

Entrepreneurship Development through Micro Finance under Self Help Group (SHG) scheme: A Case Study of Davanagere District of Karnataka

Babu K.A.,

Assistant Professor of Commerce,
Government First Grade College for Women,
Davanagere – 577004

ABSTRACT

The study reports are the findings from a survey of members of SHG' with reference to Davanagere district of Karnataka. A questionnaire was administered to 320 respondents' of the Members of SHG in the study area. The analysis of the findings states that Analysis of Variance (ANOVA) shows that there is a significant difference ($p < 0.001$, HS) in perception towards awareness and living standard among the various components of SHG members. Thus, Null hypothesis has to be rejected. It is inferred that there is a significant relation among various components of awareness towards micro finance and imprudent in living stand.

Keywords: SHG, MFI, IRDP, NABARD.

INTRODUCTION

Micro financing institutions are controlled by nine basic elements. They are people, structure, task, technology, culture strategy, processes, systems and environment (internal and external). To survive, grow and excel in the long run they focus on "clean, lean and green organization" People-centered attitude of SHG would enable and give strength and confidence to people to perform better. This tendency of SHG would impel a culture of "power within"(courage of conviction), "power with"(collective solidarity) and "power to" (performance solidarity) act, learn, share move together. This does not give scope for competing individualism or corporate careerism. A transformative approach to SHG requires a sense of organic relationship among "heart-set", "mind-set" and "skill-set": this means, a vibrant combination of '**dil**' (heart), '**dimag**' (mind) and '**dum**' (dynamism). Self-help groups in India with other forms of group-based microfinance. Indian SHGs are primarily formed of women in rural areas. They represent a very different form of microfinance from that which is familiar in most countries. Most importantly perhaps, the great majority of them have nothing to do with the specialized microfinance institutions which have so captured public imagination around the world. In India most SHGs are financed by ordinary branches of ordinary commercial banks, which also do traditional bang business with their other customers. The groups also have savings accounts with their bank. Many, but by no means all of the groups were originally started with the help of subsidized nongovernmental organizations and an increasing number are being set up under government programs, or by the banks from which they will in due course borrow, or by individual members themselves.

OBJECTIVES OF THE STUDY

The main intention of the study is to measure and assess the role of micro finance for the entrepreneurship development of Karnataka with the help of self help group along with associated implications for research and practice in this area. The present research is undertaken with the following precise objectives:

1. To study and evaluate the knowledge of members on micro finance through SHG in Davanagere district.
2. To identify and recognize improvements in the living standards, empowerment, capacity building and managerial abilities of the rural respondents in Davanagere district.

NEED FOR THE STUDY

The present concept of micro financing is different than the previous one. It is free from mistreatment based on the principle of co-operation and group approach. Even in the 1980 several micro credit programs including “Integrated Rural Development Programme (IRDP)”, “Development of Women and Children in Rural Areas (DWCRA)”, “Training of Rural Youth for Self-Employment (TRYSEM)”, “Stree shakti”, “Shri Kshethra Dharmasthala Rural Development”, etc were common, but the approach and style followed were entirely dissimilar. It is experiential that the formal sector credit was very inadequate and barely accessible for tiny borrowers. To smash this trend MFIs accepted small borrowers as their members. The question to be answered is that how these MFIs could be successful in capturing the huge population, which were hitherto disadvantaged of access to credit? How could they be successful in attracting the bankers to volunteer in their doorsteps to enlarge credit, which was a phenomenal task earlier to MFI? How could the MFIs deal with the micro financing, which resulted in good recuperation rate, which was a vision for formal sector? Would this victory maintain or would it disappear following a provisional existence? What wishes to be done to maintain in prospect? All these questions necessitated this study to materialize in the current form. The policies favoring government have unsuccessful and market was supported to rule with smallest interference of the state.

DEFINITION OF KEY THEORETICAL CONCEPTS

Micro finance: Micro finance may be defined by the as "provision of thrift, credit and other financial services and products of very small amounts to the poor in rural, semi-urban or urban areas for enabling them to raise their income levels and improve living standards" — NABARD.

