

# IMPACT OF MICRO FINANCE INSTITUTIONS ON WOMEN ENTREPRENEUR DEVELOPMENT – A STUDY IN BANGALORE DISTRICT

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## Abstract

In India, the provision of credit through Self Help Groups (SHGs) approach by National Bank for Agricultural and Rural Development (NABARD) was started in 1992, which not only helps to improve the village economy but also make the rural financial system to move towards more inclusive and sociable development for common people. An attempt has been made in this research to examine the impact of micro finance by microfinance institutions through Women Self Help Groups (WSHG) in Bangalore district. The provision of credit facilities through Self Help Group helps to increase economic status, access to formal credit and empowerment of women households living below poverty line. As a result, most of the people living in rural areas have joined in SHGs to get credit, making it the largest and fastest network of financial inclusion.

## 1.1 Introduction

The provision of different financial services from formal sources to the poor people living in rural area has led to initiate the mission of financial inclusion in India. Financial inclusion has been defined as the provision of affordable financial services (RBI, 2006) to those who have been left unattended or under-attended by formal agencies of the financial system. These financial services include payments and remittance facilities, savings, loan and insurance services. The process of financial inclusion ensures an access to financial services, timely and adequate credit needed by vulnerable groups such as weaker sections and low-income groups at an affordable cost (Rangarajan 2008).

Micro financing is one such intervention that aims at poverty reduction by providing basic financial services to the underserved section of the society at affordable terms. The objective is to ease the credit constraint of households or to provide them with capital to initiate an activity, thereby increasing their income and consumption. Micro credit programmes are also being used to target the poor, especially women, to involve them in income-generating activities (Khandker et.al 1998).

The poorest, especially women, when receive credit, they become economic actors, and with power, they can improve not only their own lives but in a widening circle of impact, the lives of their families, their communities, and their nations. The small amount of loan helps in self employment and a thriving little business generating enough income to feed the family, send kids to school, and build decent housing (Bakhtiari 2006).

## 2.1 Literature review

**Banerjee (2009)** in his research is of opinion that members compulsorily do have saving from their monthly income has significantly increased the post-group average saving of the families. The average income of group members has increased but the inequality of distribution of income is higher among the group members than that of the non-group members.

**Vinayamoorthy (2007)** concluded in the study that most of the women have joined in the SHGs for getting loan and promote their personal savings, in addition to gaining the social status. The timely repayment of the loan with increase in saving seems to convey that the economic activity of SHGs was successful. The pre and post evaluation study of 134 members in Tamilnadu explored that the participation in SHGs helped increase the income and expenditure of members, contributing more to their household needs and getting opportunity in an independent economic activity.

**Dhungana and Kusakabe (2010)** in the study are of opinion that the provision of credit through membership in SHGs is useful for gaining employment which, leads to better recognition in the family and society of the women with disability (WWD). The formation of SHGs not only provides employment, but also gives them a chance to be connected with the outside world. The members are getting out of the house, doing their own shopping, going to the cinema once in a while, and using local transport to visit friends by attending regular meetings of SHGs. Group formation creates an opportunity for WWDs to be in the public arena (i.e. celebrating International Day for Disabled Persons, involving them in community affairs, performing a cultural programme, publishing a quarterly magazine, speaking in the national media etc). Such public appearances have enabled women to be articulate in the communities, and have proved to be an effective instrument for fostering women's social empowerment at the grassroots.

**Kelkar et al. (2004)** found that the access of credit changed the concept like 'man as a bread winner' and helped women to value their independent income, education, mobility, professional engagement and work outside the home. Amongst some of the changes observed are for example in access to ownership of assets, acquiring the new land in wife's name or jointly with husbands etc. all due to the increase in the overall income level. All these changes enhance women's agency in daily life, and give them a greater voice in deciding household affairs.

**Banerjee and Talukdars (2007)** study of 30 women entrepreneurs reveal that majority of them were above 50 years of age, had good educational background belonged to higher income group families and were concentrated in urban areas. It was further found that women entrepreneurs had greater motivations, greater job involvement and higher annual family incomes. At the same time, those with high entrepreneurship faced less conflict in their roles as entrepreneurs and housewives whereas those with low entrepreneurship faced more conflict

comparatively more number of women belonged to joint families, approached institutions for financing their enterprises and hired labour from outside than those having low extent of entrepreneurship.

