

# A comparative study of entrepreneurship development in slums of Kolhapur city through of Self Help Groups and Private Microfinance Institutions

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## Abstract

Migration from rural to urban is increasing day by day in search of the employability which results in increase in the slum areas and poverty in slums. So the poverty becomes a challenge in front of government and developmental agencies. They adopted several ways to eradicate the poverty. SHGs are accepted as one of the popular way in poverty eradication in rural as well as urban area. Similarly private MFIs are also recognized as a tool in poverty eradication. Both the SHGs and private MFIs are playing important role in the entrepreneurship development in urban slums. The present research project conducted with an objective that how the SHGs and MFIs are playing their role in entrepreneurship development in slum areas of the Kolhapur city of Maharashtra. For the present study primary data has been collected from the four slums of the city. 100 SHGs member and 100 clients of the private MFIs were the respondents for the study. Study come to the conclusion that SHGs and private MFIs are need to be more focused on the entrepreneurship development through the training to the poor and proper utilization of the loan amount which may be result in the significant contribution in the entrepreneurship development and ultimately poverty eradication.

**Key Words:** SHG, Private MFIs, entrepreneurship development, Poverty Eradication

## 1.1 Introduction:

In India significant population is living below the poverty line. In Urban areas this population is living in the urban slums. Unavailability of employment opportunities leads to the poverty and circumstances which keep poor away from the basic needs. Creating and developing employment opportunities are the ways to fight against the poverty. The various institutions are working on the entrepreneurship development. The Government of

India and State Government are also implementing the schemes to remove the poverty through the entrepreneurship development.

Lack of access to credit is the one obstacle in entrepreneurship development. One of the reasons behind the poverty is lack of access to credit and other financial services. The vicious cycle of the poverty can be broken by providing credit to urban poor. Financial inclusion and access to the credit are important aspect in the process of poverty eradication. The movement of forming and strengthening self-help group is one of the big steps in process of poverty eradication. The model of SHG bank linkage is having a major contribution in entrepreneurship development by providing financial services to the poor women. Mahila Arthik Vikas Mahamandal (MAVIM) working with motto of the women empowerment through entrepreneurship development by organizing them through the SHGs.

Beside the SHG bank linkage programme of the government many private microfinance institutions are providing opportunities to access the financial services and entrepreneurship development. The experiment of Grameen Bank Model of Bangladesh has given birth to the concept of the microfinance. The world has started in believing that poor are also creditworthy and have right to access the financial services. This kind of the efforts are taken worldwide and resulted in poverty eradication through the entrepreneurship development. The Private Microfinance institutions are providing credit, saving, fund transfer facilities to the poor in urban slums. Currently it's the topic of debate in the country that whether these MFIs are contributing in entrepreneurship development as compare to the SHGs. Large number of MFIs are working in the country and having a strong network with different operating models. The gap between the need of credit of poor people and ability of formal financial organization in providing the credit is fulfilled by the private MFIs.

So self-help groups and private microfinance institutions are working with common objective of poverty eradication through entrepreneurship development. We need to study their contribution in comparative way. The present paper is one effort to compare the contribution of SHGs and private MFIs in entrepreneurship development and poverty eradication.

## 1.2 Significance of the study:

Study of contribution and role of Microfinance by private institution and SHG is rarely studied. Many studies were carried out on microfinance through SHG bank linkage programme. The rationale behind choosing the subject is that researcher wants to study the contribution of microfinance through private MFI's as well as SHGs. SHGs and Micro

finance institutions are expected to pay attention towards the entrepreneurship development. The study may help know the better model in entrepreneurship development and will provide the guidelines to strengthen and expand micro finance programmes through SHGs and private microfinance institutions.

### 1.3 Objective:

Objective of study are as follows.

1. To understand the contribution of the SHGs and Private Microfinance Institutions (MFIs) in poverty eradication through entrepreneurship development
2. To explore the efforts of SHGs and private MFIs in entrepreneurship development
3. To find out the problems faced by the women entrepreneur

### 1.4 Methodology:

The research work relies on primary data collected from the four urban slums of the Kolhapur city for the research project under the research strengthening scheme of Shivaji University, Kolhapur. The study covers Slums areas of Kolhapur City to analyze the role of SHGs and Microfinance institutions in poverty eradication. The primary data collected from the selected four slum area. Purposive sampling used for the selection of slum areas based on where SHGs and private microfinance institutions are working. As a result, Rajendra Nagar, Daullat Nagar, Sadar Bazar and Lakshirth Vasahat selected for the study. To collect the primary data random sampling technique was used.

Sample selection for the study is as follows.

