CHAPTER – 2
REVIEW OF LITERATURE AND RESEARCH DESIGN

2.1. Introduction.
As preliminary and preparatory part of present research work, the researcher undertook a review of literature on micro finance and micro enterprises. The review enabled the researcher to ascertain the contributions made by various experts and scholars in the field and to identify the promising virgin field awaiting fresh initiatives.

2.2. Micro finance
The collected literature on “Micro finance” is organized under three heads namely ‘Organizational aspects’, ‘Financial aspects’ and ‘Impact of micro finance’.

2.2.1. Organizational aspects
Ramalingam.C (1987) studied SHGs through case study method and reported that the group system failed where the members had come together only for the sake of taking loan and the group pressures did not work because the group did not have a very cohesive structure and the group comprised members of both the poor and the non-poor classes.

Puhazhendhi.V (1997) evaluated the SHGs in Tamilnadu and observed that among the total number of groups promoted by different NGOs, about 9 percent of them disintegrated over the last five years. Reasons attributed for such disintegration were non-cooperation of individual members with group activities, personality clash between office bearers and the group and lack of follow up by the NGO field staff.
Narain M. K. (1998) in his Ph.D research in Meerut district, while examining the factors, which brought the people together to form a group, found out that proximity and relationship of any kind namely social, economical, or political are the important factors.

Srinivasan Girija (2000) while making a case study on Sahyadri grameena bank in Shimoga, Karnataka, observed that initially loans were assured to many of the groups, and hence the groups were formed very quickly. However, since loans were linked to savings of the group and the loans were not sufficient to meet the credit needs of members, many of the groups became defunct. She also reported that as per the estimates of the head office of the Sahyadri grameena bank, nearly 40 percent of the groups were defunct.

Puhazhendhi V. and Satyasai K. J. S. (2001) carried out the evaluation study in 11 states and found that the major factor influencing the cohesiveness of the group was homogeneity in terms of standard of living as reported by 60 percent of the members, followed by stay within the neighbourhood as reported by 20 percent of the members and similar activities as reported by 10 percent of the members.

Satish P. (2001) analysed the issues in the formation of self help groups and found that the proportion of the poorest is generally high at 38.8 percent of the total SHG members in case of NGO promoted groups, whereas the poorest is only 14.6 percent of the total SHG members in case of bank promoted groups.

Chaudhury, A. Iftekhar and Imran Matin (2002) studied the effect of same member joining different groups in Bangladesh and observed that the loan
repayment performance of the same member joining different groups is significantly worse than the member joining only the groups of BRAC.

Lalitha.N. and Nagarajan.B.S (2002) reported that bigger the size of the groups, lower is the group cohesion. Thus, the size of group is inversely related to cohesiveness. It is found out from the study that 45 percent of the sample respondents were not satisfied with the present size of loans. There is an emerging gap between credit expectation and credit supply and unless this gap is reduced, the social momentum of the project may be adversely affected in course of time.

Fernandez. Aloysius Prakash (2003) while sharing the MYRADA experience observed that a government sponsored microcredit scheme in Dharmapuri district, which provided loans only for income generating assets, showed that over 60 percent of repayments on asset loans, came from sources other than the income generated by the asset.

Basu, Priya et al. (2004) reported that there was an absence of strong relationship between village level indicators of poverty and number of SHGs in a village. They also found that higher the rates of illiteracy, fewer were the SHGs in the village.

Basu, Priya and Pradeep Srivastava (2005) reported that the rural finance access survey carried out in Andhra pradesh and Uttar Pradesh revealed the fact that 54 percent of the SHG members hailed from poorest categories of landless and marginal farmers.
2.2.2. Financial aspects

Chandra.D (1993) analyzed the rural lending systems in India and tested the findings in three districts of Punjab through field survey. Her findings brought out clearly the huge gap between credit requirement and credit supply in rural areas. She also found that supply side from formal sector can never reach anywhere near the credit demand of the rural people.

Puhazhendhi.V (1995) studied the transaction cost of lending through SHGs and found that lending through SHGs reduces the bank’s transaction cost of lending by 41 percent and the borrower’s transactions cost comes down by 85 percent.

Puhazhendhi. V (1997) reported that the transaction cost at bank’s level was reduced by 40 percent in case of lending through SHGs for the first loan as compared to IRDP lending and further by 59 percent for the second and subsequent loans. This was mainly due to familiarity of bank personnel with the groups and lending norms for them.

Groen. Ruth Goodwin (1998) quoted a world bank study (Khandker et al 1995) on Grameen bank to find out its efficiency and future sustainability, which revealed that for Grameen bank to be fully financially self-sufficient, it needed to either increase its interest rate from 16.5 percent to 20.2 percent or increase its volume of lending by 41 percent annually, while keeping costs stable. Grameen bank has increased interest rate from 16 percent to 20 percent and substantially increased its volume of lending.
Ledgerwood Joanna (1998) observed that as per the world bank’s sustainable banking with poor project survey of micro finance institutions, by September 1995, about 7 billion US dollars in outstanding loans had been provided to more than 13 million individuals and groups.

Srinivasan Girija (1998) found that a peculiar feature of SHG lending is that the average loan registers quantum jump in the subsequent years since the savings of the members to which the credit is linked increases. Banks also increase the savings to credit ratios for subsequent loans from 1:1 to 1:4 in phases. Neither individual loans nor IRDP loans register such an increase. In fact, the discussions with the branch managers revealed that the majority of the borrowers under Model-I (Individuals –small borrowers) and Model II (Individuals under IRDP), who are availing loans for creating assets, neither renew their accounts nor avail fresh loans once the first loan is repaid. However, SHG loans almost double every subsequent year. Thus, the bank’s transaction cost of lending per Rs100 has the potential to register a sharp decline in respect of SHG loans as compared to individual loans.

CENDERET (Centre for Development Research and Training) (2000) while examining the information available with Western Orissa Resource center, found out that out of the total groups linked during 1999-2000, about 2 percent of the groups were linked during the first quarter, 2 percent of the groups during II quarter, 22 percent in III quarter and 74 percent in the last quarter. This procedural delay distracted most of the NGOs and the groups from linkage because the groups did not avail the bank loan at the time of need.
Dasgupta Rajaram (2001) studied the women SHGs promoted under Maharastra Rural Credit Project (MRCP) in four districts of Maharastra and observed that around 50 percent of the groups in MRCP have taken credit from Banks. About 10 percent of them have taken loans three times or more and 20 percent of the older groups have not taken any loan. Among the borrowing groups, all do not like to take bank credit indefinitely.

Jairath.M.S (2001) analyzed the performance of SHGs in Resource Poor Tribal (RPT) regions and Resource Better off Non tribal (RBN) regions in Rajasthan and found that the ratio between group savings and lending was on an average 1:2.4 and 1:2.86 in the RPT and RBN regions respectively. Purpose-wise borrowings of SHGs members revealed that in the RBN region more than 75 percent of the borrowers took loan for production purpose as against 55 percent in the RPT regions.

Malaisamy.A et al. (2001) assessed the repayment and overdue position of SHG and Primary Agricultural Co-operative Bank (PACB) beneficiaries in Madurai district of Tamilnadu and found that the average borrowing per member of SHG was Rs4528, where as the average borrowing per member of PACB was Rs10065. PACB members had a higher overdue of Rs4884 per household as compared to the SHG members overdue of Rs1012 per household. The regression analysis further revealed that 53 percent of the variation in overdues position was explained by the debt-asset ratio, educational level of the beneficiaries and membership in SHGs.

Namboodiri.N.V. and Shiyani.R.L (2001) studied the financial deepening of SHGs formed by Panchmahal Vadodara Gramin Bank (PVGB), Gujarat as
well as those promoted by NGOs and found that 62.7 percent of total SHGs formed by PVGB was credit linked with bank, the credit advanced per SHG was Rs21540 and the credit:savings ratio was 3.67, whereas only 42 percent of total SHGs formed by NGOs was credit linked with bank credit, the credit advanced per SHG was Rs12876 and the credit savings ratio was 1.27.

Nedumaran et al. (2001) examined the performance of SHGs in Erode and Tiruchirapally districts of Tamilnadu and observed that the savings and the average loan per group member in the groups showed an increase based on the age of the groups. The average annual savings per member was Rs550 in the Self Help Group in the age group of 2-3 years, which almost doubled and the loan advanced increased by 33 percent after a period of 4 years.

