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Sri Ankit Kumar

Asst. Professor, M.D.
College, Naubatpur Patna,

Prof. Brajesh Pati Tripathi

Department of Economics,
Patliputra University, Patna

An Analytical Study of Financing Women Entrepreneurs in Micro and Small Sectors in Bihar

Sri Ankit Kumar

Asst. Professor, M.D. College, Naubatpur Patna,

Email Id: ankitrintu84@gmail.com

Prof. Brajesh Pati Tripathi

Department of Economics, Patliputra University, Patna

Email Id: bpatitripathi@gmail.com

Abstract

Bihar has shown a positive trend in Women's Credit Disbursement till FY 2020 but declining afterwards and reviving in FY 2023. The ratio of women's credit disbursement to total credit disbursement in the state is declining after FY2020, which is one of the serious concerns of policy makers. The Analysis of Udhyaam Registration data reflects that the state has 3.47% share of total women MSMEs in India, which is quite low compare to top five states. Micro Sector is 99% of total women's MSMEs in the state. The state has large no. of informal sectors belonging to women, just after West Bengal and Uttar Pradesh. During Corona periods, although women's overall credit is declined in the state but Microfinance through Bank-SHG Credit linkages has improved. It reflects that most of women's credits during those periods are given under Self-Help Groups -Bank Linkage program. The Microfinance through Bank-SGH Credit linkage and through Micro finance institutions (MFI) has improved women's credit in the state in recent years. The Non- Performing Loans under these schemes is quite low in the state. The lack of awareness,

education and social barriers among women, lack of simplified loan process by banks are the major hurdles to finance the women in the state. As suggested by bank officials, a proper incentives and dedicated policy for women's finance is needed in the state.

Key Words: Microfinance (MFI), Women's Credit, Self-Help Group (SHG), Non-Performing Loans, Micro, Small and Medium Enterprises (MSMEs)

1. Introduction:

The access of equal opportunity to women in education, employment and assets are one of the key global challenges. India has recently progressed in gender parity index but still a wide gap exists in access of education, credit and employment between men and women. The access of formal credit has empowered women in various fronts and it has shown multiplier impact on gender mainstreaming. The employed women are participating in household decision making and it also impacts positive in alleviation of household poverty, better access of health, education and quality of life.

Bihar is a backward state, having low number of large industries and the economy is dominated by primary sectors and Micro and Small Sectors. Government of Bihar has taken various measures in recent years to empower women through various public programs and women's reservation in jobs and education in the state. The state has low penetration of banking compared to developed state and although the credit to women has progressed in recent years, it is quite low with national average. The total credit disbursement to women in the state has shown continuously positive trends except during FY 2021 and FY 2022, which is majorly due to Corona Pandemic. The percent of women's credit disbursement to total credit disbursement in the state has also shown positive trends till 2020 but it goes negative afterwards and reviving in FY2023. Thus corona has impacted majorly to women's credit in Bihar. The state has shown a large improvement in women's credit with Bank-Self Help Group (SHG) Credit linkages programs (under Jeevika Scheme) and through finance by Microfinance institutions. Presently there are 38 Micro finance institutions are working in the state. The Non- Performing Loans under these

schemes are quite low in the state and most of banks are financing to women under these schemes.

The state has shown increment of women's micro and small enterprises in recent years due to large penetration of micro finance institutions, large financial inclusion initiatives and government's specific efforts to mainstreaming women in the state. The Udhyam registration and Udhyam Assist Platform (UAP) data reflects that 99% women are involved in micro sectors and there are large number of women enterprises are in informal sectors. The accessibility of credit to them at affordable and simple documentation is need of the hour. The state through JEEVIKA scheme and Collateral free financing through Mudra Yojana, CGTMSE scheme has benefited them to access formal credit easily.

The objective of the study is to analyze the trend and progress of women's credit in Bihar. The study also addresses the issue and challenges of women's accessibility of credit in Micro and Small Sectors in the state.

