Chapter I
Research Design

Introduction
The majority of Indians live in rural areas and they depend on agriculture for their livelihood. The agriculture in India has been depending upon uncertain monsoon and this has led the farmers to poverty. The poverty in India is not only predominant in rural in absolute but also its incidence is more frequent. There is a big gap between rural and urban in terms of income, education, health and nutrition which are shrinking. The poverty is widespread in rural areas and in fact, urban poverty is considered to be reflection of rural poverty, as a large number of rural labourers migrate to urban for their livelihood.

A phenomenon closely related to poverty is unemployment. The poverty and unemployment are two severe problems leading low socio-economic development. Eradication of poverty and unemployment is one of the objectives of planning period. Growth of entrepreneurship is a powerful strategy to alleviate poverty and unemployment. Since women constitute fifty per cent of total population of India, the socio-economic development cannot be fully realized as long as women are confined to subordinate position and their talents remain unexplored. To achieve the objective of social justice, it is necessary to harness the latent skills and potentials of women, especially the rural women. They play key role in rapid and sustained economic development by contributing at par with men in all developmental activities. Further, economic independence of women with equal opportunity is the need
of the hour. This is possible by forming the voluntary associations like SHGs which are suitable for the empowerment of women.

Alleviation of poverty, the core of all developmental efforts, has remained a very complex and critical concern among developing countries. Each development programme came out with a comprehensive specific approach to eradicate poverty. The Government of India has implemented number of measures to eradicate the poverty during Five Year Plans such as IRDP, NREP, JRY, etc. The poor require small and urgent loans, whereas their options are restricted to programmes designed and approved by the Govt., which do not cater to their needs. Hence, to bridge the gap between the demand and supply of funds in the lower runs of economy, the micro finance schemes of the NABARD have made a smooth foray in eradicating poverty.

The survey conducted by the NABARD revealed that banking policies and financial reforms have not met the immediate needs of the poor. This may be due to several defective features in planning and implementation of the government sponsored poverty alleviation programmes. The new experiments in MF have overcome the limitations of financial institutions. The RBI initiatives considered lending to SHGs as priority sector lending. The Cooperative Banks, Regional Rural Banks and Commercial Banks have been providing credit to the poor through several schemes under the directives of GoI. In creating Micro loans, Prof Mahammad Yunus, changed the lives of millions of Bangladeshis and he was awarded with Nobel Prize for his great work.
The initiatives of MF of the NABARD (i.e. SHG-Bank Linkage programme) have passed through various phases over the last one and half decades, viz pilot testing during 1992 to 1995, mainstreaming during 1996 to 1998 and expansion from 1998 onwards. MF has been routing through self help groups. Over the years, the SHG-bank linkage has emerged as the major MF programme in India and this has motivated many to undertake entrepreneurial activities. It is being emphasized that a member of the older SHGs would now be in a position to graduate into micro enterprises by taking up income generating activities.

The main focus of the SHGs is to generate savings from members and to promote entrepreneurship. The savings thus collected from members is used to finance the entrepreneur to undertake entrepreneurship. However, the entrepreneurs suffer from number of problems such as dominance of their counter parts, inadequacy of funds, and lack of communication skills, etc. in undertaking entrepreneurial activities.

The Governments at the Center and at the State have been making all efforts in developing more and more entrepreneurs to fight against all social evils. The role of NGOs in women empowerment programmes need not be exaggerated. The NGOs are doing well particularly through self help group formation, motivating women on savings and thrift and making them fully involved in economically productive activities through micro credit and finance. The NGOs have taken a lead role in forming SHGs.
Statement of Problem

The poor too deserve to participate in the opportunities available in overall growth of the country and MF is an essential step towards this. The need of MF gains magnitude owing to the wide gap between the demand and supply of credit. A plethora of poverty alleviation programmes have implemented in India and a huge amount of financial investment was also made for the purpose but due to the gap between policy and implementation, resources pumped for poverty alleviation programmes proved to be ineffective.

There has been continuous emphasis on credit support to the poor and weaker sections of the society in every Five Years Plan but their impact has been less effective. The age old informal sector, comprising of money-lenders, trader and merchants, charges high rate of interest on loans and under value the collaterals and exercise monopolistic power on terms and conditions. Despite of the reforms in banking sector, the underprivileged cannot meet the financial requirements. The Co-operatives credit system with a network of 93,816 PACS, have deposit base of ₹ 1, 96,036 crore with the membership of ten crore.\(^1\) The CBs have a network of 102343 branches spread throughout the nation including branches of foreign banks as on 31\(^{st}\) March 2013.\(^2\) Though, Indian co-operative system has strong structural design, a number of co-operative banks have become to be hot beds of political patronage, unscrupulous financial practices and gross mismanagement. The formal channel of credit has failed in lending to the needy.