A definition of microfinance as provided by Robinson is, ‘Microfinance refers to small-scale financial services for both credits and deposits- that are provided to people who farm or fish or herd; operate small or micro enterprises where goods are produced, recycled, repaired, or traded;

provide services; work for wages or commissions; gain income from renting out small amounts of land, vehicles, draft animals, or machinery and tools; and to other individuals and local groups in developing countries, in both rural and urban areas’.—Robinson (2001)

Self Help Group: Self Help Groups are voluntarily formed informal groups. A SHG consists of 10-20 members. The members are optimistic to save on regular basis. They use the joint resources to meet the credit requirements of the group members. The groups are self-governing in nature and jointly make decisions. Since the members are neighbors and have universal interest, the group is a homogenous one and cohesiveness is one of the characteristic features of the group. Usual savings, episodic meetings, obligatory attendance, appropriate repayment and methodical training are the salient features of the SHG. Evidences from various developing countries throughout the world have shown that the poor can be helped by organizing themselves into Self Help Groups.

REVIEW OF LITERATURE

Review of literature pertaining to the current field of investigation mainly aims at critically reviewing and reexamining the earlier conceptual and empirical studies, the major methodological limitations and direction for further research highlighted by the previous researches with a view to identify and define the 'research gap' to be addressed by the current research study. Pathak (1992) study focused on SHG's of Kerala. The SHG's of Kerala state have become centers for initiating social action against dowry system, alcoholism, illiteracy and divorce (NABARD, 1997). Pathak (1992) reported that SHGs will solve most of the problems like raw materials, inputs supply, marketing, better adoption of technology, education and training for realizing the human potential for development. Dinakar Rao (1994) reported that networking of SHGs enables to relish exploitation. Girija (1995) stated that the group provides the women a base for self-employment and empowerment through group dynamics and ensured proper utilization of credit and repayment of loans, savings provided self insurance and self-assurance to the group members.

Dr. Puhazhendi, V and Dr. Satya Sai, KJS in their study titled "Micro Finance for rural people, an impact evaluation (2000)" have covered aspects like economic status, education level and possession of durable assets of the SHG members and found that economically weaker sections accounted for 32per cent of the total membership followed by small farmers. About 24 per cent of the members are illiterate and 26 per cent could only sign. The members with the primary and secondary educational level accounted for 21 and 23per cent respectively and the remaining have higher secondary level and above (NABARD 2000).

RESEARCH HYPOTHESES

In this study the following research hypotheses have been formulated for empirical scrutiny, which are based on certain extensive review of literature pertaining to the field of present study.

The study aims at evaluating the awareness of the respondents in Davanagere district, on following dimensions viz. awareness of micro financing, awareness of self help group, group constitution, awareness of bookkeeping, managerial aspects of group and awareness of banking procedures with the following hypotheses.

H1: “There is no significant difference between the respondents of the two blocks regarding awareness of micro finance and SHGs”.

H2: “There is no significant relationship between age and awareness of microfinance through SHG”.

H3: “There is no significant relationship between the educational status and awareness of micro finance”.

H4: “There is no significant relationship between the years of membership in SHG and awareness of micro finance and SHGs”.

H5: “There is no significant relationship between the loan amount and awareness of micro finance and SHGs”.

METHODOLOGY OF THE STUDY

We have used different statistical tools to analyze the primary data collected in four selected villages pertaining to Davanagere district of Karnataka. Following the rules and conditions of the hypothesis testing, we have carried out our present study with the help of few statistical tools like ANOVA, Paired sample ‘t’ test, student ‘t’ test and Chi-Square test to prove whether there is any significant difference in the research hypothesis and statistical hypothesis. In order to analyze the perception of members on the impact from the SHGs, they were asked to respond to

few statements using four scale method, starting from “Strongly Agree” (4), “Agree” (3), “Disagree” (2) and “Strongly Disagree”(1).

