

Microfinance: Encouraging Women Entrepreneurs to Dream Big and Achieve Business Success

Rajasthan, 11th October 2021: Shakuntala’s story of grit and determination took her a long way from pushing her family from the confines of poverty to financial stability. It was way back in 2019, when Shakuntala opened the doors to a better future for her family.

She worked hard towards making herself known as an ambitious businesswoman and not just an ordinary housewife. In 2019, she opened a small snack shop with the help and support of Self-Help Group members, the Hand in Hand India team and Belstar Microfinance – NBFC-MFI. While she received a good response in 2019, the effects of COVID-19 and lockdown took a heavy toll on the business. As the COVID-19 introduced the world to schooling from home, Shakuntala’s husband who ran a school van service also lost his job due to closures. Life suddenly seemed dire and unpredictable, but despite the situation, Shakuntala never gave up hope and was determined to work harder towards earning their livelihood.

The Hand in Hand staff also reassured Shakuntala of giving herself a second chance of becoming an entrepreneur by opening a Mobile Cosmetics Enterprise in her husband’s school van. The team also helped her understand how microloans can support her business. Shakuntala was granted a loan amount of Rs. 75,000 by Belstar Microfinance, which encouraged her to initiate a new business. Today, she is able to earn an approximate amount of Rs 1000-1200 per day and her husband also helps her in managing and procurement.

With the enterprise creation idea and support received from the Hand in Hand India team and the credit support offered by Belstar Microfinance, Shakuntala is now able to educate her children without any worries. She has also been a responsible borrower and has made sure she pays off her monthly loan instalments on timely basis. At present, she finds herself in a financially stable position and is saving money to construct a new house and reopen a new grocery store.

Belstar Microfinance was acquired by Hand in Hand group in September 2008 to provide scalable microfinance services to entrepreneurs nurtured by the Hand in Hand India (HIH) Self Help Group (SHG) program. It aims to provide financial assistance to more than 0.3 million borrowers within the next 5 years and intends to use its synergy with the activities of the Hand in Hand group to create 5 million jobs by end of 2020. BIFPL started its micro lending operations in a small way in one district in Tamil Nadu and two districts in Karnataka in April 2009.

In the first five years of its operations post acquisition by HIH, BIFPL primarily relied on taking over the existing groups formed by Hand in Hand India (HIH). BIFPL now follows both the SHG as well as the PRAGATI model of lending. Muthoot Finance Limited a listed company and the largest gold financing Company has made a strategic Equity Investment of Rs 40 Crore in the Company in the month of July 2016 and acquired all the stake from the foreign Investors.

As per industry data, Microfinance loan portfolio stands at INR 2,37,369 crores as on June 30, 2021, serving 5.68 crore unique borrowers with 10.30 crore loan accounts.

NBFC-MFIs are the only regulated financial institutions in the country that give unsecured loans to the borrowers from low-income households. These institutions fill an unfunded credit gap for women who do not have the wherewithal to provide collateral or security of any sort. The aim of NBFC-MFIs is to build sustainable livelihoods. Through providing last mile financial services even to clients in remote rural areas, these institutions promote the Government's financial inclusion agenda.

NBFC-MFIs are an important partner for Prime Minister MUDRA Yojana and almost 50% of the loan disbursements under this programme have been done through microfinance companies. NBFC MFIs are registered with the Reserve Bank of India and are stringently regulated right from the size of loan, the tenure, the rate of interest and a Fair Practices Code (FPC) and an Industry Code of Conduct (CoC) which governs their functioning. The Reserve Bank conducts regular supervision of all NBFC MFIs.

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