

# Micro Finance, Women Entrepreneurship and Economic Development: A Study among Women Shgs in Tirunelveli District, South India

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## Abstract:

**T**he economic development of any country aims at bringing out changes in social life at the grass root level rather than modernization initiated by the reform process in the country. The concept of inclusive growth is the major driving force that aims at inclusion of all segments of the people in the process of growth and development. Micro finance as a strategy with a broad range of financial services, such as loans, deposits, payment services, remittances, pension and insurance to poor and low-income households more particularly the women flock in rural areas. This study aims at understanding the role that micro finance which plays a major role in elevation of women entrepreneurship. A sample study has been conducted on the self help groups in Tirunelveli District of Tamilnadu. This study covers 10 villages with a sample size of 174 SHG members. Survey method has been followed to collect the primary data and the result shows that irrespective of age, marital status, family size and number of members, the SHG members are able to venture any business and earn the income.

**Keywords:** Empowerment, Development, Self-Help Group, Social Awareness.

## I. INTRODUCTION

Entrepreneurship as a distinct factor of production contributes to the economic development of an economy. The wide range of significant contributions that entrepreneurship makes to the economic development include promotion of capital formation, creation of immediate large-scale employment, promotion of balanced regional development, effective mobilization of capital and skill, induction of backward and forward linkages and the like. The overall role of entrepreneurship in economic development of an economy is put as "an economy is the effect for which entrepreneurship is the cause." India being one of the largest countries though bestowed with adequate natural resources and human potentials, its development is lopsided. The twin causes, that is, wide inequality between urban and rural on one hand and under utilization of human resources on another hand, attributes to such imbalanced economic development. These have made the lives of Indian citizens, humanly impossible, as they have to cater to day-to-day needs of the family that are essential for their survival.

The central theme of the Millennium Development Goals is the reduction of poverty in all its forms. These goals emphasize human development indicators, especially those relating to women and children, to enable people to live a life of dignity. India is described as an over-banked but underserved economy. India has commercial banks in the Public Sector and the Private Sector, Regional Rural Banks and a large number of Co-operative Banks all catering to the different needs of the people. Despite this, many of the people remain outside the purview of the banking system.

Financial exclusion becomes more concern in the community when it applies to lower income consumers and/or that in financial hardship. There is a large overlap between poverty and permanent financial exclusion. Both poverty and financial exclusion result in a reduction of choices which affects social interaction and leads to reduced participation in society. Financial inclusion can also be defined as the ability of individuals to access appropriate financial services. The barriers to access the formal banking system have been identified as related to culture, education (especially financial literacy), gender, income and assets, proof of identity, remoteness of residence and so on. Efforts are being made by the authorities- especially banking regulators to improve access to affordable financial services through financial education, leveraging technology and generating awareness.

Micro finance as a strategy involves the provision of a broad range of financial services, such as loans, deposits, payment services, remittances, pension and insurance to poor and low-income households. It aims at providing affordable financial services namely, access to payments/ remittance facilities, savings, loans and insurance services to the un-banked, social and economic inclusion of un-banked/counseling and creating opportunities for the poor by offering them choices and encouraging Self Esteem.

Micro finance through the self help groups has a lot of role to play in the social entrepreneurship as well as women empowerment. Economically poor individual gains strength as part of a group. Besides, financing through SHGs reduces transaction costs for both lenders and borrowers. While lenders have to handle only a single SHG account instead of a large number of small-sized individual accounts, borrowers as a part of a SHG cut down expenses on travel (to and from the branch and other places) for completing paper work and on the loss of workdays in canvassing for loans. A Non-Governmental Organization (NGO) is a voluntary organization established to undertake social intermediation like

organizing SHGs of micro entrepreneurs and entrusting them to banks for credit linkage of financial intermediation like borrowing bulk funds from banks for on-lending to SHGs.

A study on Indonesia (Drioadisuryo and Cloud, 1999) suggests that when agencies, Government and non Government, in a developing country make credit available to low income women, they can reduce the costs of delivery, greatly increase repayment rates and substantially improve the well-being of poor families. Hiatt and Woodworth (2006), in their study on Central America found that microfinance clients' socio- economic levels had increased due to their continued participation. Micro credit appears to improve the lives of those who are poor by increasing their buying and investing capability, this lifting them onto a higher economic plane. Accordingly, these small loans seem to positively affect poverty by creating entrepreneurship and greater self-reliance among the poor. SHGs now constitute the grass roots level institutions developed for social / economic and financial intermediation with a focus on the poor. The SBLP is "overwhelmingly based on the principle of financial services being related to the cash flows of the low-income client groups and thus aim to facilitate relatively frequent and very small or micro-loan and saving transactions"(Sinha, 2003).

