

Micro financing Sole proprietorships in Narasapura and Kuppam

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Abstract

Sole enterprises are those that are run by single business owners. They employ around two to five assistants to help them manage their businesses. The single owner has unlimited liability and is responsible for all his profits and losses. In the era of market economics, where liberalization, globalization and privatisation has played a critical role in shaping the Indian economy, sole enterprises assumes special significance. Its more so in the smaller towns and areas situated closer to villages. In single enterprises the family members can also look after the business along with the main owners. But what was their main source of finance? As sole proprietorships were owned and controlled by a single businessman or business women the debts and losses was faced by themselves. So all the liability is their personal responsibility. So has micro finance come as boom to the deprived classes and uneducated masses to earn a livelihood. These are small loans for which a small amount of interest is charged where the loan amount starts from 50,000 Rs and may extend to a cross or more. They charge an interest rate of 18% per annum. The main purpose of studying was to find out the impact of micro finance on the businesses of single proprietors. The other objective was to get an insight into socio economic status the wage rates and employment creation of single businesses. The research gap pertained to whether micro finance has fulfilled its objective of creating better financing options for sole enterprises. They are those entrepreneurs that are run by single business owners. They employ around two to five assistants to help them manage their businesses. The single owner has unlimited liability and is responsible for all his profits and losses. In the era of market economics, where liberalization, globalization and privatisation has played a critical role in shaping the Indian economy, sole enterprises assumes special significance. Its more so in the smaller towns and areas situated closer to villages. In single enterprises the family members can also look after the business along with the main owners. But what was their main source of finance? As sole proprietorships were owned and controlled by a single businessman or business women the debts and losses was faced by themselves. So all the liability is their personal responsibility. So has micro finance come as boom to the deprived classes and uneducated masses to earn a livelihood. These are small loans for which a small amount of interest is charged where the loan amount starts from 50,000 Rs and may extend to a cross or more. They charge an interest rate of 18% per annum. The main purpose of studying was to find out the impact of micro finance on the businesses of single proprietors. The other objective was to get an insight into socio economic status the wage rates and employment creation of single businesses. The research gap pertained to whether micro finance has fulfilled its objective of creating better financing options for sole proprietorships.

Keywords: Micro finance, Sole proprietorships, self help groups, Grameen banks, socially distressed groups.

1.Introduction

There are various types of microfinance companies operating in India.

1. Joint liability group (JLG)
2. Self help groups (SHG)
3. The Grameen Bank Model

4. Rural Co-operatives

Here the proprietors business isn't taxed as a different but they file their business taxes as parts of their individual tax returns.

The question is has microfinance been made available to these deprived classes or are they depending on other sources of finance for their businesses? To understand this situation better a primary study was conducted in Narasapurataluk (Kolar) and BuchireddypalemKuppam (Chittordistrict).The total sample size is one hundred and fifty .Eighty samples were from Narasapura and Seventy was from Kuppam.

The main variables taken were

1. Job creation
2. Socio- economic status of business owners
3. Micro financing
- 4 Age of the business
5. Income earned per annum
6. Future prospects of sole proprietorships

2.Objectives

1. To compile a profile of the sole proprietorships taken for study inNarasapura and Kuppam
2. To find out the impact of micro financing on the businesses of sole proprietors of Narasapura and Kuppam.
3. To find out the profit,and socio-economic status of sampled single business owners of Kuppam and Narasapura.

3.Research Gap

Has micro finance fulfilled its objective of creating finance for single business who have brought about employment generation and sustenance to depressed classes and underprivileged classes in rural and small towns?. Has micro finance helped in the upliftment of the socially and economically backward sections of the society?

4. Review of literature

Sussan and Obamuyi, (2018) have emphasized the contribution of microfinance institutions in empowering the budding entrepreneurs to that extent where they can ensure the growth and development of their businesses. The result has also recognised the importance of non-financial services offered by MFIs for creating a substantial influence in the overall enhancement of a business enterprise.

Kumari et al.(2019) claimed that the microfinance industry presents a dynamic approach to improve the sources of income of lower level groups which eventually helps in eradication of poverty. It also defines a pathway for small level businesses to run efficiently by empowering poor women entrepreneurs. This study has also identified the requirement of setting up a structure by the governing bodies for ensuring an easy access towards the credit facilities of micro-finance units.

Sohn& Ume (2019) analysed the significance of the role played by a microfinance industry in dealing with the poverty of the society.This study elucidates the importance of the steps taken in the form of credit facilities in order to ensure the minimisation of poverty at the macro level of economy. It has also been found that female beneficiaries of micro-banking are more efficient as compared to their male counterparts in maintaining a feasible growth in the industry so some specific strategies should be implemented focussing them.