Name of Slum Area	No. of SHG Member	No. of Clients form Private Microfinance Institutions
Rajendra Nagar	25	25
Daullat Nagar	25	25
Sadar Bazar	25	25
LakshirthVasahat	25	25
<b>Total</b>	<b>100</b>	<b>100</b>

The total number of sample respondents (200) is presented as in the above table.

## 1.5 Result and Discussion:

**Table No. 1 Existence of income activity before joining SHG/MFIs**

Existence of income activity	SHG		MFI	
	Frequency	Percent	Frequency	Percent
Yes	65	65	53	53
No	35	35	47	47
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Table No. 1 Shows the whether there was an existence of income activity or not before joining SHG/MFIs among the SHG members and clients of MFIs.

Majority of the SHG members (65%) and clients of private MFIs (53%) are reported that they had income generating activity before joining the SHG and MFIs. More than one fourth (35%) SHG members and around half (47%) MFIs clients didn't have income generating activities before joining SHG and MFIs respectively.

It is clear from the table that more than half of the respondents from the both SHG and MFIs are having the income generating activities before joining the SHG and MFIs. It has also seen that MFIs give priority in lending when the client is having income generating activity.

**Table No. 2 Reason behind starting an enterprise**

Help of SHG/MFIs	SHG		MFI	
	Frequency	Percent	Frequency	Percent
To improve Income	25	25	17	17
Lack of employment Opportunities	19	19	43	43
Due to experience of same Enterprise	24	24	25	25
For Alternate Income Source	32	32	15	15
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100.0</b>	<b>100</b>

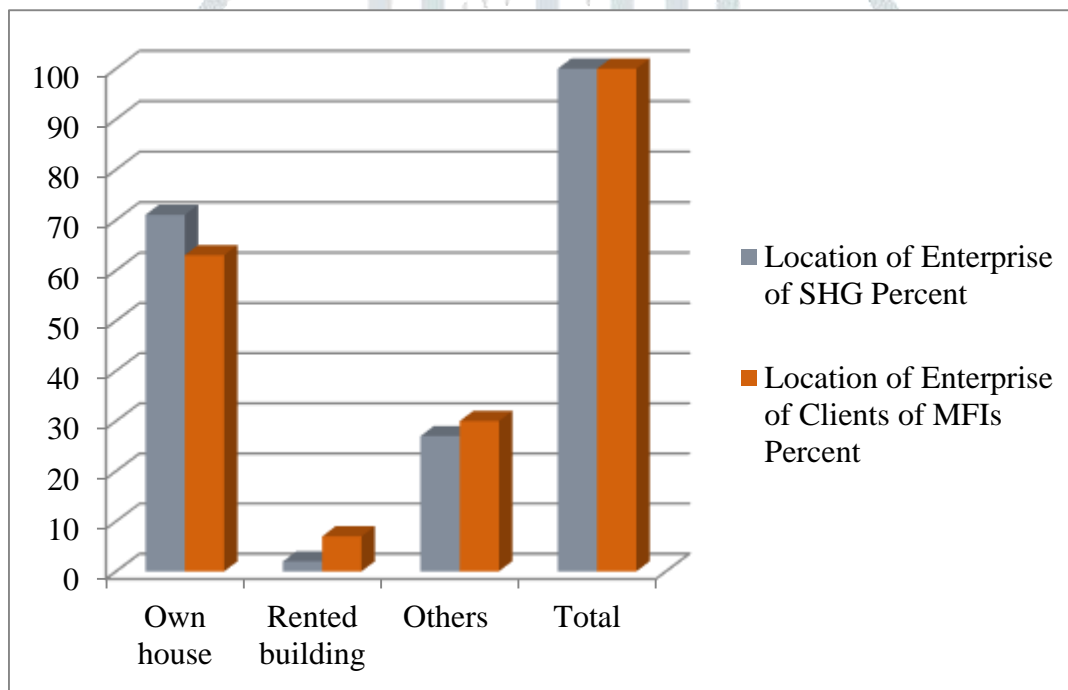
Table No. 2 speaks about the reason behind starting an enterprise. Reasons are categorised in four groups. The categorised groups are to improve income, lack of employment opportunities, due to experience of same enterprise and for alternate income source.

Majority of the SHG members (32%) reported that they have started an enterprise for alternate income source while (43%) clients of MFIs said that they have started enterprise because of lack of lack of employment opportunities. One fourth (25%) of the SHG members and MFIs clients

said they have started enterprise to improve their income and due to having of the same enterprise respectively. Around one fourth (24%) of the respondents from SHG reported that they started enterprise due to experience of that particular enterprise while good number of respondents (17%) from MFIs are reported that they started enterprise to improve their income. Few respondents form SHG (19%) started enterprise due to lack of employment opportunities and (15%) clients of MFIs started an enterprise as a alternate income source for the family.