Sethi Binodini et al. (2001) evaluated the performance of SHGs in Kalahandi district of Orissa and reported that only 28 percent of the members of SHGs in the district received credit support from banks under the linkage program. There was uneven distribution of credit among the members. As regards the quantum of credit support, the per capita loan was about Rs650.

Srinivasan.G et al. (2001) analyzed the comparative financial performance of rural and urban SHGs in Coimbatore district of Tamilnadu and observed that the average total defaults were found to be higher at Rs 956 in rural SHGs, when compared to Rs 647 in urban SHGs. Because of higher defaults, the rural SHGs showed lower average recovery index (80 percent) than the urban SHGs (87 percent). They reported that the overall financial performance of the urban SHGs was better than that of the rural SHGs.
Srinivasan, Girija and P. Satish (2001), while studying the transactions cost of lending through self help groups, estimated that the risk cost is also reduced to 0.03 percent in case of lending through SHGs, whereas it is as high as 7.88 percent in normal bank lending.

Chellappa, Chitra. C (2002) reported that SHG women respondents raised the capital for their micro enterprises from different sources namely 1 percent of the capital from own sources, 76 percent of the capital from commercial bank loans and 23 percent of the capital from the loans obtained from their SHGs.

Hickson Robert (2002) carried out a study on the slum dwellers in Dhaka and found that the better-off households utilize microfinance services more extensively than do poorer households. On average the better-off households were participating in slightly over three different microfinance programs, whereas poorer households were clients of 1.8 programs.

Institute for Development Policy and Management (2002) investigated the financial lives of the poor in north India and observed that banks and microfinance institutions must recognize that assetlessness precludes borrowing. If they wish genuinely to bring the poorest groups into the market, it must be first through a savings (or insurance linked savings) strategy through which people develop an asset base positioning them to bear risk and shocks in future. Savings must be more than a qualifying procedure for loan finance.

Kropp, W. Erhard, and Dr. B.S. Suran (2002) found that the present indicators used to measure the linkage banking programme performance are number of SHGs credit linked with banks, volume of micro credit extended by the formal
banking system and number of banks / branches involved. They suggested that savings accumulated by the groups and the internal loans given by the groups out of their savings, should also be collected to measure the linkage banking programme performance.

Seibel, Hans Dieter and Harishkumar, R. Dave (2002) while assessing the commercial aspects of SHG banking in India, found that the non-performing loans in lending through SHGs were zero percent. The operational self sufficiency of SHG banking ranged from 110 percent to 165 percent by average and 142 percent to 286 percent by marginal cost analysis.

Tankha, Ajay (2002) analyzed the cost of promotion of SHGs and found that for promoting SHG under a minimalist model of pure bank linkage, it costs Rs4000 per SHG, whereas for promoting SHG under empowerment model and livelihood support, it costs between Rs10000 and Rs12000 per SHG.

Ananth, Bindu and Soju Annie George (2003) quoted a study carried out in Andhra pradesh which revealed that for the poor, the main sources of risk are nature related (drought and floods) and health related aspects with the effect that any credit availed gets utilized for these two purposes.

Manthiri, Abbas, A., (2003) compared the transaction costs of lending through SHGs and other normal loans and found that the total transaction cost of lending through SHGs is reduced by 59.37 percent, when compared with the other loans.
Seenivasan.R (2005) examined the impact of DHAN foundation’s ‘Kalanjiam community banking program’ on SHG members and found that on an average a member in a group of 3 – 5 years old group has taken an average loan of Rs19975 during the period and a member in more than 5 years group got an average loan amount of Rs38476, which showed that the amount available as loan for the members are increasing as the life of membership increases.

Devaprakash.R., (2006) estimated the micro finance vision for banks in India for 2008 and reported that the formal banking system will reach 120 million clients with micro finance through 60 lakh SHGs.

Purushotham .P (2006) in his national study on SGSY carried out in 13 states found that 45 percent of group swarojgaris have been under financed, when they availed the bank loan under the SGSY and the amount of under financing varies from 6 percent to 36 percent of the unit costs approved for those activities taken up by them.

Ramakrishna.R.V (2006) studied the performance of all banks under the SHG-Bank linkage program and found that the total SHG loan outstanding with the banking system is Rs42054 million. The net non performing assets under the SHG-Bank linkage program is 1.36 percent of the total SHG loan outstanding.

Christen, Robert Peck (2006) analyzed the sustainability of SHGs in a federated model with loan loss provision and amortized promotion costs added to the regular operational costs and found that cost of providing support to SHGs is 15 percent of the total assets of the SHGs on an annualized basis and members would need to pay an interest rate in excess of 36 percent on
loans in order to cover the all-in-costs of building and maintaining their access to financial services, if there were no subsidy involved.

2.2.3. Impact of micro finance

Puhazhendhi.V (1997) while carrying out NABARD’s evaluation study of self-help groups in Tamilnadu found that during the early years of group formation, around 72 percent of loans were provided for consumption purposes whereas in the latter period of the group functioning, 69 percent of loans were provided for production purposes. In the case of 45 percent of members, the loans were utilized for income generating activities such as animal husbandry, poultry and other non-farm activities.

Sebstad Jennefer and Cohen Monique (2000) analyzed the impact of micro financial services on the non-income dimensions of poverty, specifically those related to risk, vulnerability and assets and found that a mix of human and social assets may be more important for reducing the vulnerability of extreme poor households, while physical and financial assets may increase in importance for moderate and vulnerable non-poor households.

Chinnaiyan.P and Krishnamurthi.P (2001/2002) studied the impact of community banking (SHGs) and the attitude of beneficiaries towards community banking in Madurai district of Tamilnadu and observed that 86.67 percent of people realized that the community banking (SHGs) program improved their economic condition. They also found that 20 percent of the members expressed that the community banking (SHG) program needs modification for further expansion.
Datta.K.Samar and Raman.M (2001) estimated the contribution of average educational level of members in the SHGs to the SHG’s net income per member. They found that on an average, one year of additional education leads to an increase of SHG net income per member by Rs318.

Marguerite. S. Robinson (2001) reported that Bank Rakyat Indonesia’s (BRI) Unit desa system of micro finance program helped Indonesia to reduce the poverty from 40 percent in mid 1970s to about 11 percent in 1996.

Puhazhendhi.V and Satyasai.K.J.S (2001) evaluated the performance of SHGs with special reference to social and economic empowerment and found that the impact of SHGs was relatively more pronounced on the social aspects than on the economic aspects, the score value of the social aspects being 40 in the pre-SHG period as against 74 in the post-SHG period, while in the case of the economic aspects, it was 40 and 52 respectively.

Singh.D.K (2001) studied the impact of SHGs on the economy of target groups in Kanpur Dehat district and reported that the per household annual income increased by about 28 percent from Rs20275 in the pre-SHG situation to Rs25883 in the post-SHG situation. He also found that the households were dependent on labour income in the pre SHG situation. But, after formation of SHGs, they derived maximum income from dairy

Puhazhendhi.V. and K.C.Badatya (2002) observed that 45 percent of the members registered an increase in assets between pre-SHG and post-SHG situation. Increase in asset value is from Rs4498 to Rs5827- a 30 percent increase. They further noted that 20 percent of SHGs had not received any sort
of the training and 15 percent of members moved above the Below Poverty Line (BPL) standard.

Rani Sudha et al. (2002) examined the impact of SHGs on women empowerment through four aspects namely ‘Participation of women in house management’, ‘Empowerment in health and sanitation’, ‘Economic empowerment’ and ‘Leadership’. They found that the empowerment of women in the age group of 31-40 is higher than the other groups. In all the above four aspects, there is positive co-relation between the educational status and empowerment. They further observed that the extent of empowerment in all four aspects increases with the period of participation.

Halder, R. Shantana (2003) analyzed the impact of micro finance programs of BRAC in Bangladesh and observed that the poverty among BRAC households reduced by 7 percent from 59 percent to 52 percent during the last four years, while the incidence of poverty among non-BRAC households increased from 68 percent to 73 percent during the same period.

EDA rural systems (2004) carried out a study on development impact of micro finance in Micro finance support project of SIDBI and found that nearly one third of supported enterprises were newly started with micro credit. It was also observed that 64 percent of the enterprises reported increase in income. The study revealed that within the supported enterprises, 8 percent of them were closed and higher rate of closure was reported in newly started enterprises.