FINDINGS:

Exhibits Respondents Perception towards Ten Components of Awareness of SHG

| Component Agree | Strongly disagree | Disagree | Strongly agree | Mean & SD | Percentage | Mean |
|---|-------------------|---------------|----------------|----------------|----------------|------|
| Self help group helps to the members | 0 (0) | 0 (0) | 144 (43.6%) | 186 (56.4%) | 3.5636±.49669 | 89 |
| Self help group maintains books of accounts | 0 (0%) | 21 (6.4%) | 132 (40%) | 177 (53.6%) | 3.4727±.61455 | 86 |
| Member of self help group aware about constitution SHG | 3 (.9%) | 57 (17.3%) | 204 (61.8%) | 66 (20%) | 3.0091±.64051 | 75 |
| Member of self help group aware about objectives of SHG | 15 (4.5%) | 72 (21.8%) | 174 (52.7%) | 69 (20.9%) | 2.9000±.77519. | 72 |
| Member of self help group aware about banking system | 6 (1.8%) | 60 (18.2%) | 147 (44.5%) | 117 (35.5%) | 3.1364±.3.1364 | 78 |
| Member of self help group aware about bank loan | 3 (0.9%) | 51 (15.5%) | 192 (58.2%) | 84 (25.5%) | 3.0818±.66340 | 77 |

| | | | | | | |
|--|--------------|---------------|----------------|----------------|---------------|----|
| Member of SHG seeks the benefit of bank loans | 0 (0%) | 33 (10%) | 180 (54.5%) | 117 (35.5%) | 3.2545±.62525 | 81 |
| Member of SHG knows the purpose of bank loan | 6 (1.8%) | 75 (22.7%) | 189 (57.3%) | 60 (18.2%) | 2.9182±.69034 | 73 |
| Member of SHG Become economically strong after they become members | 15 (4.5%) | 81 (24.5%) | 150 (45.5%) | 84 (25.5%) | 2.918±.8229 | 73 |
| Member of SHG likes the administration of the groups | 9 (2.7%) | 90 (27.3%) | 183 (55.5%) | 48 (14.5%) | 2.8182±.70407 | 70 |

1. Self help group helps to the members: 0% of the respondents strongly disagree, 0% of them disagree, 43.6% of them agree, 56.4% of them strongly agree that Self help group helps to the members. The percentage mean 89 (Mean and SD 3.5636±0.49669) shows that Self help group helps to the members as it falls in the category of 76% to 100%.

2. Member of self help group aware about constitution SHG: 0% of the respondents strongly disagree, 6.4% of them disagree, 40% of them agree, 53.6% of them strongly agree that Self help group maintains books of accounts with Mean and SD 3.4727±.61455. The percentage Mean 86 shows that Self help group maintains books of accounts as it falls in the category of 76% to 100%.

3. Member of self help group aware about constitution SHG: 0.9% of the respondents strongly disagree, 17.3% of them disagree, 61.8% of them agree, 20% of them strongly agree that Member of self help group aware about constitution SHG with Mean and SD 3.0091±.64051percentage Mean 77, which shows that Member of self help group aware about constitution SHG as 77% falls in the category of 51% to 75%.

4. Member of self help group aware about objectives of SHG: 4.5% of the respondents strongly disagree, 21.8% of them disagree, 52.7% of them agree, 20.9% of them strongly agree that Member of self help group aware about objectives of SHG. The percentage mean 72 (Mean and SD 2.9000±.77519), shows that Member of self help group aware about objectives of SHG as it falls in the category of 51% to 75%

5. Member of self help group aware about banking system: 1.8% of the respondents strongly disagree, 18.2% of them disagree, 44.5% of them agree, 35.5% of them strongly agree that Member of self help group aware about banking system with Mean and SD 3.1364±0.64. The percentage Mean 78, shows that Member of self help group aware about banking system as it falls in the category of 76% to 100%

Table -1

Exhibits One Way ANOVA towards Ten Components of Awareness of SHG with economic stability after they become member of SHG

