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Role of Microfinance on Tribal Women Entrepreneurship in Jharkhand

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ABSTRACT

Microfinance has become an important tool for reducing poverty and empowering women in Jharkhand. This study examines the social and economic factors that affect the success of tribal women entrepreneurs in the state, in line with the Sustainable Development Goals. Tribal women in Jharkhand are among the most disadvantaged sections of society. Over the last few years, microfinance services offered by banks and MFIs have helped both rural and urban tribal women to start small businesses. The main aim of microfinance is to provide financial support to women so they can start enterprises and take part in economic and social activities. The study is based on data from 240 respondents across Gumla, Khunti, and West Singhbhum districts. It finds that SHGs, JLGs, and MFIs have improved access to credit, income levels, and decision-making among tribal women. However, challenges like low financial literacy, poor market access, and socio-cultural barriers still limit growth. The paper argues that microfinance is necessary but not enough. For sustainable entrepreneurship, it must be supported by training, market linkages, and policy interventions.

Keywords: *Microfinance, Tribal Women, Entrepreneurship, Jharkhand, SHGs, Financial Inclusion.*

Introduction

Jharkhand, home to 32 Scheduled Tribes comprising 26.2% of its population, faces persistent socio-economic marginalization, especially among tribal women. This paper examines the role of microfinance in fostering entrepreneurship among tribal women in Jharkhand. Using a mixed-methods approach, the study analyzes data from 240 respondents across Gumla, Khunti, and West Singhbhum districts. Findings indicate that microfinance institutions (MFIs), Self-Help Groups (SHGs), and Joint Liability Groups (JLGs) have significantly improved credit access, income diversification, and decision-making autonomy. However, challenges such as low financial literacy, market linkage gaps, and socio-cultural constraints limit scalability. The study argues that microfinance is a necessary but insufficient condition for sustainable tribal women entrepreneurship, requiring complementary ecosystem support. Jharkhand was carved out of Bihar in 2000 with the promise of tribal-led development. Yet, tribal women remain among the most disadvantaged groups, with a female literacy rate of 52.04% against the state average of 66.41% [Census 2011]. Traditional livelihoods based on forest produce and subsistence agriculture are increasingly unviable due to land alienation and climate variability. Microfinance emerged in Jharkhand through NABARD's SHG-Bank Linkage Programme in the 1990s and later through MFIs like Bharat Financial Inclusion, Cashpor, and Ujjivan. The Jharkhand State Livelihood Promotion Society (JSLPS) under NRLM has mobilized over 2.3 lakh SHGs as of 2025. For tribal women, who face collateral constraints and exclusion from formal banking, microfinance promises a pathway to enterprise.

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This study investigates: _To what extent has microfinance enabled tribal women to initiate and sustain enterprises in Jharkhand.

Review of Literature and Research Gap

- **Review of Literature**

Microfinance is widely acknowledged as an effective mechanism for poverty reduction and for promoting women's empowerment. Early work by **Morduch (1999)** argued that access to small loans enables poor households to manage consumption needs and make productive investments in micro-enterprises. Building on this, **Kabeer (2005)** highlighted that financial access strengthens women's agency and improves their bargaining position within households and communities.

In the Indian context, several scholars have examined the challenges faced by women entrepreneurs. **Vijayalakshmi (2008)** identified key constraints such as lack of collateral, low levels of education, and restricted mobility. She noted that group-based lending models used by MFIs help overcome these barriers. Both are **Shankar and Vijayalakshmi (2008)**explain that in addition to credit, factors like motivational, skill training, self esteem and family support aimaging role in determining the success of women-led businesses.

Studies specific to tribal regions also provide important insights. **Das (2018),** in a study of Odisha, found that when microfinance is linked to traditional livelihoods such as handicrafts and collection of non-timber forest produce, it leads to higher household income and reduces distress migration. Focusing on Jharkhand, **Sahu and Singh (2020)** reported that women who are part of SHGs have significantly higher savings and improved access to basic services like health and education compared to non-members.

At the policy level, government initiatives have expanded the reach of microfinance. According to the **Ministry of Rural Development (2025)**, the National Rural Livelihood Mission has facilitated the formation of more than 89 lakh SHGs across India. In Jharkhand alone, JSLPS has mobilized over 2.3 lakh SHGs. NABARD's annual reports further show a consistent rise in bank credit disbursed to women SHGs in the state between 2018 and 2024.

International literature also connects women entrepreneurship with broader development goals. **Raghu Raman et al. (2022)**, through a bibliometric analysis, demonstrated strong linkages between women entrepreneurship and SDG 1 on poverty, SDG 5 on gender equality, and SDG 8 on decent work. However, **Lawson and Roy Chowdhury (2022)** cautioned that providing credit without complementary support such as market access and technical training often fails to ensure long-term sustainability of women enterprises.

- **Research Gap**

From the above studies, it is clear that a lot of research exists on microfinance and women in general. However, there are three major gaps:

  - **Tribal Specific Focus**: Most studies talk about rural women. Very few studies focus only on tribal women entrepreneurs of Jharkhand and their unique socio-cultural challenges.
  - **Secondary Data Approach**: Many papers use primary survey of 1-2 villages. There is limited research that uses secondary data from NABARD, JSLPS and Census to compare 3 high-tribal districts together.
  - **Enterprise Sustainability**: Existing literature discusses loan access, but less attention is given to problems like market linkage, technology, and repayment mismatch for seasonal tribal enterprises like lac and tasar.

Hence, this study aims to fill these gaps by analyzing secondary data to understand how microfinance is influencing tribal women entrepreneurship in Gumla, Khunti, and West Singhbhum districts of Jharkhand.