2. Literature Review:

The country has progress significantly in recent year in finance to women through various dedicated scheme for women of micro and small sectors, micro finance through Bank- Self Help Group (SGH) linkage program. Micro finance in its three decades long journey has improved lives on account of better incomes for nearly a hundred million rural households. (NABARD,2023). The economic factors are severe than the others factors, competition and lack of access to market and lack of training are the key economic factors that affect the performance of women entrepreneurs in rural Bihar (Mall R, 2020). Realizing women's economic empowerment requires concerted efforts that priorities women's needs and preferences, and recognize their diversity. The Government of Bihar recognizes the vital role that achieving women's economic empowerment has in attaining its larger development goals (Govt of Bihar, 2020). International evidences reveal that the default rate of women borrowers are on the average lower compared to that of men. The global evidence also reveals in Indian context. Other related evidence also points to a gender credit

bias in India (**Ghose S, 2023**). Both national and international banks are having partnerships with Microfinance institutions as the sector are giving better returns and also the default rate is low in the sector. The finance helped rural people to create assets and it leads to improvement in their social status after awareness program. (**Kumar R, Chakraborty T & Dashgupta S, 2023**). Jeevika, a large scale rural livelihoods program in Bihar has significant impact on women's empowerment, as measured by various dimensions and also on restructuring the debt portfolio of these households (**Datta U, 2015**). Bank-SHG linkage program has helped women save more and access low-cost credit by opening up by facilitating linkages with the formal financial sector and providing an alternative to the prohibitive interest rates in the informal sector (**World Bank, 2020**). There is no significant impact of total client outreach and growth of microfinance on the GSDP of the Bihar. To make the visible impact on the state economy, suggestion by NABARD a proper regulation has greater role to play (**Mishra AK, Singh C,2017**).

Thus there is huge opportunity of finance to women in India through micro finance and MSME finance. There is no any study so far to analyze the trends of total disbursement of women's credit and challenges of women's finance in micro and small sectors in Bihar state. The present study will fulfill this gap.

3. **Methodology:**

This is an exploratory research where area of study is Bihar State. The study is based on secondary data accessed from various reports of State level Bankers Committee (SLBC) Bihar, NABARD and others state government and central government websites. The personal and telephonic Interview has also been conducted with Bank officials of commercial banks in the state to understand the challenges and practical difficulty to finance to women in the state. There are 34 bank official has participated in the survey. The graphical methods, tabulation and basic statistical tools are used to analyze the data and get the conclusion.