| Component | | Sum of Squares | df | Mean Square | F | Sig. |
|---|----------------|----------------|-----|-------------|--------|------|
| Self help group helps to the members | Between Groups | 9.838 | 3 | 3.279 | 14.988 | .000 |
| | Within Groups | 71.326 | 326 | .219 | | |
| | Total | 81.164 | 329 | | | |
| Self help group maintains books of accounts | Between Groups | 9.716 | 3 | 3.239 | 9.218 | .000 |
| | Within Groups | 114.538 | 326 | .351 | | |
| | Total | 124.255 | 329 | | | |
| Member of self help group aware about constitution SHG | Between Groups | 9.741 | 3 | 3.247 | 8.453 | .000 |
| | Within Groups | 125.231 | 326 | .384 | | |
| | Total | 134.973 | 329 | | | |
| Member of self help group aware about objectives of SHG | Between Groups | 10.952 | 3 | 3.651 | 6.471 | .000 |
| | Within Groups | 183.911 | 326 | .564 | | |
| | Total | 194.864 | 329 | | | |
| Member of self help group aware about banking system | Between Groups | 12.807 | 3 | 4.269 | 10.545 | .000 |
| | Within Groups | 131.984 | 326 | .405 | | |
| | Total | 144.791 | 329 | | | |
| Member of self help group aware about bank loans | Between Groups | 3.000 | 3 | 1.000 | 2.595 | .052 |
| | Within Groups | 125.618 | 326 | .385 | | |
| | Total | 128.618 | 329 | | | |
| Member of SHG seeks the benefit of bank loans | Between Groups | 30.619 | 3 | 10.206 | 26.371 | .000 |
| | Within Groups | 126.171 | 326 | .387 | | |
| | Total | 156.791 | 329 | | | |
| Member of SHG knows the purpose of bank loan | Between Groups | 23.568 | 3 | 7.856 | 14.707 | .000 |
| | Within Groups | 174.132 | 326 | .534 | | |
| | Total | 197.700 | 329 | | | |
| Member of SHG likes the administration of the groups | Between Groups | 6.449 | 3 | 2.150 | 4.474 | .004 |
| | Within Groups | 156.642 | 326 | .480 | | |
| | Total | 163.091 | 329 | | | |

Analysis of Variance (ANOVA) shows that there is a significant difference ($p < 0.001$, HS) in perception towards awareness among the various components of SHG members awareness on micro finance within dependent variable

(Economically strong after they become members of SHG). In other words, components such as self help group helps to the members, self help group maintains books of accounts, Member of self help group aware about constitution SHG, Member of self help group aware about objectives of SHG, Member of self help group aware about banking system, Member of self help group aware about bank loans, Member of SHG seeks the benefit of bank loan, Member of SHG knows the purpose of bank loan, Member of SHG likes the administration of the groups when compared to Member of SHG become economically strong after they become members.

Table-2

Exhibits Respondents Perception towards Ten Components of improvement in living standards of SHG Members

| Component | Strongly disagree | Disagree | Agree | Strongly agree | Mean and SD | Percentage Mean |
|---|-------------------|-----------------|-----------------|----------------|--------------|-----------------|
| Every member of SHG are economically poor. | 21 (6.4%) | 129 (39.1%) | 141 (42.7%) | 39 (11.8%) | 2.6± 0.778 | 65 |
| Members of SHG are households | 27 (8.2%) | 129 (39.1%) | 111 (33.6%) | 63 (19.1%) | 2.63±0.88273 | 65 |
| Every member of SHG thinks positively | 24 (7.3%) | 102 (30.9%) | 147 (44.5%) | 57 (17.3%) | 2.71±0.83391 | 68 |
| Every member of SHG thinks positively on self-employment | 33 (10.3%) | 123 (37.3%) | 132 (40.00%) | 42 (12.7%) | 2.55±0.83887 | 64 |
| Every member of SHG thinks positively on self entrepreneurship. | 33 (10.00%) | 156 (47.3%) | 108 (32.7%) | 33 (10.00%) | 2.42±0.80 | 61 |
| Every member of SHG thinks positively on capacity building and knowledge. | 24 (7.3%) | 114 (34.59%) | 165 (50.00%) | 27 (8.2%) | 2.49±0.743 | 62 |
| Every member of SHG believes that SHG helps in improving living stand. | 212 (3.6%) | 39 (11.8%) | 183 (55.5%) | 96 (29.10%) | 3.10±0.739 | 77 |
| Every member of SHG thinks to become economically independent. | 12 (3.6%) | 93 (28.2 %) | 150 (45.5%) | 75 (22.7%) | 2.87±0.800 | 72 |
| Every member of SHG will contribute for Political empowerment. | 42 (12.7%) | 162 (49.1%) | 93 (28.2%) | 33 (10%) | 2.35±0.8279 | 59 |
| Every members believes that through SHG rural development is possible. | 24 (7.3%) | 27 (8.2%) | 177 (53.6%) | 102 (30.9%) | 3.08±0.8229 | 77 |