\(^1\) Reports of Ministry of Finance retrieved on 31\(^{st}\) Oct 2014
\(^2\) Reports of Reserve Bank of India on Commercial Banks retrieved on 31st Oct 2014.
The RBI has been playing a pro-active role in promoting MF. The lending to SHGs has been included in priority sector. The SBLP is now considered by the banking system as a commercial proposition, with leverage of transaction costs, lesser NPAs and coverage.

The NABARD has assigned the role of poverty alleviation programme through micro credit. The NABARD’s SBLP has been a major effort to connect thousands of SHGs across the country with the formal banking system. The North Karnataka is featured with massive poverty causing lack of development. Hence, the statement of the problem is as “Micro Finance for Poverty Alleviation- A Case Study of Undivided Dharwad District”.

**Review of Literatures**

**S.K.Nashi (2004)**

An attempt has been made by the researcher to study the impact of MF on empowerment of rural women making them financially and socially strong. The study is based on the secondary data and it covers SHG bank linkage in Belgaum district of Karnataka State. It derives the advantages of SBL to banks, SHGs and NGOs. The author concluded that as women becoming major economic contributors or equal to men in economic terms and society should change the attitudes and forced to involve them in decision making process.


The study was designed to examine the impact of National Agricultural Technological Project on WSHGs. The study was conducted by collecting data from 120 respondents from 4 villages of Gadag and Dharwad districts.
The study revealed that SHG members have undertaken farm and nonfarm activities. It also revealed that educational status, family income, extension participation and extension contacts were found to be highly significant with entrepreneurial activities. The study suggested for undertaking the activities which run throughout the year to contribute to their family income.

**Geetamma (2006)**

The study was conducted to examine empowerment of the members of SHGs in Kolar district of Karnataka State. The study also covered SHG bank linkage in Karnataka State. The study was based on primary data collected from 150 respondents by selecting them as a sample on random basis from 3 taluks of Kolar district. The researcher used triennium average, compound annual growth rate and correlation to analyze data. The paired t test and impact index were used to assess the empowerment of members. It employed 29 performance indicators to assess the empowerment. The researcher found that the formation of SHGs empowers its members economically. It suggested to WCWD in rural areas and District Social Welfare Departments to make efforts to solve the problems of SHG members.

**Bhuvan I. B. (2007)**

The study focused on the performance of MF in Karnataka State. It has revealed that MF has become a powerful tool to liberate the world’s poorest people, particularly women, from the prison of poverty. Unless the government applies stringent regulations on MFIs operations, besides throwing a safety net around the poor, MF related suicides will become a norm rather than exception.
Bhagyalaxmi H. T. (2007)\(^7\)

The study was undertaken to assess the growth pattern, terms and cost of borrowings, portfolio of lending, cost and return structure, loan recovery and problems faced by the target groups. The study covered 9 districts of Karnataka State those having large number of micro finance providers. The study found that there has been positive growth of SBL. It also studied the constraints faced by the micro finance providers in these districts. The study suggested for establishing of different skill development facilities at the block level to ensure a proper training, demonstration or any other skill development activities.

Neils Hermes and Robert lensink (2007)\(^8\)

The authors focused on MF contribution to reduce the poverty without additional measures in areas such as education, health and infrastructure. The authors concluded that the entry of CBs in the market of MF is the most important challenge for MF in near future.

K.Revathi (2007)\(^9\)

The author provided the importance of MF in poverty alleviation. She concluded that mere policy guidelines and schemes will not mitigate the poverty but it is the people's involvement that transforms the society to a better platform and the SHG movement will definitely be considered as powerful instrument in alleviating poverty.
Sunita Mehta and Hanuman Prasad (2007)\(^{10}\)

The article focused on SHG-Bank linkage. The study revealed that CBs have made progress in SHG-credit linkage whereas the share of RRBs has shown a declining trend. The Co-operative banks have marginally improved their share. The study revealed that the NABARD’s SBL has made a remarkable progress.