Ganeshamurthy.V.S. et al. (2004) assessed the level of satisfaction about the bank services from the members of the SHGs banking with Lakshmi vilas
bank, Suriyampalayam branch in Erode district of Tamilnadu and found that majority (79.59 percent) of the respondents reported low level of satisfaction and the range of score was between 5 and 15. About 20.41 percent of the respondents reported medium level of satisfaction and the score was between 15 and 25. No respondent reported high level of satisfaction, for which the score was above 25.

Honohan Patrick (2004) examined the impact assessments of microfinance programs in Bangladesh and reported that the penetration of micro lending has increased to the point, where one household in every six actually borrowed from multiple lenders.

Venkateswaran.S (2004) studied the impact of SHGs on their members in Madurai district and found that the respondents below Rs15000 income level were 69.3 percent of the total respondents in pre-SHG period, which has come down to 34.7 percent of the total respondents in post-SHG period.

Kabeer, Naila (2005) analyzed the impact study findings from South Asia and reported that 1 percent increase in loan to women borrowers with the Grameen bank increased the probability of school enrolment by 1.9 percent for girls and 2.4 percent for boys.

Mahajan, Vijay (2005) reported that the impact assessment study carried out at BASIX revealed that 52 percent of their three year plus micro credit customers reported an increase in income, 23 percent reported no change, while another 25 percent actually reported a decline. The reported reasons for
these, were un-managed risk, low productivity in crop production / livestock rearing and inability to get good pricing from input and output markets.

2.3. Micro enterprises
The studies on “Micro enterprises” are organized under two heads namely ‘Micro enterprise development’ and ‘Impact of micro enterprise’.

2.3.1. Micro enterprise development
Chen. Martha Alter (1996) outlined the participatory sub-sector approach for promoting women’s enterprises, wherein she observed that the participatory sub-sector approach promotes selection of interventions by target people themselves rather than selection of interventions by outside experts.

Asian Development Bank (1997) observed that women enterprises concentrated in sector with particular ease of entry and low returns. So, new starts and closures tend to be higher. Poverty reducing micro enterprises program make an impact by increasing income rather than generating new jobs. As a best practice, NGO can take up skill, capital and management intensive functions and leave the production function to the micro-entrepreneurs.

Kotaiah.P (1997) pointed out that micro enterprises / micro-entrepreneurs have major constraints which inhibit their access beyond local markets. The constraints being market information, inability to scale up production and services due to inadequate capital, inability to adopt technological transformation to meet the quality standard required by the market, lack of
standardization, lack of adequate infrastructural support, absence of what is called “Brand Equity” to enter niche markets and tendency to remain small.

Rengarajan .V (1997) observed that an important ingredient in China’s success with rural enterprise has been a minimum package of transport, telecommunications and power at the village level.

Ledgerwood Joanna (1998) found that the access to continuous financial services, including loans for capital purchases and savings services to build up reserves, allows micro enterprises to increase their asset base and improve their ability to generate revenue.

Mosley, Paul and David Hulme (1998) found that the tendency for the willingness to take risk and to invest in new technology increases with people having increased income and poor are more risk averse.

Manimekalai.N. and Rajeswari.G (2000) investigated the problems of women entrepreneurs of SHGs in rural Tiruchirapalli district of Tamilnadu and found that majority (33 percent) of women entrepreneurs face the problems of shortage of capital. This is due to the fact that that the members get the loan only from their SHGs and their own micro finance institution – “Vizuthugal”. The study revealed that 21 percent of the women entrepreneurs face the raw material related problems like non availability of quality raw materials. About 31 percent of women entrepreneurs faced the marketing problem.

Awasthi.P.K. et al. (2001) analyzed the working and impact of SHGs on economic status of women in watershed area of Madhya Pradesh and found
that the SHG members suffered from lack of motivation, lack of backward and forward linkages, inadequacy of infrastructures, insufficient loan, inadequate provision for marketing and availability of inputs, lack of systematic monitoring and follow up of the activities. They reported that there is need to evaluate the SHGs annually to assess the progress of different income and employment generating schemes under SHG

Choudhury.R.C. and et al. (2001) in their study concluded that there exists no symbiotic relationship between SHG-led microcredit movement and micro-enterprise development. However, there are evidences, which indicated that the flow of micro-credit did trigger growth impulses among small entrepreneurs. The study observed that group enterprise on a big scale would involve greater risk but would yield better results to the entrepreneurs. The study reported that the active intervention by NGOs is a pre-condition for the successful conception of micro-enterprises in terms of skill training, designing products, providing new technology and access to market.

Perrett Graham (2001) while assessing the AMIR program in Jordan found that the entrepreneurial culture is lacking and a major roadblock preventing entrepreneurship is that Jordanian micro entrepreneurs are not great originators of ideas, but excellent copycats, who then end up undercutting each other in the market place.

Perrett Graham (2001) observed that technical assistance for helping micro enterprises better manage their businesses can generate an increase in the loan demand by these clients combined with a lowering of the risk of lending to them.
Burjorjee. M. Deena, et al. (2002) while documenting the best practices in micro finance reported that the gender based obstacles are related and can be mutually reinforcing together, they work to limit the profitability of women’s enterprises by building constraints to information, markets and capital into the very structure of women’s businesses. They also noted that the entrepreneurship training for girls provides them with education, self confidence and role models during their youth.

Kropp.W. Erhard and B.S. Suran (2002) reported that using the total volume of SHG money to start a joint enterprise like food processing, food catering, running a village shop jointly, auctioning the right to organize the village market, manufacturing of milestones etc. with all group members involved, is an indicator for the entrepreneurial enthusiasm created at the beginning; but joint micro-enterprises may not last long.

Kumaran K.P (2002) evaluated the role of self help groups in promoting micro enterprises through micro credit in Pune district of Maharastra and found that 37.93 percent of total entrepreneurs were in the age group of 25 to 30 years and 20.69 percent were in the age group of 31 to 35 years. The most common enterprises were tailoring and dairy. About 45.23 percent of the capital was raised from the SHGs and 29.39 percent of the capital came from banks as loans. The promotion of technical and back up services helped the micro enterprises to achieve sustainability to a great extent.

Pandian Punithavathy and R. Easwaran (2002) found that majority of women (59 percent) take up petty business units like milk vending, petty shop,
vegetable vending, cloth merchant and tiffin center, because the rural women find it easy to manage the petty business with their inherent skills and little education.

Chatterjee Shankar (2003) studied the implementation of Swarna jeyanthi Gram Swa rozgar Yojana (SGSY) through SHGs in Jaunpur district of Uttar Pradesh and reported that 3909 SHGs had been formed during the period from April 1999 to November 2002 and out of which, only 61 SHGs (less than 2 percent) have obtained the bank loan for economic activities.

Eswaran.R. (2003) analyzed the reasons for starting the businesses by SHG women in Madurai district and observed that 35.14 percent were motivated to be self employed, 32.58 percent had started the business as they had been trained on the similar activity, 19.14 percent of them had entered into the business to earn money and 13.14 percent of them to carry on the family business.

2.3.2. Impact of micro enterprise

Dunn.E (1997) concluded that despite the fact that the target micro enterprise is not growing, the welfare of household may be improving. Therefore, the target micro enterprise is insufficient as the unit of analysis for impact assessment and must be expanded to include the household economic portfolio.

Puhazhendhi.V. and B.Jayaraman (1999) found that as a result of group formation, women were able to diversify their activities through undertaking non-farm and animal husbandry activities. Members taking up more than one
activity increased from about 30 percent during pre-group formation to about 53 percent during post-group formation situation.

Dunn Elizabeth and J.Gordon Arbuckle (2001) evaluated the impact of micro credit on micro enterprise performance in Mibanco, Peru and found that micro credit had an beneficial impact on the enterprise promotion as it resulted in an additional 1000 US dollars in annual enterprise profits, an additional 500 US dollars in the value of the enterprise fixed assets and an additional nine days per month of enterprise employment.

Ahuja Abha et al. (2002) analyzed the impact of the rural entrepreneurship training to women SHG members and found that 60 percent of the trainees are active and utilizing their learned training skills. About 20 percent of women are not taking any initiative.