1. **Self help group helps to the members:** 0% of the respondents strongly disagree, 0% of them disagree, 43.6% of them agree, 56.4% of them strongly agree that Self help group helps to the members. The percentage mean 89 (Mean and SD 3.5636 ± 0.49669) shows that Self help group helps to the members as it falls in the category of 76% to 100%.
2. **Member of self help group aware about constitution SHG:** 0% of the respondents strongly disagree, 6.4% of them disagree, 40% of them agree, 53.6% of them strongly agree that Self help group maintains books of accounts with Mean and SD $3.4727 \pm .61455$. The percentage Mean 86 shows that Self help group maintains books of accounts as it falls in the category of 76% to 100%.
3. **Member of self help group aware about constitution SHG:** 0.9% of the respondents strongly disagree, 17.3% of them disagree, 61.8% of them agree, 20% of them strongly agree that Member of self help group aware about constitution SHG with Mean and SD $3.0091 \pm .64051$ percentage Mean 77, which shows that Member of self help group aware about constitution SHG as 77% falls in the category of 51% to 75%.
4. **Member of self help group aware about objectives of SHG:** 4.5% of the respondents strongly disagree, 21.8% of them disagree, 52.7% of them agree, 20.9% of them strongly agree that Member of self help group aware about objectives of SHG. The percentage mean 72 (Mean and SD $2.9000 \pm .77519$), shows that Member of self help group aware about objectives of SHG as it falls in the category of 51% to 75%.
5. **Member of self help group aware about banking system:** 1.8% of the respondents strongly disagree, 18.2% of them disagree, 44.5% of them agree, 35.5% of them strongly agree that Member of self help group aware about banking system with Mean and SD 3.1364 ± 0.64 . The percentage Mean 78, shows that Member of self help group aware about banking system as it falls in the category of 76% to 100%.
6. **Member of self help group aware about bank loans:** 0.9% of the respondents strongly disagree, 15.5% of them disagree, 58.2% of the respondent agrees, 25.5% of them strongly agree that Member of self help group aware about bank loans. The percentage means 77 (Mean and SD $3.0818 \pm .66340$), shows that Member of self help group aware about bank loans as it falls in the category of 76% to 100%.

CONCLUSION

The study reveals that the SHG members have motivated through microfinance activities. They have accessed information regarding the SHG activities and empowerment from peer groups like neighbors, women welfare department, banks and local governing bodies. Outlined below are some steps that may be taken to make it as successful as possible:

- government of India should launch aggressive campaign on micro finance like swath Bharath campaign, which helps poor innocent households.
- Government of India launched a new bank called Mudra Bank for micro fiancé, which should effect each and every corner of the society as well as government should create awareness in the minds of SHG members and rural talented formers.

- Researcher observed that the women have almost neglected by the banker from their purview and with the money available through SHGs; so it is the duty of the government to launch new micro financing schemes which should overcome all the difficulties of other schemes as well as government should create awareness in the minds of SHG members and rural talented formers.
- The membership in the community based organizations should not be traditional and attractive with the men folk leveraging the decision making power.

REFERENCES

- Aghion, B.A. de & Morduch, J. (2000): "Microfinance beyond group lending, *Economics of Transition*, Vol.8, No.2, pp.401-420.
- Badatya K.C, Wadavi, B.B & Ananthi S. (2006) "Microfinance for Microenterprises: An Impact Evaluation Study of Self Help Groups, NABARD, Andhra Pradesh Badajena, Smita and Gundimeda,
- Haripriya, (2010), "SHG Bank Linkage Model, Technology and Financial inclusion in India" presented the paper in the '5th International Conference on Public policy and Management' held at Indian Institute of Management, Bangalore on 8-11th August 2010.
- Badajena, Smita and Gundimeda, Haripriya, (2010), SHG Bank linkage Model and Financial inclusion in India: A Cross Sectional Study published in the proceedings of International Conference of Strategic Management Forum on the theme - "Challenges to Inclusive Growth in the Emerging Economies" held on 15- 17 December 2010 at IIM Ahmedabad.
- Badajena, Smita and Gundimeda, Haripriya (2012), Self Help Group Bank linkage model and Financial Inclusion - Evidence from State Level Panel Data Analysis in India, Presented in COSMAR 2012 at IISC, Bangalore.