Aloysius Fernandez, et al. (2007)\(^{11}\)

The authors made an attempt to throw light on the role of NGOs in promoting SHGs in Karnataka. It highlighted the role of SHG promoting institutions. The study suggested that Government and NGOs shall go hand in hand to achieve human development.

A.S.Shiralshetti and S.S.Hugar (2008)\(^{12}\)

The authors made comparative study of state-wise and district-wise SHG-bank linkages in Karnataka State. The study was based on the secondary data collected from Annual Reports of the NABARD. The authors have suggested to eradicate the poverty of people by making provision of finance from the institutional sources of finance at the right time, right place and right amount.

H.S.Shylendra (2008)\(^{13}\)

The author made an attempt to study the role of SHGs in women empowerment and impact on poverty. The researcher expressed that formation of SHGs has led to mobilization of women. The SHG movements have good economic reforms as well as contribute towards women emancipation.
**P.Dinakara Rao (2008)**

The author analyzed live cases of Hyderabad in Andhra Pradesh. The study revealed that the formation of SHGs by women has greatly influenced their counterparts. The researcher expressed that women are empowered due to formation of SHGs. This has influenced the men folk to form SHGs. Further, it states that NGOs have changed the lives of people in the study area.

**Sandeepkumar and Smita Anand (2008)**

The article has focused on imparting training in technical, financial and marketing skills to the rural women and young girls without formal education. B-School for Rural Women is adding a new chapter in the lives of poor rural women. The school, with its noble objective, unique course content and innovative approach has received applause across the world.

**Virenderkumar, et al. (2008)**

The research paper has examined the MF activities in Himachal Pradesh. The study has selected 150 member households and 90 control households from 30 SHGs in districts of Himachal Pradesh. The result was that the MF has made a significant impact on income, employment and poverty of the members of households. Their field experience revealed that credit alone is not enough to graduate rural households successfully from ‘survival activities’ yielding moderate returns to more productive enterprises but also require to realize larger ‘second round impacts’ on income, employment and poverty.
Gladis Mary John (2008)\textsuperscript{17}

The author studied the empowerment of women through SHGs in Ernakulum district of Kerala. The author selected a sample of 50 members. The research revealed that self employment through SHGs has increased the earning capacity and economic independence and gave an important place in the decision making process within the families. They got more courage to go out and interact with others. The research suggested for creating awareness among women, about their role in family and society by conducting meetings and trainings programmes.

Geeta Mannohan et al. (2008)\textsuperscript{18}

The authors embodied the primary and secondary data. They selected a sample of 50 farmers who have formed SHGs. The research revealed that MF is a tool that eradicates the poverty and improve their standard of living. Researchers attempted to highlight the hurdles faced by the rural poor while dealing with banks, impact of various poverty alleviation programmes initiated by banks, NGOs, Government, other institutions and challenges ahead. They suggested for encouraging the growth of MFIs subject to appropriate regulations. There is also a need to shift the focus from quantity of credit to quality of credit.

G.R.K. Murthy and Pradeep Kumar Samanta (2008)\textsuperscript{19}

The researchers have made an attempt to study the role of public private partnership in eradicating poverty. They have highlighted the current status of poverty and role of public-private partnership in eradicating poverty. They
concluded that there is an urgent need for the government to rope in the corporate for drafting such policies and to implement them meaningfully. It is only then the credit supply through MF system would make sense for eradicating poverty.

Debotosh Sinha (2008)\textsuperscript{20}

The author has followed purposive sampling with a sample size of 500 SHG members in West Bengal. The responses have been collected using the questionnaire and observation method. The research has revealed that the vast majority of WSHGs have been able to achieve consciousness about the functions of local self government, politics, health awareness and child healthcare. Role of women in family planning is identified as one of the distinctive features of their empowerment level within the family. Further, it was noticed that women are not only participating in capacity building process but also utilizing their acquired capabilities to improve their quality of life in a holistic manner. The author has suggested for representation of at least one member from each SHG at Gram Panchaayat Level Committee to develop the inter-group and inter-village communication network and effective sharing of information amongst the members.

Abraham Punnoose (2008)\textsuperscript{21}

The author has made an attempt to study the SBL in the state of Kerala. The entry of MF has solved all evils of the society such as rampant unemployment, falling income of cultivation and the agony experienced by the lease cultivators. The researcher stated that MF is not a panacea but it is a more promising approach. The obsession of MF towards setting up of micro
enterprises is still elusive in the state of Kerala in view of its specific realities. MF cannot replace the inherent allied inputs like input-market support, appropriate skill and technology, working capital, etc. It is considered as livelihood finance to meet the distressing environment of Kerala State.