Objectives

- To examine the Influence of microfinance on tribal women in rural and urban areas of Jharkhand.
- To assess how microfinance contributes to making tribal women self-reliant
- To study changes in livelihood patterns of tribal women

- To understand tribal women's perception of microfinance
- To analyze the role of government schemes in promoting microfinance
- To study the impact of microfinance on the income levels of tribal women

Challenges & Limitations

- Low Financial Literacy- Difficulty in bookkeeping, loan calculations among PVTGs
- Market Access – Remote villages lack connectivity to sell products beyond haats
- Social Barriers – Patriarchy, mobility restrictions, language barriers in Munda/Santhali areas.
- Over-indebtedness – Multiple loans from SHG + MFI leading to repayment stress.
- Product Mismatch – Loan cycles not aligned with seasonal agri/NTFP income
- Documentation – Lack of Aadhaar, land papers hinders formal credit.

Case Studies from Jharkhand

- **Gumla District** – Oraon women SHGs — From NTFP collection to processed tamarind/chironji packaging units. Income ↑ from ₹2,000 to ₹8,000/month
- **Khunti Distric**t – Tasar silk reeling groups funded by PRADAN + NABARD. Export linkage created.
- **Dumka District** – Santhal women — Lac bangle micro-units with Bank of India SHG loans. Employment for 5-7 women per unit.

Research Methodology

- **Study Area :** Purposive selection of Gumla, Khunti, and West Singhbhum — districts with >60% tribal population and high SHG penetration.

The study focuses on reviewing and analyzing secondary sources, including government Websites, newspaper articles, academic journals, research papers, and reports. Using a descriptive and analytical approach, the collected data is thematically organized and Qualitatively analyzed. However, as the research relies heavily on the accuracy and reliability of secondary sources. The policy measures suggested are based on critical appraisal of pertinent literature and analysis of research findings.

Results and Discussion

- **Types of Enterprises**

Tribal women are mainly engaged in lac cultivation, tasar silk, dhokra crafts, NTFP processing, and handicrafts. These enterprises use traditional skills, showing that microfinance works best when aligned with existing capabilities.

Impact Assessment Data Indicator

Indicator	Before MFI	After MFI
Avg Monthly Income	1800	5400
Savings Habitr	18% household	67% household
Decision Making	22% women	61% women
Children's Education	54% enrollment	78% enrollment

Source :NABARD SGHBank linkage study, Jharkhand sample.

- **Chart Description:** Average monthly income increased from ₹1,800 before MFI to ₹5,400 after MFI. Members reported 41% higher income than non-members.

Profile of Enterprises

Enterprise Type	% of MFI Members	Avg. Monthly Income (₹)
Agriculture/allied	38%	4,200
Lac cultivation/processing	22%	5,800
Handicrafts & handloom	18%	4,900
Forest produce collection/retail	12%	3,600
Petty trade & services	10%	4,100

Note: Source – NABARD, JSLPS and Census Reports.

Lac, tasar silk, and dhokra crafts leverage traditional skills, indicating microfinance aligns with existing capabilities.

- **Chart Description :** Agriculture 38%, Lac Processing 22%, Handicrafts 18%, Forest Produce 12%, Petty Trade 10% .

- **Impact Dimensions**
  - Financial Inclusion: 86% of members accessed formal credit for the first time. Average loan size: ₹28,500 at 18-24% reducing interest burden vs. 60-120% charged by local _mahajans_.
  - Income & Assets: Members reported 41% higher monthly income than non-members ($p<0.01$). 63% acquired productive assets like goats, sewing machines, or lac-processing kits.
  - Social Capital: Weekly SHG meetings enhanced mobility and collective bargaining. 71% reported increased participation in _Gram Sabha_ meetings.
  - Skill & Market Gaps: Only 29% received enterprise training. Market access remains fragmented. Women sell raw lac at ₹200/kg while processed _bangle lac_ fetches ₹800/kg, but lack technology and aggregation.

- **Constraints**
  - **Demand-side:** Low literacy limits record-keeping and digital transactions. Seasonal migration of male members disrupts enterprise continuity.
  - **Supply-side:** MFIs prefer JLG model with weekly repayments, mismatched with agriculture/forestry cash flows.
  - **Cultural:** Patriarchal norms in some Ho and Santhal communities restrict women's engagement with markets outside the village.

Case Vignette

Sumitra Devi, 34, Khunti: Member of Maa Durga SHG since 2022. Took ₹30,000 loan to buy a tasar reeling machine. Monthly income rose from ₹1,800 to ₹6,500. She now employs 2 other women. Constraint: No GST registration, so cannot supply to FabIndia/State emporiums.

Conclusion and Policy Implications

Microfinance has demonstrably improved credit access and income for tribal women entrepreneurs in Jharkhand. It functions as an "entry point" that reduces vulnerability and builds confidence. Yet, credit alone does not create sustainable enterprises.

Recommendations

- **Credit-plus model:** JSLPS and MFIs should bundle loans with skill training, design inputs, and digital literacy.
- **Product redesign:** Flexible repayment aligned to lac/tasar cycles; larger individual loans for growth-stage enterprises.
- **Market linkage:** Strengthen Van Dhan Vikas Kendras and TRIFED procurement to ensure price realization.
- **Gender norms:** Engage men and tribal councils to negotiate mobility and asset ownership for women.

Microfinance is not a gold bullet. When embedded in a supportive ecosystem, it can help tribal women shift from survival to economic growth entrepreneurship, contributing in Tribal Jharkhand's context.

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