Dwarakanath.H.D (2002) carried out the socio economic survey of self help groups and revealed that the DWCRA bazaar helped rural women to earn an additional monthly income ranging from Rs.500 to Rs.2500 depending on the enterprising activities taken up by them. He also quoted that the major research project study of self help groups under DWCRA in Ranga reddy district revealed that due to lack of skills and non availability of infrastructure facilities, a viable project becomes unmanageable.

2.4. Research gap
The studies reviewed above deal with organizational and financial aspects of micro enterprises and also the financial aspects of micro enterprises and their impact. They deal more with outcome variables like increase in income, assets
and employment level than the process variables like the extent to which the women have improved their entrepreneurial traits, management of micro enterprises and so on. The present study fills this gap.

2.5. Theoretical framework for analysis

To have a clear understanding of the research problem taken up for the present study, the problem has been investigated against the backdrop of available theories related to the study.

2.5.1. Asymmetrical Information Theory

Asymmetric Information theory was evolved by George Arthur Akerlof (1970) in his article “The market for lemons: Quality uncertainty and the market mechanism”. He used the used car sales people as an example to illustrate his theory.

In a transaction between two parties, if any difference exists in possessing the information regarding an issue between the two parties, then that information imperfection is said to be the asymmetrical information. In a formal rural credit market, banker has an incomplete information on borrower. Banker does not know whether the borrower would repay as per the repayment schedule prescribed or would default and also lender does not know whether the borrower would use the loan for the purpose for which it is lent or would misuse the loan. The theory of asymmetric information states that the formal financial sector has failed in the lending operations despite various subsidy schemes in the rural areas and the informal sector thrives despite the high rate of interest because it has more information about the prospective clients and does continuous monitoring, which the formal sector can never hope to have.
Adverse selection and moral hazards are the problems of asymmetric information. Lender is not able to differentiate between high risk and low risk borrowers and the lender charges a higher interest rate, low risk borrower avoids borrowing and high risk borrower only takes the loan, which leads to adverse selection. Even if a borrower misuses the loan amount by not using it for the purpose for which it was lent, the lender may not be in a position to enforce the sanctions against the borrower.

Hence, some intermediary has to come in between the banker and the borrower for facilitating screening and for enforcing the sanctions, to overcome the adverse selection and moral hazards problems. SHGs have emerged as effective intermediaries to overcome the problems of asymmetric information.

2.5.2. Olson’s theory

Olson’s theory (1965 and 1971) says that the purpose of any organization is furtherance of interests of its members, otherwise organizations fail. This emphasizes that people come together and function as a group if they are organized around something which furthers their common interest.

Olson’s theory further states that in smaller groups, each of the members or majority of the members find that their private gain from the collective good or activity is more than their private gain from doing it individually. Olson asserts that in smaller groups, it is possible to have 100 percent participation of the members and a close monitoring of the actions of all members is possible, which is essential for group stability.
2.5.3. Schumpeter's Theory on Enterprise and Entrepreneur

According to Joseph Schumpeter, the enterprise is the act of carrying out the new combinations of productive factors and the entrepreneur is the agent whose function is to carry out those new combinations, which include the introduction of a new good, introduction of a new method of production, opening of a new market, finding out a new source of supply of raw materials and carrying out of the new organization. Thus, the entrepreneur is the innovator, who will introduce this discovery into the enterprise, industry and economy. Innovation by the entrepreneurs led to the creative destruction as innovation caused old inventories, ideas, technologies, skills and equipments to become obsolete.

2.5.4. Knight's Theory of Risk.

Frank H. Knight referred risk to a situation where the probability of an outcome could be determined and therefore the outcome could be insured against. Uncertainty referred to an event whose probability could not be known. If new companies are free to enter an industry and existing company are free to exit, then in long run, entrepreneur and capital will exit from industries where profits are low and enter ones where they are high. If uncertainty were equal between industries, this shift of entrepreneur and of capital would occur until profits were equal in each industry. Any long run difference in industry profit rate, therefore can be explained by the different magnitudes of the uncertainties involved. Even in long run equilibrium, entrepreneurs would earn profits as a return for their putting up with uncertainty. SHG members also hesitate to undertake new enterprises due to uncertainty factors associated with it.
Against this background, the present study endeavours to investigate the micro enterprises initiated with micro finance and participation of SHGs in various entrepreneurial activities vis-à-vis their control over the resources – financial, material and human.

2.6. Issues for investigations

The present study primarily investigates the following issues.

❖ The types of micro enterprises promoted in the study area with the SHG Bank loan.
❖ Specific factors which is supportive to the development of micro enterprises in the study area
❖ The factors which prevent the growth of the micro enterprises in the study area.
❖ The impact of the continued access to SHG-based micro financial services on the entrepreneurial behavioural competencies of the SHG women entrepreneurs as well as on the growth and management of their micro enterprises.

2.7. Research design.

2.7.1. Statement of the problem

Participation of women in ‘Self help groups based micro finance program’ has increased their general awareness and exposed them to the outside world of opportunities. Their enhanced mobility and interactions enabled them to improve their behavioral competencies over a period of time. The kind of changes in the behavioural competencies of SHG women-micro entrepreneurs, impact of micro finance at the household level and effect of micro finance on growth and management of micro enterprises, thanks to the availability of
continued access to SHG based micro financial service merit attention. They ought to be explored for the improvement of the momentum of the growth of micro enterprises, which will make the village economy vibrant, thereby taking the marginalized people to the mainstream. Hence, the present study with the following specific objectives.

2.7.2. Objectives of the study

The specific objectives of the study are as here under.

- To review the progress of SHG bank linkage program at the national, state (Tamilnadu) and district (Madurai and Ramanathapuram districts) levels.
- To identify the different types of micro enterprises promoted by the SHG women out of the SHG-Bank loans in the study area.
- To compare the performance of two blocks of study area in terms of the changes in the entrepreneurial behavioural competencies of SHG women.
- To examine the impact of the continued access to SHG bank linkage program on the growth and management of the micro enterprises of SHG women in the study area.
- To investigate the factors that promote or limit the growth of micro enterprises in the study area.
- To evaluate the changes in terms of employment level, income and assets of the SHG women in the study area between pre-SHG and post-SHG period.
- To suggest measures for policy changes for better implementation of SHG bank linkage and micro enterprise development programs.
2.7.3. Hypotheses to be tested.

The study aims at testing the following hypotheses.

- There is an association between the incremental EBC category and the training of the respondents.
- There is an association between the incremental EBC category and the sector, in which the respondents have taken up the economic activities.
- There is an association between the incremental EBC category and the period of participation of the respondents in SHGs.
- There is an association between the incremental EBC category and the block, in which the respondents have taken up the economic activities.
- There is an association between the incremental EBC category and the number of loans availed by the respondents.
- There is an association between the incremental EBC category and the income category of the respondents.
- There is an association between growth categories of micro enterprises and the blocks, where the micro enterprises are promoted by the respondents.
- There is an association between growth categories of micro enterprises and the period of participation of the respondents in SHGs.
- There is an association between growth categories of micro enterprises and the sectors, in which the micro enterprises are promoted by the respondents.
- There is an association between the growth category of micro enterprises and the number of bank loans availed by the respondents.
- There is an association between the growth category of micro enterprises and the income category of the respondents.
There is a difference in mean incremental number of days employed per annum for the respondents between Pre-SHG and Post-SHG period.

There is a difference in mean incremental income per annum for the respondents between Pre-SHG and Post-SHG period.

There is a difference in mean incremental assets for the respondents between Pre-SHG and Post-SHG period.

2.7.3. Operational definition of concepts used in the study

Micro finance
Micro finance is provision of a set of micro financial services namely saving, micro credit, insurance and technical services like training, to the poor in rural, semi urban, urban and metropolitan areas for enabling them to build assets, to reduce their vulnerability and improve their living standards.

Micro credit
Micro credit refers to the supply of small amount of credit to the poor, wherein the lenders namely SHGs, NGOs or banks as the case may be, have a discretion to determine the rate of interest on its micro credit.

Micro enterprise
Micro enterprise is an enterprise of production or service provider or trading, which may be in farm sector or non-farm sector, requiring a total investment of Rs.50,000 or less and serving the local market.

Micro entrepreneur
Micro entrepreneur is one, who takes the risk of organizing and managing a
micro enterprise with a view to earn profit.