It reveals from the table that most of the respondents started an enterprise for the various reasons but the overall objective is to improve the income for their family.

**Graph No.1 Location of Enterprise**



Graph No. 1 depict that location of the enterprises of the SHG members and MFIs clients. It has been classified into three groups. The classified groups are own house, rental building and other.

Majority of the SHG members (71%) and clients of the private MFIs (63) have their enterprise at their own house. More than one fourth of the SHG members (27%) and clients of the MFIs (30%) are having their enterprises at other places like *thela*, road side tea stall, vegetable trading etc. Very small number of SHG members (2%) and MFIs clients (7%) reported that their enterprise is at rented buildings.



It is clear from the graph that most of the respondents are having enterprise at their own house it is because these enterprises are very small in size and at initial stage of development. So it became easy to do at their houses for the cutting cost of the rent and other.

**Table No. 3 Got Training for Starting Enterprise**

Training for Starting Enterprise	SHG		MFI	
	Frequency	Percent	Frequency	Percent
Yes	36	36	38	38
No	64	64	62	62
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Table No. 3 speaks about training received to the SHG members and clients of the MFIs for starting enterprise. It has been asked to the respondents whether they have got the training to start enterprise.

Majority (64%) of the SHG members and around two third (62%) MFIs clients said that they have not taken any formal training to start enterprise. More than one third (36%) SHG members and (38%) MFIs clients have taken the formal training for starting enterprises.

It is clear from the table that most of the respondents are not received the formal training which is one of the essential for development enterprise.

**Table No. 4 Nature of Training**

Nature of Training	SHG		MFI	
	Frequency	Percent	Frequency	Percent
Residential	1	1	4	4
Non- Residential	35	35	34	34
Not Applied	64	64	62	62
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Table No. 4 shows the nature of training received to the members of SHG and clients of the private MFIs. The nature of the training is categorised into two groups. The categorised groups are residential training and non-residential training.

Majority of the SHG members (35%) and (34%) clients of the private MFIs are received non-residential type of training. One of the respondents from SHG and four from MFIs are taken residential training to start enterprise.

It seems from the table that most of the respondents who are taken training are non-residential type of training.

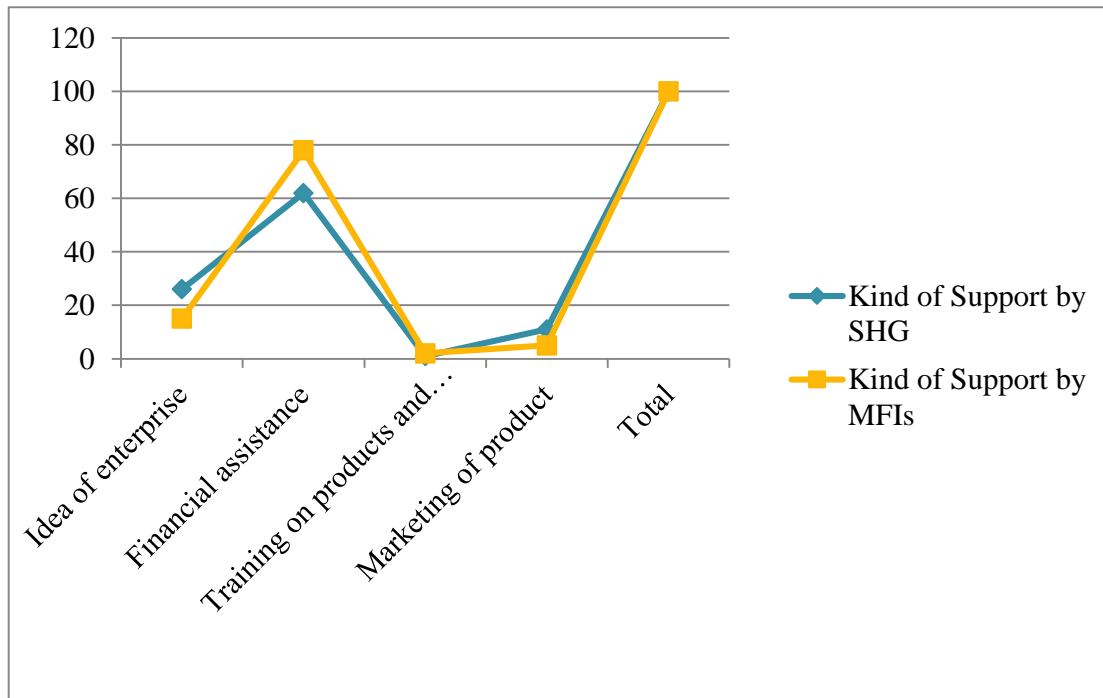
**Table No. 5 Experience in Particular Enterprise**

Experience	SHG		MFI	
	Frequency	Percent	Frequency	Percent
Less than One Year	21	21	43	43
One Year	12	12	20	20
One to Two Year	7	7	6	6
Two to Three Year	7	7	6	6
More than Three Year	-	-	2	2
No any Experience	53	53	23	23
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Table No. 5 shows the experience of the SHG members and clients of the MFIs in their enterprises. It has been classified in to six groups. These groups are less than one year, one year, one to two year, two to three year, more than three year and no any experience.