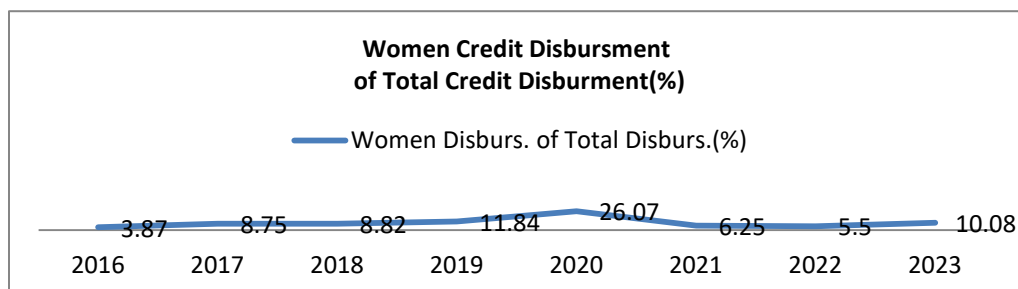
4. **Data Analysis and Interpretation**

(I) Women's Credit in Bihar

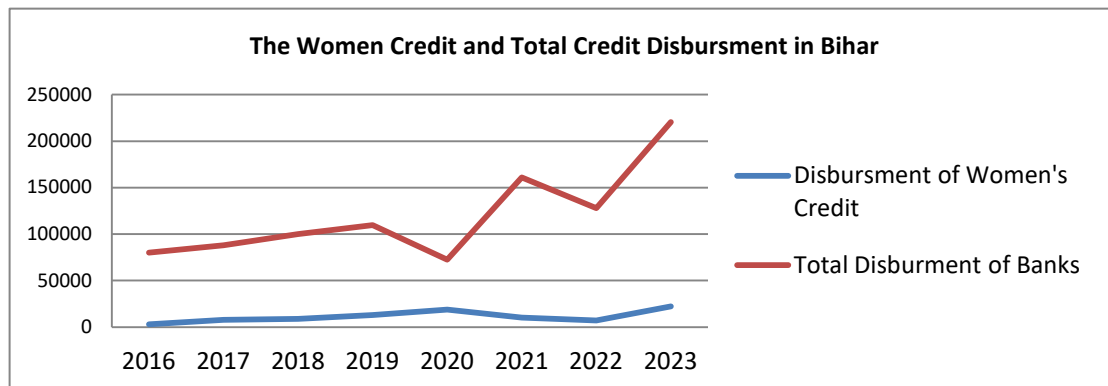
The empowerment of women is the key for inclusive development of any economy. The opportunity to access of finance to women is one of the key factors to uplift the women and mainstreaming them. The data reveals that in recent years, both India and Bihar have progressed in credit disbursement to women with support to various dedicated credit schemes for women. The Micro finance development in the state through JEEVIKA and Micro finance institutions, classification of women's credit in priority sector lending of banks are the key factors to uplift the women's credit in the state. The ratio of credit disbursement of women to total credit disbursement is quite low in the state and a lot of measures must be taken to uplift them.

The percent of women's credit disbursement to total disbursement in Bihar has shown upwards trends till 2020 and afterwards downwards till 2022 but in 2023 it is reviving. There is high jump observed in FY 2020, the time during first wave of Corona Pandemic, when banks are declining their overall lending. Since micro finance through banking sector has risen during this period, although total credit disbursement is declining in the state, women credit disbursement has risen. The Graph has shown the total credit disbursements and women credit disbursement in the state. There are quite different trends observed in both of them. The total disbursement has declined in FY2020 , revive in FY2021 and again decline in FY 2022 but the women's credit disbursement has shown increasing trends till FY 2020 and afterwards it is declining till 2022 and improving in FY2023.

Graph1: Women's Credit Disbursement (%) by Banks in Bihar (Souce: SLBC Bihar)



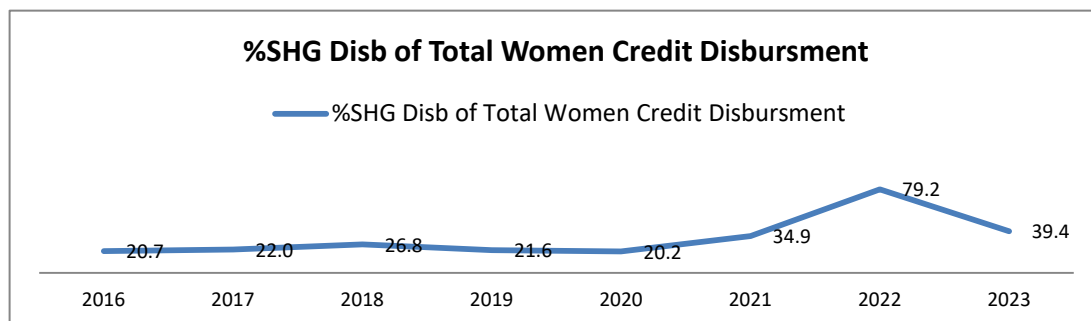
Graph2: Women's Credit Disbursement & Total Disbursement in Bihar
(Source: SLBC Bihar)