**Self Help Groups (SHGs)**
Self Help Group is an informal association of homogenous, 10 to 20 poor persons in a place, with a common objective of helping themselves mutually, striving for their economic as well as social advancement and also for their overall community development.

**Business Development Services (BDS)**
Business development services are those services which help an enterprise to expand its market, improve its efficiency and to find a solution to the business problems. The most common BDS include training on entrepreneurship development program, skill development training, business management trainings, auditing, business plan preparation, registration with government authorities for complying with various legal provisions, product / process development technical assistance, market information and quality control and so on.

**Backward linkages**
Backward linkages are the services which provide the supply of some or all of the raw materials / services that are used for the production of products or services by the enterprises.

**Forward linkages**
Forward linkages are the services which takes care of distribution and marketing of the products or services of the enterprises.
**Human assets**

Human assets constitute labour, investments in education and investments in health and nutritional care. Building human assets improve the productivity of the individuals and the household.

**Social assets**

Social assets include membership in groups / networks, relationships of trusts and access to more forums.

**Physical assets**

Physical assets comprise of land, buildings, machineries, equipments, tools, livestock, grain stocks, jewels and consumer durables.

**Financial assets**

Cash, savings, insurance cover and access to credit are poor’s financial assets.

**Household**

Family, a basic unit is the household, which includes its different family members, their resources and capabilities.

**SHG-Bank linkage program**

SHG-Bank linkage program is a major micro finance program in India, wherein the banks lend to the SHGs in proportion to their common fund, after the development of funds management capacity and stabilization of their operations by SHGs. SHG bank linkage program delivers capacity building services also to its members through the NGOs.

**Vulnerability**

Vulnerability is the capacity of the household/individual to face the risk.

**Empowerment**

Empowering is building capacity of women to have access to and
control of resources and making their voices heard in mainstream institutions.

**Non-Governmental Organization (NGO)**

Non-governmental organization is the organization, which works very closely with the people in the lowest strata of the society, in development interventions and motivate them to change. NGO facilitate the SHG promotion in micro finance programs.

**Apex organizations**

NABARD, SFMC (SIDBI Foundation for Micro Credit) and RMK (Rashtriya Mahila Kosh) are the apex organizations in the Indian context, which deliver the onlending funds / promotional grants to the banks, NGOs and MFIs for onlending to the SHGs and for the development of the micro finance sector.

**Regulator**

The country’s central bank is the regulator and in India, Reserve bank of India (RBI) is the country’s regulator for the banking and monitory policy and responsible for the supervision of all banking related matters.

**Below Poverty Line (BPL) families**

Below poverty line families are those which are below the poverty line prescribed by the government of India from time to time. Poverty line (1999-2000) is based on the per capita consumption expenditure per month. For Tamilnadu, the poverty line is Rs307.64 per capita consumption expenditure per month in rural areas and Rs475.60 per capita consumption expenditure per month in urban areas.
Block
For the convenience of implementing development schemes, the government has separated the districts into units called “Blocks”.

Rural area
Rural area is the area, which has a population of 10,000 or less. The main occupation of the rural people are based on agricultural activities.

Semi urban area
Semi urban area is the area, which has a population of more than 10,000 and upto 1,00,000.

Sanga loan
Sanga loan is the loan given by a SHG to its members, out of its own common fund.

Common fund
The common fund of the SHG includes total savings, interest income earned by the SHG and other receipts minus expenses and the savings returned.

Social Entrepreneur
Social Entrepreneur is one who applies the entrepreneurial skills in a professional way for the well being of the community and brings out changes.

Capacity building of SHGs
Capacity building refers to imparting necessary knowledge and skills to SHGs through. Structured trainings.

Promotion of micro enterprises
Planning and facilitating the women to start micro enterprises and manage them effectively.
2.7.5. Methodology
The present study is a descriptive one based on survey method employing both the primary data and secondary data.

a. Sampling method.
Multi stage random sampling was adopted for selecting the sample units for the study. In the first stage, Tamilnadu was selected among the states and in the second stage, two districts were selected and in the third stage, from each district, one block was selected and at the fourth stage, from those two blocks, one NGO per block was selected.

b. Selection of the state and districts.
In India, Tamilnadu takes the second place in the promotion of SHGs, with a cumulative total of 62709 SHGs (13.5 percent of total SHGs in India) with SHG-Bank loan of Rs2026.71 million (19.7 percent of total SHG-Bank loan disbursed) as of 31.3.2002. Besides this, Tamilnadu is the place, wherein pilot initiatives like SHG based IFAD-assisted Tamilnadu women's development project was launched way back in 1989, which helped to learn many lessons in the SHG concept. Hence, Tamilnadu was selected in the first stage. Among the 29 districts in Tamilnadu, the researcher selected two districts namely Madurai and Ramanathapuram. As poverty is a multi dimensional deprivation of opportunities, the Human Development Index (HDI) and Gender Development Index (GDI) were taken as parameters for the selection of districts. The table 2.1 given below shows the district-wise HDI and GDI in Tamilnadu. Among the 11 districts with HDI and GDI above state average, Madurai district was selected and among the 18 districts with HDI and GDI
below state average. Ramanathapuram district was selected based on simple random sampling.

Table 2.1.
District-wise HDI and GDI in Tamilnadu.

<table>
<thead>
<tr>
<th>Sl.no</th>
<th>District</th>
<th>GDI value</th>
<th>GDI rank</th>
<th>HDI value</th>
<th>HDI rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Chennai</td>
<td>0.776</td>
<td>1</td>
<td>0.757</td>
<td>1</td>
</tr>
<tr>
<td>2</td>
<td>Kancheepuram</td>
<td>0.710</td>
<td>2</td>
<td>0.712</td>
<td>2</td>
</tr>
<tr>
<td>3</td>
<td>Thiruvallur</td>
<td>0.651</td>
<td>13</td>
<td>0.654</td>
<td>12</td>
</tr>
<tr>
<td>4</td>
<td>Cuddalore</td>
<td>0.643</td>
<td>15</td>
<td>0.644</td>
<td>16</td>
</tr>
<tr>
<td>5</td>
<td>Villupuram</td>
<td>0.582</td>
<td>28</td>
<td>0.587</td>
<td>28</td>
</tr>
<tr>
<td>6</td>
<td>Vellore</td>
<td>0.655</td>
<td>11</td>
<td>0.658</td>
<td>11</td>
</tr>
<tr>
<td>7</td>
<td>Tiruvannamalai</td>
<td>0.608</td>
<td>26</td>
<td>0.612</td>
<td>26</td>
</tr>
<tr>
<td>8</td>
<td>Salem</td>
<td>0.625</td>
<td>24</td>
<td>0.626</td>
<td>24</td>
</tr>
<tr>
<td>9</td>
<td>Namakkal</td>
<td>0.631</td>
<td>20</td>
<td>0.636</td>
<td>20</td>
</tr>
<tr>
<td>10</td>
<td>Dharmapuri</td>
<td>0.582</td>
<td>29</td>
<td>0.584</td>
<td>29</td>
</tr>
<tr>
<td>11</td>
<td>Erode</td>
<td>0.656</td>
<td>10</td>
<td>0.658</td>
<td>10</td>
</tr>
<tr>
<td>12</td>
<td>Coimbatore</td>
<td>0.697</td>
<td>5</td>
<td>0.699</td>
<td>5</td>
</tr>
<tr>
<td>13</td>
<td>Nilgiris</td>
<td>0.686</td>
<td>6</td>
<td>0.685</td>
<td>6</td>
</tr>
<tr>
<td>14</td>
<td>Trichy</td>
<td>0.671</td>
<td>7</td>
<td>0.671</td>
<td>7</td>
</tr>
<tr>
<td>15</td>
<td>Karur</td>
<td>0.641</td>
<td>16</td>
<td>0.647</td>
<td>15</td>
</tr>
<tr>
<td>16</td>
<td>Perambalur</td>
<td>0.592</td>
<td>27</td>
<td>0.596</td>
<td>27</td>
</tr>
<tr>
<td>17</td>
<td>Tanjavur</td>
<td>0.629</td>
<td>21</td>
<td>0.630</td>
<td>21</td>
</tr>
<tr>
<td>18</td>
<td>Nagapattinam</td>
<td>0.652</td>
<td>12</td>
<td>0.654</td>
<td>13</td>
</tr>
<tr>
<td>19</td>
<td>Tiruvurur</td>
<td>0.633</td>
<td>19</td>
<td>0.637</td>
<td>19</td>
</tr>
<tr>
<td>20</td>
<td>Pudukottai</td>
<td>0.615</td>
<td>25</td>
<td>0.618</td>
<td>25</td>
</tr>
<tr>
<td>21</td>
<td>Madurai</td>
<td>0.661</td>
<td>8</td>
<td>0.661</td>
<td>8</td>
</tr>
<tr>
<td>22</td>
<td>Theni</td>
<td>0.628</td>
<td>22</td>
<td>0.628</td>
<td>23</td>
</tr>
<tr>
<td>23</td>
<td>Dindigul</td>
<td>0.638</td>
<td>17</td>
<td>0.641</td>
<td>17</td>
</tr>
<tr>
<td>24</td>
<td>Ramnad</td>
<td>0.626</td>
<td>23</td>
<td>0.629</td>
<td>22</td>
</tr>
<tr>
<td>25</td>
<td>Virudunagar</td>
<td>0.649</td>
<td>14</td>
<td>0.651</td>
<td>14</td>
</tr>
<tr>
<td>26</td>
<td>Sivagangai</td>
<td>0.635</td>
<td>18</td>
<td>0.640</td>
<td>18</td>
</tr>
<tr>
<td>27</td>
<td>Tirunelveli</td>
<td>0.656</td>
<td>9</td>
<td>0.658</td>
<td>9</td>
</tr>
<tr>
<td>28</td>
<td>Thoothukudi</td>
<td>0.703</td>
<td>4</td>
<td>0.703</td>
<td>4</td>
</tr>
<tr>
<td>29</td>
<td>Kanniyakumari</td>
<td>0.708</td>
<td>3</td>
<td>0.711</td>
<td>3</td>
</tr>
<tr>
<td>30</td>
<td>Tamilnadu state</td>
<td>0.654</td>
<td></td>
<td>0.657</td>
<td></td>
</tr>
</tbody>
</table>

