand, microfinance customers mature to bigger loans over the loan cycles. On the other hand, urban microfinance starts with comparatively bigger loans than rural finance.

Indian MFIs serve 4.1 million clients from the SC/ST background. The reported number of SC/ST has been growing alongside the rate of total outreach, thus the SC/ST-share is stable at 3 out of 10 clients.

- India's MFIs operate in 209 out of 331 poorest districts of the country; up by 5% over the previous year.
- Large MFIs are particularly active in expanding their operations to the poorest districts; many of them serving more poorest than other districts.

Urban Microfinance is emerging as a strong growth driver; between March 2006 and March 2008,

1 out of 3 new clients was from the urban background. One Quarter of all MFI clients is from the urban background

Limitations of MFIs

- Most of the MFIs Follow a minimalist approach
- MFIs are efficient in financial intermediation only
- They Lack human resources to provide business counseling
- Mostly have a single loan product
- Self Help Promoting Institutions(SHPIs) lack in scale and capacities
- SHPIs Promote only weak SHGs
- Self Help Promoting Institutions rely too much on bank processes to provide credit to SHGs
- Banks usually provide short term loans to MFIs
- Banks microcredit loans provided to meet priority sector obligations

9. CONCLUSIONS

The micro finance sector is still in its young age in India. Emergence and growth of micro finance in India has proved very useful but many SHGs are failing to establish and nurture their enterprises. There are still large sections of the population without access to services. A conservative estimate for example suggests that just 20% of low-income people have access to them.

Thus, there is an urgent need to widen the scope, scale and outreach of financial services to reach the vast un-reached population.

The following issues need to be considered while introducing SHGs to micro-enterprises:
i) Is it appropriate to introduce income generating activities based on skill, knowledge and resources?

ii) Is it better to integrate with exiting livelihood activities of group membership?

iii) Should emphasis be laid on developing business skills than on providing backward and forward linkages?

The following recommendations can be made:

- ✓ Specialized bank branches for micro enterprise & SHG lending need to be set up.
- ✓ Collateral free loan value needs to be raised further by RBI (currently Rs 50,000)
- ✓ There is a Need for new generation livelihoods promotion institutions, who can understand the diverse needs relating to livelihoods the poor
- ✓ District level agencies should be developed to link microenterprises with inputs, technology, capital and markets.
- ✓ Government has to invest in investment in capacity building and nurturing to overcome limitations of microfinance groups so that they can produce effective and viable entrepreneurs

Micro-enterprise development is not a stand-alone activity. It is both efficient and cost effective to promote farm sector micro-enterprises because backward and forward linkages are locally available. Promotion of non-farm sector activities particularly those in manufacturing sector is a challenge for providing market linkages because significant sales turnover is required by each member to earn incomes which are even equivalent minimum wages or to cross the poverty line.

Micro entrepreneurship through microfinance has become a modern economic weapon for the poor to fight against poverty and unemployment. But It has long way to become successful. Many programmes from IRDP to SGSY were started by the government enthusiastically but they were not able to achieve their objectives. The reason behind this is poor follow up, lack of management and participation from the government as well as people. No programme can ever get its ultimate result unless and until there is co-ordination and co-operation between government and beneficiaries.

Microfinance in India is often narrowly described as microcredit only.It ignores the broad range of financial services for poor like savings, money transfer, insurance etc. Credit alone is not sufficient for promoting micro enterprise.There is a urgent need to explore other microfinance services like savings, money transfer,insurance to develop sustainable micro enterprises for the other 100 million poor in India.

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