In the financial year 2007-08, Microfinance in India through its two major channels- Self-Help Group Bank Linkage Programme (SBLP) and MFIs served over 33 million Indians, up by 9 million over the previous year. 4 out of 5 microfinance clients in India are women. As per data available on 31st March 2008, the outstanding micro-credit portfolio on India Microfinance was about Rs.22, 000 Crore. 75 per cent are accounted for by SBLP, 20 per cent by large MFIs and 5 per cent by medium and small MFIs. SBLP reports that over Rs.3,500 Crore savings of SHG members in the year 2006-07. MFIs are prohibited from accepting savings; however one third of the clients are served under the SHG model and thus encouraged to save among them and / or open savings accounts with banks. The successful Models of financing for SHG's which are being used worldwide include:

**Model I:** An Intermediate Model that works on banking principles with focus on both savings and credit activities and where banking services are provided to the clients either directly or through SHGs.

**Model II:** A Wholesale banking Model, where the clients comprise of NGOs, Micro Finance Institutions (MFIs) and SHG Federations. This Model involves a unique package of providing both loans and capacity building support to its partners.

**Model III:** An Individual Banking-based Model that has its clients as individuals or joint liability groups. While programme management and client appraisal in this Model may be a challenge, it is best suited to lending to enterprises.

Keeping these validated models for delivery of credit to the poor and the unorganized sector in view, Reserve Bank of India is moving towards a systems perspective for providing effective policy support not only because a number of different institutions, Viz, banks, MFIs, NGOs and SHGs are involved, but also because these institutions have very different institutional goals. With this in view, a series of initiatives is being planned for putting in place a more vibrant microfinance dispensation environment in the country where complementary and competitive models of microfinance delivery would be encouraged to co-exist. Of these models under the Self-Help Group Bank Linkage Programme (SBLP), the Model II Viz, SHGs promoted by NGOs/ Government agencies and financed by banks has emerged as the most dominant model in case of India.

The rural women have heavy work load with dual responsibility for both farm and household activities. Taking the economy as a whole, women perform two-thirds of the work but earn only one tenth of the income. If the goal of the economic development includes improved standards of living, removal of poverty, access to dignified employment and reduction in inequality, through proper utilization of available resources, then it is quite natural to start with women. Women are the leaders, bankers, savers and also tiny depositors. Women have built up social networks and facilitate the creation of social capital. On this basis empowering women folk become inevitable.

Empowering women begins only a stage when they become economically independent. To make them economically independent, it is essential that they should be employed either by seeking employment or generating their own income. And hence, initiating self-employment has become a necessity rather than an option to focus on balanced economic development, which has given birth to the formulation of self-help groups for emancipating rural women.

Self-help groups are usually informal groups whose members have a common perception of need and importance towards collective action. These groups promote savings among members and use the pooled resources for multi dimensional development. The number of members in SHGs is normally ranges from 10 to 20, it is expected that within the group, there should be true democratic culture in which all the members must participate actively in the decision making process. Becoming a member in SHG ensures women to become socially and politically empowered. The concept of SHG generally rejuvenate the rural women as it helps in breaking the vicious circle of poverty among women, thereby to become economically viable.

The study has been conducted keeping in mind the role of micro finance in women SHG's. The specific objectives of the study include:

1. To get an insight about conceptual / functional framework of micro finance and operational model of Self Help Groups.
2. To study the impact of micro finance in empowering the socio-economic status of members of SHGs resulting in development of entrepreneurship.

## **II. RESEARCH METHODOLOGY**

This study ventures to understand and assess the role of SHGs in Ambai Taluk situated in Tirunelveli District which is covered by agricultural occupation with both urban and rural areas. This study covers 10 villages with a sample size of 174 SHG members. Survey method is followed to collect the primary data by administering an interview schedule. The

primary data has been collected by way of administering an interview schedule in the villages which has already been mentioned in person. Twenty interview schedules have been administered to each village by meeting the SHG members who are accessing the SHG for receiving the service. Out of 200 interview schedules, 26 are found incomplete and 174 are fully complete with 87 per cent of response rate. The analysis is based on the opinion collected from 174 SHG members.

### **Statistical Tools**

Arithmetic mean is calculated to study the average age and average number of members in groups and the deviation from the mean is studied with the help of Standard deviation. Percentage analysis is also used for studying the profile of the members, source of information and duration of SHGs and venture and income of the members. ANOVA Single factor has been used to study the impact of demographic variables on the ventures started and the increase in income.