e. Selection of blocks and NGOs.

From each district, one block was selected based on the highest percentage of SHGs credit linked more than once to total SHGs credit linked. Table 2.2 and 2.3 shows the block-wise distribution of SHGs credit linked more than once in the Madurai and Ramanathapuram district respectively as of 31.3.2004. Usilampatti block in Madurai district was selected as 36.4 percent of its total credit linked SHGs are credit linked more than once. Paramakudi block in Ramanathapuram district was selected as 27.9 percent of its total credit linked SHGs are credit linked more than once.

### Table 2.2

Block-wise distribution of SHGs credit linked more than once in Madurai district. (As on 31.3.2004)

<table>
<thead>
<tr>
<th>Block</th>
<th>Total SHGs</th>
<th>Total members</th>
<th>SHGs credit linked</th>
<th>SHGs credit linked more than once</th>
<th>Percent of SHGs linked more than once to total SHGs linked.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alangalnallur</td>
<td>326</td>
<td>5628</td>
<td>247</td>
<td>57</td>
<td>23.1</td>
</tr>
<tr>
<td>Chellampatti</td>
<td>496</td>
<td>8986</td>
<td>398</td>
<td>45</td>
<td>11.3</td>
</tr>
<tr>
<td>Kallikudi</td>
<td>83</td>
<td>1595</td>
<td>66</td>
<td>18</td>
<td>27.3</td>
</tr>
<tr>
<td>Kottampatti</td>
<td>176</td>
<td>3170</td>
<td>123</td>
<td>7</td>
<td>5.7</td>
</tr>
<tr>
<td>Madurai east</td>
<td>407</td>
<td>8119</td>
<td>358</td>
<td>101</td>
<td>28.2</td>
</tr>
<tr>
<td>Madurai west</td>
<td>229</td>
<td>4199</td>
<td>172</td>
<td>21</td>
<td>12.2</td>
</tr>
<tr>
<td>Melur</td>
<td>293</td>
<td>5103</td>
<td>218</td>
<td>36</td>
<td>16.5</td>
</tr>
<tr>
<td>Sedapatti</td>
<td>418</td>
<td>7786</td>
<td>332</td>
<td>32</td>
<td>9.6</td>
</tr>
<tr>
<td>Tiruparankundram</td>
<td>381</td>
<td>7481</td>
<td>290</td>
<td>81</td>
<td>27.9</td>
</tr>
<tr>
<td>Tirumangalam</td>
<td>323</td>
<td>5631</td>
<td>243</td>
<td>18</td>
<td>7.4</td>
</tr>
<tr>
<td>T.Kallupatti</td>
<td>195</td>
<td>3761</td>
<td>160</td>
<td>5</td>
<td>3.1</td>
</tr>
<tr>
<td>Usilampatti</td>
<td>820</td>
<td>13250</td>
<td>236</td>
<td>86</td>
<td>36.4</td>
</tr>
<tr>
<td>Vadipatti</td>
<td>651</td>
<td>11447</td>
<td>542</td>
<td>65</td>
<td>12.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4798</strong></td>
<td><strong>86156</strong></td>
<td><strong>3385</strong></td>
<td><strong>572</strong></td>
<td><strong>16.9</strong></td>
</tr>
</tbody>
</table>

Source: Primary data and Mahalir Thittam project office.
Table 2.3

Block-wise distribution of SHGs credit linked more than once in Ramanathapuram district (As on 31.3.2004).

<table>
<thead>
<tr>
<th>Block</th>
<th>Total SHGs</th>
<th>Total members</th>
<th>SHGs credit linked</th>
<th>SHGs credit linked more than once</th>
<th>Percent of SHGs linked more than once to total SHGs linked.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kamuthi</td>
<td>502</td>
<td>9198</td>
<td>332</td>
<td>83</td>
<td>25.0</td>
</tr>
<tr>
<td>Paramakudi</td>
<td>789</td>
<td>14367</td>
<td>660</td>
<td>184</td>
<td>27.9</td>
</tr>
<tr>
<td>R.S. Mangalam</td>
<td>403</td>
<td>6750</td>
<td>166</td>
<td>43</td>
<td>25.9</td>
</tr>
<tr>
<td>Tiruvadanai</td>
<td>489</td>
<td>8620</td>
<td>318</td>
<td>81</td>
<td>25.5</td>
</tr>
<tr>
<td>Ramanathapuram</td>
<td>281</td>
<td>5161</td>
<td>272</td>
<td>71</td>
<td>26.1</td>
</tr>
<tr>
<td>Mandapam</td>
<td>312</td>
<td>5927</td>
<td>300</td>
<td>74</td>
<td>24.7</td>
</tr>
<tr>
<td>Tirupulani</td>
<td>216</td>
<td>4043</td>
<td>120</td>
<td>32</td>
<td>26.7</td>
</tr>
<tr>
<td>Kadaladi</td>
<td>312</td>
<td>6113</td>
<td>122</td>
<td>32</td>
<td>26.2</td>
</tr>
<tr>
<td>Mudukulathur</td>
<td>406</td>
<td>7583</td>
<td>151</td>
<td>37</td>
<td>24.5</td>
</tr>
<tr>
<td>Bogalur</td>
<td>131</td>
<td>2390</td>
<td>36</td>
<td>9</td>
<td>25.0</td>
</tr>
<tr>
<td>Nainarkoil</td>
<td>162</td>
<td>2948</td>
<td>121</td>
<td>15</td>
<td>12.4</td>
</tr>
<tr>
<td>Total</td>
<td>4003</td>
<td>73100</td>
<td>2598</td>
<td>661</td>
<td>25.4</td>
</tr>
</tbody>
</table>

Source: Primary data and Mahalir Thittam project office.

Table 2.4 indicates that 37.9 percent of the members of the credit-linked SHGs in Paramakudi block have micro enterprises, whereas 36.9 percent of the members of the credit-linked SHGs in Usilampatti block have micro enterprises.

Table 2.4.