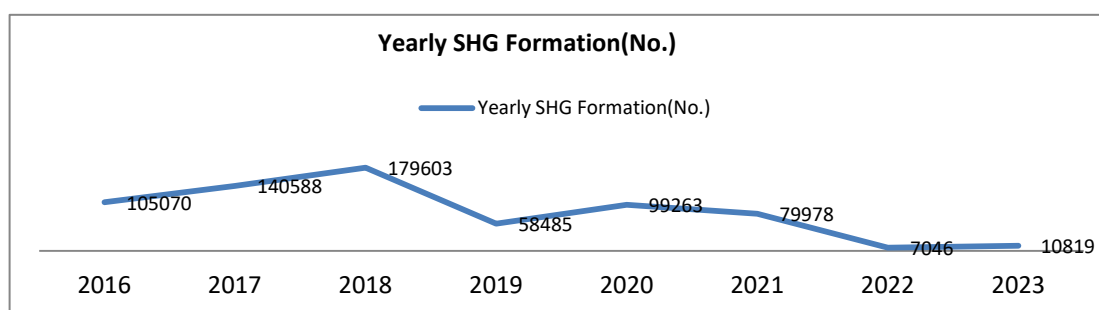
The Micro finance penetration in the state has risen significantly and women are the major beneficiaries of the scheme. The JEEVIKA scheme in the state acts positively to empower the women in the state. The total credit linkage to Self Help Groups (SHG) has increased significantly in the state. Its overall trends are positive throughout the year except FY 2021. While analyzing the trends, it has been seen that in FY 2020 when country is facing corona first wave and the total credit disbursement in the state has declined, the women's credit with major support of SHG credit finance has shown positive trends in the year. The no. of new SHG formation in the state has also risen in that year, although afterwards it was declined.

The Corona pandemic has affected the women's credit disbursements as well as its ratio of total disbursement in Bihar. While analyzing the ratio of SHG linkage loans to Women's total Credit disbursement from Financial Year 2016 to 2023, it is found that during corona period, it shows positive trends and it jumps to 79% in FY2020, although afterwards it shows declining (Graph3). It reflects that the credit to women is majorly contributed by Microfinance during corona pandemic. The number of new SHG formation in the state is declining continuously from FY2020 and as on FY2023, cumulatively it is 10.46 lakhs, which is a serious policy issue in Bihar.

Graph 3: % SHG finance to Total Women's Credit disbursements (Source: SLBC Bihar)



Graph4: Year wise SHG Formation in Bihar (Source: Govt. of Bihar)



Bihar has shown high penetration of Micro finance by Micro Financial Institutions (MFI) and Commercial Banks in the state and it is benefitting a large no. of women of the weaker sections. As of today, 59 NBFC-MFI, 30 NBFC and 12 Non-Profit MFI are working in the state. As of March 2023, their loan outstanding is Rs 19714 Cr., Rs. 6251 Cr. and Rs. 1016 Cr. respectively. Micro finance delinquencies are also low in the state compare to all India data. The credit disbursement and credit outstanding of banks in this segment has risen in these years and it has significant positive trends. The Non-performing loans under total SHG finance in Bihar are 2.69% which is quite low compared to other sectors. Except of Cooperative Bank, All categories Banks have low NPA in this segment and thus there is high scope to expand credit in this segment. Women entrepreneurs of Micro and Small sectors are taking benefit of this.

(II) Status of Women's Micro and Small Sectors in Bihar

The Udyam Registration data reflects that the women's MSMEs entrepreneurs rises in the state and as on 31.01.24 , total registered MSMEs owned by women is 161754 which is 3.47% of all India data. While comparing to top five states in no. of women's MSMEs, it is quite low in the state and it is largely dominated by Micro Sectors (99%). Maharashtra state is top in the no. of women's MSMEs. These MSMEs are contributing largely in generating employment and investment in the state. The state has large no. of informal sectors owned by women. The Udyam Assist Platform (UAP) data reflects that the state has 9.56% of total informal enterprises of all India and it is third highest in all Indian states. West Bengal (19.88%) and Uttar Pradesh (9.68%) are top in no. of women's informal enterprises.