More than half (53%) SHG members don't have experience of particular enterprise while (43%) of clients of the MFIs are having expertise of less than one year. Some of the SHG members (21%) having experience of less than one year while (23%) of MFIs clients don't have any experience of enterprise. Few of the SHG members (12%) and clients of the MFIs (20%) have experience more than one year. A small number of respondents from SHG (7) and MFIs (6%) having experience of one to two year and two to three year. Only two of the respondents from the MFIs are having more than three year of experience of the enterprise.

It is clear from the table those SHG members having less experience of the enterprise than the clients of the MFIs. It can be proved that the MFIs provide loans to the experienced entrepreneurs.

**Graph No. 2 Kind of Support from SHG/MFI in Running Enterprise**

Graph No. 2 is reveals about kind of support from SHG and MFIs to the SHG members and clients of MFIs in running their enterprises. The kind of support in classified on to four groups. The classified groups are Idea of enterprise, financial assistance, Training on products and technology and Marketing of product.

Majority of the SHG members (62%) and clients of MFIs (78%) are reported that they got the financial assistance from the SHG and MFIs. More than one fourth of the SHG members (26%) and more than one tenth (15%) said that they got idea of enterprise from the SHG and MFIs. Few SHG member (11%) and (5%) MFIs clients reported that they got support from SHG and MFIs in marketing of their product. One respondent from SHG and two from MFIs said that they got training n product and technology from SHG and MFIs.

It is clear from the table that most of the respondents form SHG as well as from MFIs get supported by the SHG and MFIs by means of financial assistance.



**Table No. 6 Problem Faced in Running the Microenterprise**

Problem Faced	SHG		MFI	
	Frequency	Percent	Frequency	Percent
Problem of timely availability of raw materials	6	6	9	9
Problem of getting timely financial assistance	5	5	4	4
Problem of labour	10	10	12	12
Lack of Technical Knowledge	22	22	24	24
Problem of marketing the product and competitions	21	21	24	24
Lack of family support	20	20	12	12
Poor infrastructure facilities (transport etc.)	8	8	8	8
Others (natural disaster, flood, etc.)	8	8	7	7
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Table No. 6 shows the problem faced by the SHG members and clients of MFIs in running the microenterprise. The problem faced by the SHG members and the MFIs clients are categorised in to eight groups. The categorised groups are Problem of timely availability of raw materials, Problem of getting timely financial assistance, Problem of labour, Lack of Technical Knowledge, Problem of marketing the product and competitions, Lack of family support, Poor infrastructure facilities (transport etc.) and Others (natural disaster, flood, etc.).

Majority of the SHG members (22%) and (24%) clients of the MFIs are reported that they are facing the regarding to the technical knowledge in their enterprises. A good number of the respondents from SHG (21%) and (24%) MFIs clients are facing problem related to the marketing of the product and competition in the business. Some of the SHG members (20%) and more than one tenth (12%) MFIs clients are not getting support from their families. One tenth (10%) and more than one tenth (12%) of clients of MFIs are reported that they are facing the problems of labour in running their enterprises. Few of the respondents form SHG and MFIs (8%) are facing the problems of poor infrastructure facilities. Few of the respondents form SHG (8%) and MFIs (7%) are facing the problems of natural disaster. Small number of the SHG members (6%) and MFIs clients (9%) are facing problem of timely availability of raw materials. Very small number of SHG member (5%) and clients of MFIs (4%) are facing the problem of getting timely financial assistance for their enterprises.

It reveals from the table that SHG members and clients of MFIs are facing various problem it means respondents are having the non-financial needs also.

## Conclusion:

Entrepreneurship development is one of the ways in poverty eradication. SHGs and Private MFIs are paying the attention improving the income of the poor families by entrepreneurship development. The tools are different from each other, their style of working is also different but the ultimate goal of the both is same i.e. to improve the life of poor people by providing financial services. The SHGs and Private MFIs are helping the poor in starting new enterprise and strengthen the existing. Study come to the conclusion that SHGs and private MFIs are need to be more focused on the entrepreneurship development through the training to the poor and proper utilization of the loan amount which may be result in the significant contribution in the entrepreneurship development and ultimately poverty eradication.

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