**Vasanthakumari (2012)** Empowerment shows the degree of control over certain matters, choice to make independent decisions which is made possible by starting a new venture and becomes one's own boss. The sources of empowerment may be the governments which propose such income generating projects which enhance women empowerment.

**Samanta (2009)** submitted that women have no control over credit which is the failure of microfinance to empower women. Greater financial independence for rural women increases their bargaining capacity, reduces violence against women and enables them to gain more influence over decision-making in the family

**Debadutta Kumar Panda (2009)** in his study on Socio-economic impacts of Self-Help Groups on Rural Women is of opinion that the SHGs have acted as tools for poverty alleviation and socio-economic development of rural poor, especially under-privileged rural women. This study was conducted in the Orissa and Jharkhand states of India with an objective to measure the socio-economic impact of SHGs across a set of variables including income, employment, migration, literacy position, savings, household decision making and participation in PRIs including the members' savings and access to credit. The individual 'SHG member' was the unit of analysis. Data collection was made from 40 respondents through a structured pre-tested interview schedule. Analysis and assessment of impact was done through descriptive statistics and econometric tools like OLS, TSLS and logistic regression. The study is of conclusion that there is strongly positive impact of SHGs on the socio-economic characteristics of the members.

### 3.1 Objectives of the study

- To determine the effect of microfinance savings services on women entrepreneurship development
- To examine the effect of microfinance lending services on women entrepreneurship development
- To explore the effect of microfinance training and education services on women entrepreneurship development

### 4.1 Research methodology

#### 4.2 Research design

The study is of descriptive and explanatory that seeks to gain and analyze the effect of microfinance institutions services on women entrepreneurship development in Bangalore district. The target population of this study was the women members of self help groups at Bangalore district. The sample of 86 women members are collected from selected regions of Bangalore district.

**4.3 Data collection instrument:** Data was collected by use of structure questionnaire. The questionnaire consisted of two sections. The first section is to obtain general information on respondents' profile. The second section was to determine the effect of micro finance institutions on women entrepreneurship development in Bangalore district.

#### 4.4 Reliability analysis

In this study to ensure the reliability Cronbach's Alpha was used and this value is widely used to verify the reliability of the data. The acceptable reliability coefficient is 0.6 and above (Siegel 2003). If the Cronbach's alpha is below 0.6 the reliability of the questionnaire is considered too low and thus the research tool should be amended.

#### 4.5 Data analysis

The data is analyzed by the researcher by using descriptive statistics and inferential statistics. Descriptive statistics included mean and standard deviation. For inferential statistics multiple regression analysis is done. Correlation analysis was carried out to establish the effect of microfinance services affect on women entrepreneurial development. Multiple linear regressions were used to establish the predictive analysis of the study model specified by the following equation:

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + e$$

Y = Women entrepreneurs development

X<sub>1</sub> = Savings services

X<sub>2</sub> = Lending services

X<sub>3</sub> = Training and education

e = Error term

$\beta_0$  = is the intercept

### 5.1 Findings

#### 5.2 Reliability Analysis

A pilot study was carried out to determine reliability of the questionnaires. The pilot study involved 20 respondents. Reliability analysis was subsequently done using Cronbach's Alpha which measures the internal consistency by establishing if certain items within a scale measure the same construct. Cronbach's Alpha was established for every objective which formed a scale. The table shows that the training and education services has the highest reliability ( $\alpha = 0.933$ ) followed by Savings services, Lending services and Entrepreneur development ( $\alpha = 0.932$ ).

This indicates that all the four scales were reliable as their reliability values exceeded the prescribed value of 0.7. This depicts that the research instrument was reliable and required no amendments. Therefore the data indicate good reliability and consistency.

**Table 5.1 Reliability Analysis**

Scale	Cronbach's Alpha
Savings services	0.932
Lending services	0.932
Training and education	0.933
Entrepreneur development	0.932

Source: Field samples

**Table 5.2 Trend of aspects of Women Entrepreneur development**

	Mean	Standard Deviation
Savings services	4.07	1.029
Lending services	3.90	1.020
Training and Education	3.99	0.976
Entrepreneur development	4.18	0.909

Source: Field samples

The women members were requested to indicate the various aspects of women entrepreneur development. From the findings, it is indicated that the business of women members had improved as shown by a mean score of 4.18, savings services with mean score of 4.07, lending services and training and education with mean score of 3.90 and 3.99 respectively.