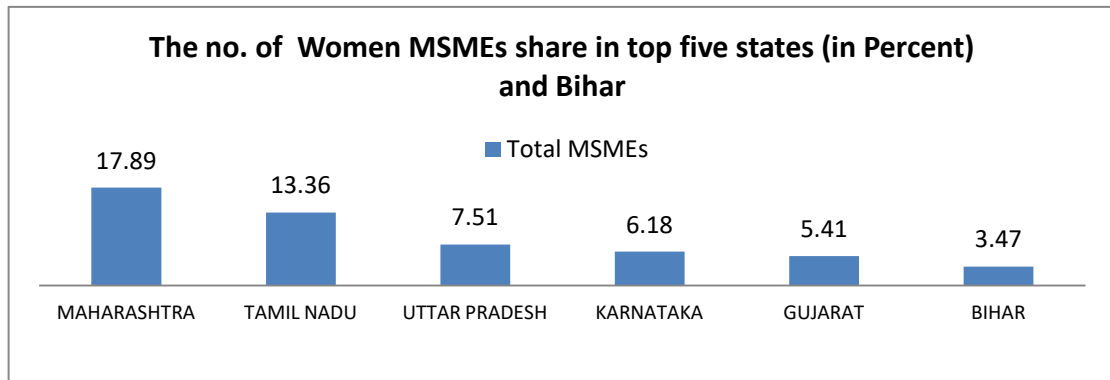
Table1: The no. of Women's MSMEs, their employment and investment in Bihar and India (Source: Govt. of India, status as on 31.01.24)

	Total	Micro	Small	Medium	Employment	Investment (in Crore)
Bihar	1,61,754	1,59,833	1,852	69	10,82,265	3671.12
All India	46,67,278	45,94,550	69,262	3,466	2,84,07,069	126845.12

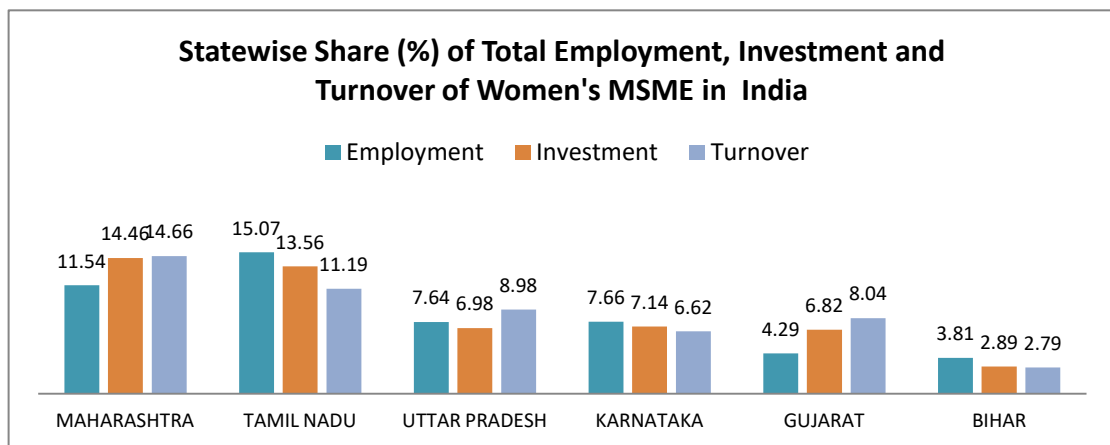
Table2: The no. of women's informal sectors and their employment of top five state (Source: Govt. of India, status as on 31.01.24)

	No. of Women Infomal Micro Enterprises(IMEs)	Employment
West Bengal	1810520 (19.88%)	2469911 (22.40%)
Uttar Pradesh	881950 (9.68%)	989544 (8.98%)
Bihar	870347 (9.56%)	943812 (8.56%)
Maharastra	764092 (8.39%)	876967 (7.96%)
Madhya Pradesh	749190 (8.23%)	810106 (7.35%)
All India	9108058 (100%)	11023945 (100%)

Graph6: The No. of Women's MSMEs share in various states (in percent) of all India data



Graph7: The State Share in Total Employment , Investment and Turnover of Women's MSME in India