Block-wise distribution of SHG women with micro enterprises

<table>
<thead>
<tr>
<th>Sl.no</th>
<th>Block</th>
<th>Credit linked SHGs</th>
<th>Members with micro enterprises (ME)</th>
<th>Percentage of members with ME to total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Number of SHGs.</td>
<td>Total members</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Paramakudi</td>
<td>660</td>
<td>12018</td>
<td>4566</td>
</tr>
<tr>
<td>2</td>
<td>Usilampatti</td>
<td>236</td>
<td>3813</td>
<td>1410</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>896</td>
<td>15831</td>
<td>5976</td>
</tr>
</tbody>
</table>

Source: Compiled from the MIS reports (year ending 31.3.2004) of NGOs in Paramakudi and Usilampatti blocks.
Table 2.5 shows the NGO-wise distribution of SHGs in Usilampatti block, which are credit linked more than once as of 31.3.2004. Indian Council for Child Welfare (ICCW), a Chennai based NGO was selected as it has more number of SHGs which are credit linked with bank for more than once. ICCW primarily focuses on projects, which aim at eliminating female infanticide.

Table 2.6 shows the NGO-wise distribution of SHGs in Paramakudi block, which are credit linked more than once as of 31.3.2004. Saradha Annai Reconstruction and Development Association (SARADA), a Paramakudi based NGO was selected as it has more number of SHGs which are credit linked with bank for more than once. SARADA, a woman headed NGO primarily focuses on urban poverty.

Table 2.5.

**NGO-wise distribution of SHGs credit linked more than once in Usilampatti block.**

<table>
<thead>
<tr>
<th>NGO</th>
<th>Total SHGs</th>
<th>Total members</th>
<th>SHGs credit Linked</th>
<th>SHGs credit linked more than once.</th>
</tr>
</thead>
<tbody>
<tr>
<td>RECARD</td>
<td>21</td>
<td>280</td>
<td>2</td>
<td>--</td>
</tr>
<tr>
<td>DHAN FOUNDATION</td>
<td>35</td>
<td>586</td>
<td>30</td>
<td>19</td>
</tr>
<tr>
<td>WORLD VISION INDIA</td>
<td>56</td>
<td>840</td>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td>SIRD</td>
<td>201</td>
<td>3975</td>
<td>27</td>
<td>12</td>
</tr>
<tr>
<td>HEAVEN</td>
<td>20</td>
<td>292</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>EDUCATR TRUST</td>
<td>66</td>
<td>964</td>
<td>42</td>
<td>14</td>
</tr>
<tr>
<td>ICRD</td>
<td>20</td>
<td>327</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>MAHAL</td>
<td>25</td>
<td>395</td>
<td>7</td>
<td>2</td>
</tr>
<tr>
<td>SHEPHERD</td>
<td>1</td>
<td>19</td>
<td>1</td>
<td>--</td>
</tr>
<tr>
<td>SJSSC</td>
<td>30</td>
<td>501</td>
<td>6</td>
<td>5</td>
</tr>
<tr>
<td>ARD</td>
<td>53</td>
<td>920</td>
<td>4</td>
<td>--</td>
</tr>
<tr>
<td>ICCW</td>
<td>224</td>
<td>3226</td>
<td>112</td>
<td>33</td>
</tr>
<tr>
<td>WED TRUST</td>
<td>68</td>
<td>925</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>TOTAL</td>
<td>820</td>
<td>13250</td>
<td>236</td>
<td>86</td>
</tr>
</tbody>
</table>

Source: Primary data.
Table 2.6.
NGO-wise distribution of SHGs credit linked more than once in Paramakudi block.

<table>
<thead>
<tr>
<th>NGO</th>
<th>Total SHGs</th>
<th>Total members</th>
<th>SHGs credit Linked</th>
<th>SHGs credit linked more than once.</th>
</tr>
</thead>
<tbody>
<tr>
<td>RCPED</td>
<td>21</td>
<td>397</td>
<td>14</td>
<td>3</td>
</tr>
<tr>
<td>SKECH TRUST</td>
<td>4</td>
<td>76</td>
<td>3</td>
<td>--</td>
</tr>
<tr>
<td>SMSSS</td>
<td>290</td>
<td>5520</td>
<td>214</td>
<td>44</td>
</tr>
<tr>
<td>SARADA</td>
<td>137</td>
<td>2174</td>
<td>137</td>
<td>47</td>
</tr>
<tr>
<td>MAHARAM</td>
<td>6</td>
<td>104</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>CERDE</td>
<td>163</td>
<td>3204</td>
<td>154</td>
<td>42</td>
</tr>
<tr>
<td>RAISE INDIA</td>
<td>88</td>
<td>1610</td>
<td>55</td>
<td>3</td>
</tr>
<tr>
<td>PEARL TRUST</td>
<td>80</td>
<td>1282</td>
<td>80</td>
<td>42</td>
</tr>
<tr>
<td>TOTAL</td>
<td>789</td>
<td>14367</td>
<td>660</td>
<td>184</td>
</tr>
</tbody>
</table>

Source: Primary data.

d. Selection of SHGs and women-micro entrepreneurs.
All the 80 SHGs (47 SHGs of SARADA-NGO, in Paramakudi block of Ramanathapuram district and 33 SHGs of ICCW-NGO in Usilampatti block of Madurai district), which have been credit linked for more than once were selected for the study. Only those SHG women micro-entrepreneurs credit linked more than once were selected as respondents in the study. One third of members and not exceeding 5 SHG micro entrepreneurs per SHG, were selected at random from each of these 80 SHGs, which were credit linked for more than once. Table 2.7 shows the sampling frame.


<table>
<thead>
<tr>
<th>District / Block / NGO</th>
<th>Number of SHGs</th>
<th>SHGs credit linked to bank</th>
<th>Number of SHGs</th>
<th>Members</th>
<th>Number of SHGs</th>
<th>SHG Members</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ramanatha-Puram / Paramakudi/ SARADA</td>
<td>137</td>
<td>137</td>
<td>47</td>
<td>799</td>
<td>47</td>
<td>235</td>
</tr>
<tr>
<td>Madurai / Usilampatti/ ICCW</td>
<td>224</td>
<td>112</td>
<td>33</td>
<td>594</td>
<td>33</td>
<td>165</td>
</tr>
<tr>
<td>TOTAL</td>
<td>361</td>
<td>249</td>
<td>80</td>
<td>1393</td>
<td>80</td>
<td>400</td>
</tr>
</tbody>
</table>

Source: Primary data.

e. **Profile of the study area.**

The location of the study areas namely Paramakudi block and Usilampatti block is presented in fig. 2.1 and 2.2 respectively.
Fig.2.1. PARAMAKUDI BLOCK OF Ramanathapuram DISTRICT.
Fig. 2.2. USILAMPATTI BLOCK OF MADurai DISTRICT.
i. Madurai district

Madurai district is located in the south of Tamil Nadu and bounded on north by Dindigul and Trichy districts, on east by Sivaganga district, on west by Theni district and on south by Virudunagar district. Its geographical location is at North latitude between 9.30 and 10.30 and at East Longitude between 77.00 and 78.30. The district headquarter is based in Madurai. The total population is (2001 census) 25,62,279, out of which the female population is 12,76,155. The total rural population is 11,29,028. The density of population per square kilometer is 733. The total literate persons are 17,95,751.

The normal rainfall is 857.80 mm. The gross irrigated area is 107939 ha and there are 186380 cultivators and 401867 agricultural labourers. There are 19 hospitals and 54 primary health centers. There is one university, 33 arts and science colleges, 6 professional colleges and 1450 schools. The length of national highways is 145 kms and state highways is 1114 kms. 39.13 percent of the total land holding is below 1 ha, which comes to 85818.28 ha, 25.25 percent of the total land holding is between 1ha and 2ha, which comes to 55,377.08 ha and the rest 35.62 percent of the total land holding is above 2 ha, which comes to 78,094.22 ha. The livestock population is as follows. Cattle - 2.60 lakhs, Buffalo- 0.55 lakhs, Sheep-1.57 lakhs, Goat- 1.78 lakhs, and Poultry- 6.27 lakhs. There is one airport. Madurai is connected by Rail. There are 411 post and telegraph offices. There are 4 veterinary hospitals and 27 veterinary dispensaries. Total water spread area for fishery is 31846 ha.

ii. Ramanathapuram district

Ramanathapuram district is located in the south-east of Tamil Nadu and bounded on north by Sivaganga district, on east by Palk Bay coastline, on west
by Virudunagar district and on south by Gulf of Mannar coastline. Its geographical location is at North latitude between 9.05 and 9.50 and at East Longitude between 78.10 and 79.27. The district headquarters is based in Ramanathapuram. The total population is (2001 census) 11,83,321 out of which the female population is 601253. The density of population per square kilometer is 287. The total literate persons are 7,60,819.