Ali & Mughal, (2019) made an analysis that monetary assistance offered by microfinance units can

deliver fruitful results only when it is complemented with a sense of knowledge to run a business in an effective manner. This study has specifically identified the importance of developing managerial as well as non-managerial skills in a small level entrepreneur in order to make him/her good enough for completely utilising the growth opportunities availed from the financial benefits of a micro-banking system.

5.Research Methodology

The research methodology followed was collected from both the primary as well as secondary data. For primary data collection field survey was conducted and interview method was followed. Sampling technique was analysing by means of percentage method. For secondary data reports and articles from government surveys, previously recorded publications on the micro financing topic was used.

6.Data Analysis and Interpretation

Table -1-Profile of the sampled respondents of both Narasapura and Kuppam post pandemic period.

Sl	No of sampled respondent			No of sole Proprietors selected for study	Age of business	Initial Investment using micro financing	Rate of return
	N	K	Total				
1	10	20	30	Medical shops	10-15 yrs	2-3 lakhs	50,000k
2	20	20	40	General Stores	15-16 yrs	1-2 lakhs	35,000k
3	30	20	50	Stationary Shops	14-15 yrs	1-1.5 lakhs	20,000k
4	20	10	30	Kitchen & home needs	10-12 yrs	1-2 lakhs	45,000k
5	80	70	150	-	-	-	-

Field Survey-2022 May

The first table shows the profile of the respondents taken for the study of micro financing and single proprietorships.

Table -2-Sources of finance available for the sole propretors of Narasapura and Kuppam.

Sl no	No of sampled respondents			No. of sole proprietorships	Occupation	Age groups	Private financiers	Micro finance	Other sources
	N	K	Total						
1	10	20	30	Medical shops	Sales/business	40-50yrs	60%	20%	20%
2	20	20	40	General stores	Sales/business	40-50yrs	65%	20%	15%
3	30	20	50	Stationary shops	Sales/business	40-50yrs	70%	10%	20%
4	20	10	30	Kitchen & Home needs	Sales/business	40-50yrs.	60%	25%	15%
5	80	70	150	-	-	-	-	-	-

Field survey-2022 May

The table analysis shows that the investment is around one to two lakhs and the rate of return was a little lesser than the amount invested indicating a almost moderate profit.

Table analysis shows that private financiers were the main source of finance for the sole proprietors of Narasapura and Kuppam. The reason was the availability of quick and easy finance without waiting period and paperwork. Besides private financiers according to the respondents answer gave grace time for a longer period to repay the loans. Other sources referred to the relatives who were the last resort to provide finance but they were kept as a last option.

Table -3-Wages Employment and Socio economic status of single business owners of Narasapura and Kuppam.

Sl.No.s	No. of sampled respondents			No. of sole proprietorships	Occupation	Family income	Own house, washing machine	Two wheeler, TV, Fridge	No. of family members
Sl.No.s	No. of sampled respondents			No. of sole proprietorships	Occupation	Family income	Own house, washing machine	Two wheeler, TV, Fridge	No. of family members
	N	K	Total			Household income			
1	10	20	30	Medical shops	Sales /business	1 lakh	10%	90%	6
2	20	20	40	General stores	Sales/business	75-80 K	10%	90%	5-6
3	30	20	50	Stationary shops	Sales Business	50-55K	20%	80%	7-10
4	20	10	30	Kitchen & Home needs	Sales/business	1.5 lakh to 2 lakhs	10%	90%	8-10
5	80	70	150	-	-	-	-	-	-

Field Survey-2022 May

Table Analysis :Only those conducting sales in the Kitchen and home needs shops made a decent business grossing more than a lakh after sales and depreciation .Only fifty percent totally among the selected samples had their own houses.

Findings

1.The investors were mostly middle class businessmen making small investments and getting small returns.

2.They depended on Private financiers for their business to prosper.

Limitations

The main limitation was lack of time to collect more samples.

Suggestions.

To make micro financing more resourceful in semi rural areas, making its reach better would entail the bank managers to interact more with their customers(small range businessmen) and give more clarity on the easy terms and conditions of understanding micro finance.

Conclusion.

Micro finance has partially fulfilled the needs of businessmen who are in need of small finance in the sampled towns of Buchireddypalem in Kuppam and Narasapura to run their shops. The findings indicated that to alleviate the monetary needs of the panchants .Recovery from losses post pandemic

was an uphill task as expected. Most of these businesses were looking for relief to recover from their losses from as these sole proprietors had to bear the brunt of the debts by themselves. Their main problem was unsold stocks which piled up during the lockdown period best and was put for sale by resorting to new marketing gimmicks such as door to door advertising and sales distribution of pamphlets and down pricing their goods and services they managed to stay afloat but still had to recoup and recover .

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