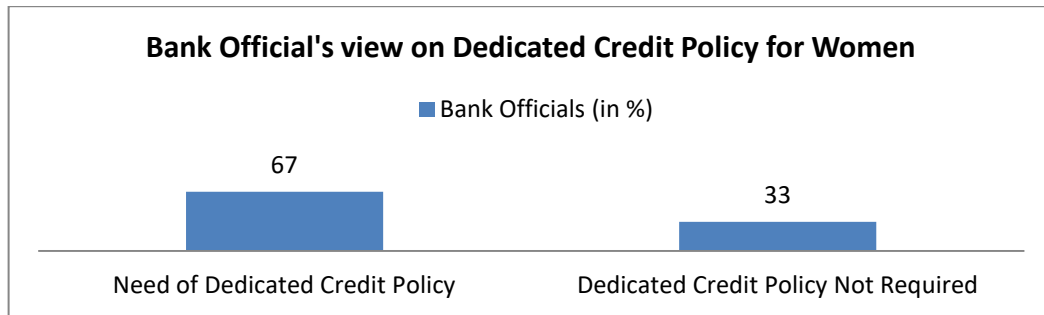


(III) The Challenges of Women's Credit in Bihar: Banker's View

There are interviews conducted by 34 bank officials regarding women's finance in the state. The Bank official views reflect as follows:

- (i) 67% of bank officials accepted that there is a need of dedicated policy for women's credit in Bihar. The present policy is not sufficient to address these issues.

Graph5: The Banker's view (in Percent) on dedicated Credit Policy for Women



(ii) There are social barriers, lack of financial awareness, lack of education and training to women in the state. These are major hurdles in financing to women in the state. Although various schemes like credit guarantee schemes, MUDRA schemes and other dedicated scheme for women is available with all categories of banks but women are not aware and not accessing the credit under the scheme.

(iii) The simplified document for loan processing, incentives like interest concession, subsidy will impact positive on their lending. The incentive of bank official in sanctioning the loan to women should be considered in bank credit policy.

(iv) The suggestions also received to arrange many credit camps in rural areas, dedicated credit guarantee scheme for women to uplift the credit in the state.

(v) Generally women are not coming forward to handle the business and mostly these are handled by their husbands or sons, thus there is chance of diversion of funds and bankers are feeling credit risk in this type of finance. The proper training and awareness can empower women and uplift their finances in the state.

I. Result and Discussion:

The study reveals that Bihar has shown positive trends in women's credit. Although it has decreased after FY2021, it shows reviving from FY 2023. The ratio of women's credit disbursement of total disbursement in Bihar has improved till FY 2020 but declined afterwards and shows positive in FY 2023. It reflects that Corona pandemic has affected credit to women in the state. The

state has shown improvement in micro finance lending to women but declining the number of new SHG formation in recent years is one of the major policy challenges in Bihar. The year wise data of ratio of SHG-Bank credit linkage to total women's credit reflects that during corona period, women's credit is majorly contributed with SHG-Bank finance. The ratio is rising from FY2020 to FY2022 and goes high 79% in FY 2022. The state has low Non-Performing loans in Microfinance sector and it impacts positive in women's credit in the state.

The state has increased women's MSMEs entrepreneurs in the state which impact positive in generating employment and investment in the state, but it is quite low in numbers while comparing to developed states. The state has a large no. of women's informal micro sectors and accessibility of credit to them in easy and affordable cost is a big challenge in the state. Bank officials have suggested that the dedicated credit policy for women in the state is needed and the awareness, training program and dedicated credit camps will impact positive to enhance credit to women's MSMEs in the state. The proper incentives and interest concessions will also impact positive on the lending to women's MSMEs in the state.

A. Conclusion

The women's credit in Bihar has improved in recent years and after corona pandemic, it is reviving. The ratio of women's credit disbursement to total disbursement is very low in the state and it needs to be improved. Although the state has improved in microfinance to women through Bank-SHG credit linkage program and through Microfinance institutions, but declining the number of new SHG formation in state needs attention by policymakers. During Corona times, women's credit is highly affected and most of women's credit disbursement is contributed by SHG-Bank credit schemes. The state has high number of women's MSMEs but it is very high in informal sectors. A proper policy attention is needed by the policy makers to provide easy and affordable credit to them. The lack of awareness, education and social barriers, lack of

simplified loan process in commercial banks are major hurdle to finance to them. A dedicated government policy is required to uplift them.

B. Limitation:

The study is limited to Bihar state only based on secondary data and interview of bank officials of the state . It cannot be generalized to all India.

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