### **III. RESULTS AND ANALYSIS**

- ✓ The maximum number of members are limited to 20, while 12 is fixed as the minimum. These groups promote savings among its members by fixing certain amount as a minimum savings which varies from group to group, the frequency of which ranges between weekly to monthly, according to the convenience of the member of the respective group. Of the 10 groups, 6 groups meet once in a week and 4 groups meet once in a month to discuss about the working of the group.
- ✓ It shows that 70 per cent of the respondent groups have more than 17 persons and less than 20. The mean equals 16.6. Standard deviation is 2.65. Number of members in a group on an average is 17 members and there are 2.65 deviations from the mean from all the groups. Hence there exists a large variation in the number of members in the group. The average age of the respondents (calculated by mean) is 31.12 years. And standard deviation is 9.32. This shows that the average age of the members is 31 years and there is a deviation of 9.32 from the mean. Hence there exists a large variation in the age of members in the group.
- ✓ Marital status have a greater influence on the decision making power of a women in a country like India. The participation of married women is more than the unmarried, as the married are determined in improving their socio-economic status. At the same time, SHGs also empower widows by providing regular thrift and credit. 50 per cent of the members are from a family size of three to six members. This leads to the necessity of earning income for medium and large size families. The members earning in the family other than the respondent shows that 86.21 per cent have only one and almost no earning members in the family. This shows the initiative taken by the members and the degree of interest in participating as a member in a group for the efficient conduct of the group. The major proportion of the married women participating in SHGs has made the study to find out as to the source of motivation to join SHGs.
- ✓ A woman may become a member of SHG either on her own initiative or motivated by friends or by influenced by other agencies. As far as the duration of membership is concerned, it could be seen that 8.62 per cent of the respondents have been the members for a period of less than one year, 21.27 per cent and 25.86 per cent have been the members for one year and one to two years respectively. It could also be inferred that only 44.25 per cent are holding membership for more than two years. The consistency in the period of membership is lower because of less popularity. Friends and NGOs play a vital role in inspiring the individuals to join SHGs. Other sources like bank officials and employment exchanges also influence them to become the members in SHGs.
- ✓ Among various types of business, mate making ranks the first place, Agarpathi preparation the second place and brick manufacturing as the third place. As far the increase in income after joining SHGs is concerned only 13.80 per cent of the respondents get an increase of Rs.300-500 and 86.20 per cent earn an increased amount of Rs.100-200 per day.
- ✓ This increase in income level has resulted in better standard of living and the inculcating social awareness in the minds of the members. The social awareness includes sanitary, family and public dimensions. Sanitary awareness means using of toilets, drinking of safe water, using of eco-friendly paper bags and paper cups and understanding of environment problems. Family awareness includes imparting of education to children, awareness of taking family decision regarding expansion and abolition of child marriages. Public awareness includes implementation of useful programmes to the general public like abolition of liquor, adult education, creation of awareness of property rights and the like.
- ✓ The impact of demographic variables namely, age, marital status, family size and number of earning members on the type of ventures started is studied by framing a hypothesis: "Demographic factors do not have an influence on the ventures started by the SHG members" and the hypothesis is tested with the help of ANOVA (Single factor). It is evident that the calculated values (F value) are lesser than the table values (F critical) and it implies that there is no relationship between the demographic factors and the type of ventures.
- ✓ Irrespective of the age, marital status, family size and number of earning members, the SHG members engage in the various types of ventures. The impact of demographic variables namely, age, marital status, family size and number of earning members on the increase in income is studied by framing a hypothesis: "Demographic factors do not have an influence on the increase in income of the SHG members" and the hypothesis is tested with the help of ANOVA (Single factor).
- ✓ Irrespective of the age, marital status, family size and number of earning members, the SHG members earn income. This shows that irrespective of the demographic factors, they are able to start any business and earn an

income up to Rs.500 per day. The economic status of members is elevated through the participating in SHGs. Micro credit leads to an increase in household income. The use of loans and deposits services can result in diversification of income sources or enterprise growth.

- ✓ Access to financial services enables members to build and change their mix of assets. Micro credit can be used for land acquisition, house construction or improvements or purchase of animals and consumer durables. Members can also use loans to make important investments in human assets such as health and education. For woman money management, greater control over resources and access to knowledge leads to greater choices and a voice in family and community matters. Economic empowerment is accompanied by growth in self-esteem, self-confidence and new opportunities. Micro finance members tend to have greater levels of savings than non-members, which is very important for building assets.

#### IV. CONCLUSION

SHGs have started reaping fruitful results by creating self confidence through economic independence among the women. Women especially in rural areas have started playing a vital role through mobilizing savings and build the capital resources of the country through SHG. The economic status of the members is increased through venturing a business, thereby increasing the income. An emancipation of women in society will ensure to develop social network among the people and build socially, economically and technologically a strong nation. Government can contribute most effectively by setting sound macroeconomic policy that provides stability and low inflation which will be a means of rebuilding India.

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