The normal rainfall is 827 mm. The gross irrigated area is 69123 ha and there are 179562 cultivators and 124483 agricultural labourers. There are 10 hospitals, 45 primary health centers and 230 health sub-centres. There are 7 arts and science colleges, 2 professional colleges and 1284 schools. The length of national highways is 188 kms and state highways is 201 kms. 76.18 percent of the total land holding is below 1 ha, which comes to 24039 ha, 15.06 percent of the total land holding is between 1 ha and 2 ha, which comes to 47513 ha and the rest 8.76 percent of the total land holding is above 2 ha, which comes to 27,637 ha. The livestock population is as follows. Cattle -3.67 lakhs, Buffalo- 0.32 lakhs, Sheep – 3.03 lakhs, Goat- 2.12 lakhs, and Poultry-3.95 lakhs. Ramanathapuram is connected by Rail. There are 211 post and telegraph offices. There are 1 veterinary hospital and 17 veterinary dispensaries. The total coast line is 271 kms. There are 10264 boats, 10685 fishing crafts, 7 fishing processing factories and 160 prawn farms.

f. Sources of data

The primary data was collected from SHG women entrepreneurs, who have taken SHG-Bank loans more than once, from the SHGs, which have taken the SHG-Bank linkage loans for more than once. The secondary data was collected from the NABARD, Mahalir Thittam Project offices, NGOs, bank branches
and various government departments. Various publications/reports brought out by NABARD, World Bank, United Nations and Government of India, journal articles and selected micro finance books also formed the sources for secondary data.

g. Tools for data collection.
Both qualitative and quantitative tools were used for collecting the data. Focus Group Discussions (FGDs) were conducted with key players in the study area namely selected NGO field staff, SHG leaders, SHG members, bank managers and government officials, which gave much insight, added perspectives and helped to add variables to construct the interview schedule. Quantitative data were collected from the SHG women entrepreneurs in interview schedules, which was pilot tested initially, then fine tuned and used in the survey. Data on SHGs credit linked for more than once were collected from the Management Information System reports/SHG progress reports available with the NGOs. The qualitative data collected from the focus group discussions held with the leaders of the respondents' SHGs were supplemented with the quantitative data obtained from the SHG profile sheets and financial returns (as of 31.3.2004) of the those selected SHGs. The FGDs with the leaders of SHGs mainly covered the aspects on bringing out the constraints faced by them in availing loans and promoting enterprises. The interview schedule for SHG women-micro entrepreneurs contains questions related to socio-economic profile, investments in micro enterprises, types of micro enterprises promoted, growth and management of micro enterprises and the impact in terms of changes in entrepreneurial behaviour, competency, employment level, income and assets of the respondents. To assess the impact of the SHG-Bank linkage programme, 'Before and after' approach was followed. To ensure the validity of the data,
the information collected from the respondents were verified at random by interacting with other members of household or SHGs member and also cross checked with the NGO field staff, as they have an intimate knowledge about the family background and enterprise activity levels of the respondents.

**Construction of scale**

**i. For measuring Micro enterprise growth**
Based on the field experience and by referring to various books and reports, initially 15 parameters for measuring the growth of the micro enterprises were identified and the experts were consulted to select the most important 5 parameters. Accordingly, sales, profit, number of customers, investments in fixed / working assets and new job creation were selected as the five parameters. Then, these 5 parameters have been subjected to content validity by requesting specialists to assess and there was an agreement among the specialists on these 5 parameters. A three point scale was constructed for measuring the stages of growth of micro enterprises. Reliability of the scale was tested using test-retest method and found that the scale was reliable.

**ii. For measuring changes in Entrepreneurial Behavioural competency levels**
Based on the field experience and by referring to various books and reports, initially 20 parameters (one situation for each parameter) for measuring the changes in entrepreneurial behavioural competency levels were identified and the experts were consulted to select the most important 10 parameters. (one situation for each parameter). Accordingly, ten parameters such as seizing the opportunities, confidence, initiative, goal setting, planning, problem solving, time management, quality consciousness, information seeking and persistence
were selected. Then, the situation statements of these 10 parameters have been subjected to content validity by requesting specialists to assess and there was an agreement among the specialists on the situation statements of these 10 parameters. A three point scale was constructed for measuring the changes in entrepreneurial behavioural competency level between pre-SHG and post-SHG period. Reliability of the scale was tested using test-retest method and found that the scale was reliable.

h. Statistical tools used
The statistical tools used in the analysis of data are given below.

**Percentage**: Percentage was used to compare distributions and sub groups.

**Mean and Standard deviation**: Mean and Standard deviation were used to classify the respondents into three groups, namely those below the mean-standard deviation as ‘Low’, those above mean + standard deviation as ‘High’ and those in between this two categories as ‘Medium’.

**T-test**: T-test was used to test the significance of the difference between pairs of means to find out whether there is a significant difference between pre and post-SHG period.

**Multiple regression analysis**: Multiple regression analysis was used to find out the relative importance of various factors, which influence the post-SHG income of the SHG women micro entrepreneurs in the study area.

**Scale**: Three point Scale was used to measure the stages of growth of the micro enterprises promoted by the respondents and another three point scale was used to measure the changes in entrepreneurial behavioural competencies of the respondents between pre and post-SHG period.

**Index**: Index was used to measure the changes in Entrepreneurial Behavioural Competencies (EBC) between pre-SHG and post-SHG period.
Chi-square test: Chi square test was used to find out the association between selected variables and the growth of micro enterprises. Chi-square test was also used to find out the association between selected variable and the incremental entrepreneurial behavioural competency category.

Lorenz curve: Lorenz curve was used to test the income inequality among the respondents in both pre-SHG and post-SHG period.

Case study: Case studies has been used to explore why and how the changes occurred to respondents’ households and enterprises, focusing on key events, decisions, constraints faced and the actions taken up by the respondents.

For the above computations, a standard package SPSS version.10.0 was used.

i. Reference period.

The study’s reference period is 2003-04. The survey was conducted between the months of July 2004 and March 2005.

j. Scope of the study.

Out of the 3 models of SHG-Bank linkage in India as of 31.3.02, about 75 percent of the total number of SHGs come under the model, wherein the SHGs are formed by NGOs and other formal agencies, but directly financed by banks and 90 percent of total SHGs are exclusive women SHGs. Hence, the present study focuses exclusively on women SHGs (SHGs which have availed credit more than once), which are formed by NGOs, but directly financed by banks. The SHGs financed by the banks through the bulk lending to NGOs are outside the scope of the present study.

2.7.6. Limitations.

Due to the resource and time constraints, the sample survey was carried out only in 2 blocks namely Paramakudi block in Ramanathapuram district and Usilampatti block in Madurai district. How ever, to avoid memory bias, the
researcher had taken sufficient measures like cross checking with other members in the household and other SHG members or NGO field staff.

2.7.7. **Chapterisation.**
Chapter – 1. gives an overview of the outreach of the formal rural financial institutions and the problems faced by them. It also highlights the global micro finance scenario and the emerging challenges.

Chapter – 2. presents a review of the Indian and International literature on Micro finance and Micro enterprises. This chapter identifies the research gap and issues for investigation. Research design is explained in this chapter.

Chapter – 3. examines the evolution and growth of the SHG-Bank linkage program. It also presents the constraints faced by the respondents.

Chapter – 4. presents the socio-economic profile of the respondents.

Chapter – 5. identifies the types of micro enterprises promoted by the respondents, sources and amount invested in the micro enterprises.

Chapter – 6. evaluates the changes in the entrepreneurial behavioural competencies of the respondents.

Chapter – 7. analyzes the growth and management of the micro enterprises promoted by the respondents. It seeks to examine the factors that are responsible for promoting the growth of micro enterprises and to identify the barriers to the growth of micro enterprises.
Chapter-8. measures the impact of the SHG-Bank linkage program in terms of changes in employment, income and assets of the respondents.

Chapter-9. brings out the major findings and conclusions of the study. It presents the recommendations for policy changes and suggestions for future area of research.

2.8. Summary.
The review of literature enabled the researcher to gain a background knowledge on the topic and identify the research gap. On the basis of research gap identified, a suitable research design and the methodology was planned, for going ahead in a systematic way to find the facts for the research questions.
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