

## **Microenterprise- Imperatives, Issues and Interventions**

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**Abstract:** *Microenterprise is extremely important to the entrepreneurship development, human development, poverty reduction and employment generation in the overall economy. The specific objective underlies in the provision of resource allocation, infusion of vital potent promoting microenterprise and to peruse socioeconomic patronization for development of the microenterprise. Secondary data is used in this research. For the study, the researchers organized Focus Group Discussions to have a clear conception on the issue. NGO-MFI regular microcredit program (rural credit, urban credit, ultra poor credit, seasonal credit and specialized projects for agriculture, livestock etc.) is providing collateral free individual loan from Tk. 500 to Tk. 25,000. Training of NGO-MFI staffs on loan appraisals, improved lending methodology through 'credit scoring' or on the basis of cash flow, minimizing risks for larger loans are needed. Non financial support through focus on clusters with development potential will help support services to be provided more efficiently and economically. It will help to emerge small and medium enterprises out of today's microenterprises. Development of micro enterprise needs to two-pronged strategy – poverty reduction and employment creation strategy. In most cases, financing interventions did not help clients graduate beyond the reach of part-time self-employment. Entrepreneurship development training is needed for the micro entrepreneurs. Flexible service interventions attaching to the economic condition of the micro entrepreneurs doses input potent to the microenterprises. Most of the micro enterprises demand loan and its availability in time of need.*

**Keywords:** *Credit, Microcredit, Flexible Interventions.*

### **1 Introduction**

Microenterprise is extremely important to the development of entrepreneurs, help human development, poverty reduction and employment generation both in rural and urban areas.

Microenterprise and its fosterence will bring about a pro-poor orientation in the growth process and they could be achieved through concerted efforts of government and non government organizations.

For micro entrepreneurship and enterprise development, the following elements should be kept in mind.

- Microcredit for poverty alleviation: Microcredit can be described as collateral free small loans offered to target poor households to generate self-employment in Income Generating Activities (IGAs).
- Microenterprise movement: Microenterprises (MEs) are defined as enterprise with less than 10 employees and are mostly in the informal/semi formal sectors.

Micro-entrepreneur as an individual thriving for economic independence generates self-employment and opportunities for others through initiating, establishing and running an enterprise by keeping pace with his/her vision.

Micro finance has become a strategy for reducing poverty of the people who are not in the purview of formal financial services. Access to credit and deposit services are the way to provide the poor with opportunities to take active role in their respective economies through income generation, bargaining power and social

empowerment. This is also well focused in various reports and publications (Linda Mayoux, & SANFI, 1998). In this perspective most MFIs have aim to reach hard core poor, but apparently they rare serve the hard core poor.

It was reported that most of the firms have financial crisis. In a focus group discussion, the respondents reported the financial constraints as a current problem, three quarters of respondents indicated that lack of operating funds was their primary concern and 14% indicated lack of investment funds(Shamim, 2020).

## 2 Objectives

The overall objective affiliates the reason that intervene development of microenterprise and its growth opportunities. The specific objective underlies in the provision of resource allocation, infusion of vital potent promoting microenterprise and to peruse socioeconomic patronization for development of the microenterprise.

## 3 Importance

Since the study is an effort to discuss the issues problems and prospects of the microenterprise sector, the researchers had an attempt to focus the overall scenario embedded in the economic peripheral parasites. The important inputs attributable to the study are as under:

- a. The study will indicate a general conceptual framework that may be embedded in the development of ME sectors.
- b. The study will prescribe a simple guiding principle to the stakeholders working for development of the sector.
- c. Lastly it will give a direction for navigating the research attempt of the potential talents interested for research in exploring the avenues for more expansion and improvement of the academic portfolios.

## 4 Methodology

Secondary data is used in this research. The researchers have meticulously reviewed the research documents and other literatures relevant to the topic and concentrate the inner thoughts in the article. During the course of study the authors discussed the issues with the persons expertise in this field. For the study, the researchers organized Focus Group Discussions to have a clear conception on the issue.

## 5 Analysis

Microcredit as an important development paradigm, which is being used as an effective tool for poverty alleviation of about 60 million people nearly 46% of the country's population. Out of this about 13 million people, almost 90% women are receiving microcredit services.