**Table 5.3 Extent that microfinance services affect on women entrepreneur development**

Extent	Percentage
Strongly disagree	2
Disagree	7
Neutral	4
Agree	48
Strongly agree	40

Source: Field samples

On the enquiry to the question about the extent that lending services, savings services and training and education services affects the women entrepreneurs development, majority (48%) of the respondent agree that the services of microfinance institutions affects women entrepreneurs development, 40% strongly agree that there is effect of microfinance services on women entrepreneurs development and only 7% disagree that there is no effect of microfinance services.

### 5.3 Inferential Analysis

To establish the relationship between the independent variables and the dependent variable of the study, inferential analysis is conducted which involved a coefficient of determination and a simple regression analysis. Inferential analysis is utilized in this study to determine if there is a relationship between an intervention and an outcome, as well as the strength of that relationship.

The regression model summary,  $r^2$  is the square of the sample correlation coefficient between outcomes and predicted values. It explain the extent to which changes in the dependent variable can be explained by the change in the independent variables or the percentage of variation in the dependent variable that is women entrepreneurs development which is explained by the independent variables that is savings services, lending services and training and education services.

From the table 5.4, the regression results reveal that the microfinance services provided by microfinance institutions had overall significant impact on women entrepreneur development (p-value = 0.000). The regression results also shows that at individual level, there was a statistically significant positive linear relationship between lending services and women entrepreneur development ( $\beta = 0.2546$ , p- value 0.028) in that the p-value is less than a (0.028 < 0.05). The regression results also show that 29.39 percent of the women entrepreneur development can be explained by microfinance services provided by microfinance institutions.

**Table 5.4 Goodness of Fit Analysis**

Regression Statistics	
Multiple R	0.5421
R Square	0.2939
Adjusted R Square	0.2681
Standard Error	0.8650
Observations	86

#### Overall Significance: ANOVA (F test)

	Degree of freedom	Sum of Squares	Mean Squares	F value	Significance F
<b>Regression</b>	3	25.5378	8.5126	11.3765	0.0000
<b>Residual</b>	82	61.3575	0.7483		
<b>Total</b>	85	86.8953			

**Individual Significance (T test)**

	Coefficients	Standard Error	T stat	P value
Intercept	1.49537	0.45457	3.28960	0.00148
Savings services	0.23527	0.13186	1.78422	0.07809
Lending services	0.25466	0.11410	2.23183	0.02835
Training/education services	0.16064	0.11584	1.38669	0.16930

**Predictors: (Constant) Savings services, Lending services and Training and education**

**Dependent variable: Women Entrepreneur Development**

**Source: Primary data**

Arising from the research results in Table 5.4, multiple regression equation that may be used to estimate women entrepreneur development given its constant variables is stated as follows:

$$Y = 1.4954 + 0.2353X_1 + 0.2547X_2 + 0.1606X_3 + e$$

Where:

Y = Women Entrepreneur development

1.4954 = y intercept constant

0.2353= an estimate of the expected entrepreneur development corresponding to an increase in savings services

X<sub>1</sub> = Savings services

0.2547= an estimate of the expected entrepreneur development corresponding to an increase in lending services

X<sub>2</sub> = Lending services

0.1606= an estimate of the expected entrepreneur development corresponding to an increase in Training and education services

X<sub>3</sub> = Training and education services

e= the error term – random variation due to other unmeasured factors.

## 6.1 Summary of Findings

The study concludes that there is considerable influence of micro finance services such as lending services on women entrepreneur development. The study reveals no much effect of savings services and training and education services on women business development. As a part of finance business requires more financial needs than any other services for the start up and further development. In this regard microfinance institutions need to supply finance for the small business sectors run by women.

## 7.1 Conclusion

Microfinance institutions are the major tools for the contribution of the development of business run by women members. The financial institutions need to be flexible in lending loan to women who are under start ups and further expansion, which would lead success in women empowerment and also women entrepreneurial development.

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