NGO-MFI regular microcredit program (rural credit, urban credit, ultra poor credit, seasonal credit and specialized projects for agriculture, livestock etc.) is providing collateral free individual loan from Tk. 500 to Tk. 25,000.

## 6 Microenterprise Movement-a factual focus on the issue

Successful intervention of microcredit movement during the past twenty years has helped to emerge micro-entrepreneurs, generating employment outside the family. In the past, such business was supported by the microfinance sector under smaller household –level IGAs involving family members. At recent, some NGO-MFIs and commercial banks have started lending to this sector with loan ranging from Tk. 25,000 to Tk. 5, 00,000. Syed Azim in his study “Flexible services for developing micro enterprises” focused this popular approach of the basis to lending.

The potential size of this market is estimated to be more than 5 million borrowers but lenders have so far reached about 6, 54,000 only.

Majority of the micoenterprises are located in the rural areas. The former public limited commercial banks have very limited programs, which are collateral free. Only Shonali and Janata Banks have good facilities on providing collateral free loans up to Tk. 5, 00,000. However, these programs are available only in Dhaka and their cost effectiveness is very low.

Over the period of time few IGAs have scaled up to microenterprise, creating full time job for the family members and others. With scaling up male participation in the enterprise have been increased especially for marketing. Distinguished features of microenterprise are ease of entry and use of intermediate technology.

The intrinsic features of which microenterprise labor intensive, create jobs for poor and poorest of the people. They may be ultra poor people who are not willing or who lack the confidence to take loan to start an enterprise, and are also often women. Development organizations are pursuing the development of microenterprise. Some of the best interventions are:

- i. MELA-BRAC’s Microentrepreneurship Building Program
- ii. Small business Program of ASA.

PHSF lunched microenterprise financing in November 2001. Features of the programs are:

- i. Collateral free loan
- ii. Loan ranges from Tk. 30,000 to Tk. 3, 00,000

PKSF’s study on microenterprise program in 2006 indicates that more than 100 NGO-MFIs are involved in micro-enterprise financing. The study also indicates that, among he most successful micro-entrepreneurs, entrepreneurs dealing with poultry and livestock, business/trade, cottage and small industries, food processing industries, and manufacturing industries did remarkable success with microenterprise financing.

Training of NGO-MFI staffs on loan appraisals, improved lending methodology through ‘credit scoring’ or on the basis of cash flow, minimizing risks for larger loans are needed. Non financial support through focus on clusters with development potential will help support services to be provided more efficiently and economically. It will help to emerge small and medium enterprises out of today’s microenterprises.

## 7 Concluding Remarks

- a) Development of micro enterprise needs to two-pronged strategy – poverty reduction and employment creation strategy. Financial support is one of the best inputs for poverty alleviation no doubt but for a successful movement to poverty alleviation, interventions for income generating activities (IGAs) should be embedded into the financing program. .

- b) In most cases, financing interventions did not help clients graduate beyond the reach of part-time self-employment. This urges that for full time employment, micro entrepreneurs should be linked with appropriate IGAs by scaling up their skill and other support.
- c) Entrepreneurship development training is needed for the micro entrepreneurs. The success of entrepreneurship is largely dependent on efficient management of micro enterprises.
- d) Flexible service interventions attaching to the economic condition of the micro entrepreneurs doses input potent to the microenterprise. These inputs vitalizing the dormant elements of the entrepreneurs, changes their mind set and motivates them to IGAs through microenterprise. Besides financial services, micro-entrepreneurs also need flexible non-financial services like IGA oriented skill training, start up counseling, linkage with market channels to expose IGA output to the demanding clients etc. Thus high priority should be attached to flexible intervention for both financial and non-financial services by scaling their effects on the target client.
- e) Most of the micro enterprises demand loan and its availability in time of need. There is a proposition that Loan is an essential input of IGAs to the demanding micro-entrepreneurs but loan size, need time, nature of IGAs, demand for client's the product/ service are the considering factors to the supply side. But for micro enterprises, entrepreneur's skill level, market demand of their services /output and linkage opportunities with market channel are also the influential proponents. Since IGAs passes through a number of stages, client's demand would vary with the state of their IGAs. So, MFIs need to match these needs considering the above factors.

## References

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