K. Srinivas Rao (2009)\textsuperscript{22}

The researcher has highlighted the role of MF in financial inclusion and also strategies for inclusive banking. The author has suggested to recognize a separate category of MF-Non Banking Finance Companies, without any relaxation on start-up capital and subject to the regulatory prescriptions applicable for NBFCs. It concluded that the banks need to assess their capacities and local knowledge to promote financial inclusion.

A. Saraswathy et al., (2009)\textsuperscript{23}

The researchers have thrown light on major players of MF in Krishnagiri district of Tamil Nadu. They have also stated the role of selected NGOs in Tamil Nadu in the upliftment of the disadvantaged section of the society. They concluded that MF has provided competition to rural money lenders. SHGs have become the development ambassadors of villages and they symbolize the growing face of rural India.

Gurunath J. Fagare (2009)\textsuperscript{24}

The researcher has made an attempt to evaluate the way of living of the poor and downtrodden and the working of MF in the rural area. The research revealed that banking sector has reached only 30 per cent of rural people. As a result, more than 65 per cent financial needs of the rural people are being met
by informal sources. The formal banking industry has to grab this opportunity to make their business and become partners of the development of poor people. The RRBs and local banks can take part in and cater the benefits of MF among the poor people.

**M.V. Shidaganal (2009)**

The author focused on participation of women in Panchayat Raj Institutions after the implementation of Stri Shakti SHG scheme. Karnataka Government has undertaken the SHG scheme for empowerment of women through the WCWD which is officially called as Stri Shakti SHG scheme with effect from 2000. About 80 per cent, the Stri Shakti SHGs started micro credit business by the internal lending and involved in the MF by linking the groups with the nearby banks. Most of the women members have undertaken the income generating activities and are able to improve their status in the society. Joining to Stri Shakti SHG, the participation of women in the Gram Sabha has improved. This study suggested for capacity building programmes to improve socio-economic status of women and for creating the awareness about their rights. It will bring additional changes in the outlook of women members and help in realizing their own intrinsic strength.

**Gautam Patikar and Komal Singha (2010)**

The authors studied the different models of SHG bank linkages. The paper was based on the secondary data obtained from the reports of NABARD. They highlighted MF in India is still in its nascent stage. MF yet remains a powerful tool for development. They suggested to take measures to include
poor in financial inclusion. It may not be a panacea but it has brought changes in the lives of many in the poor and over populated country like India.

**Komala K et al., (2010)**

The authors have conducted study on empowerment of women in 7 taluks of Mysore district. Their research revealed that SHGs of Mysore district have been playing a vital role in empowerment of women. This is an important institution for improving the life of women on various social and economic components. Women participation in SHGs is increasing resulting into equality, self confidence and self respect.

**Santosh Kumar S and R. Vasanthagopal (2010)**

The study is descriptive in nature. The data required for the study was collected from the selected microcredit beneficiaries based on a structured interview schedule in the state of Kerala. A sample of 450 microcredit beneficiaries was selected through a multistage random sampling. This article has explained that the micro credit delivery in Kerala through Neighborhood Groups (NHGs), SHGs and Individual Banking models have led to setting up of micro enterprises by women on a large scale. It helped them to generate both full time and part time self-employment up to 20 days in a month at a very low investment. This study suggested to make concerted efforts to cover more women through micro credit in poverty prone states of India which will be a great move to find employment and income for the impoverished female population.
Laxman B. Bahir (2010)  

The author examined the progress of SHGs in India to find out the extent of micro credit and their weaknesses. The conclusion was that NGOs, banks and Government agencies have to play vital role in educating people to expand the network of SHGs all over the country and thereby to achieve poverty alleviation for the welfare of poor people, particularly women.

K.K. Ammennaya (2010)  

The paper evaluated the financial inclusion drive undertaken in India. The Banking Codes and Standard Boards of India have recently made a study regarding financial inclusion. The Banking Codes and Standard Boards of India have found that bank staff was generally unwilling to open no frill accounts for people of small means. The best way to achieve real and meaningful financial inclusion is by implementing the strategy adopted by Dr. T.M.A. Pai in Syndicate Bank. The “pigmy” deposit was the starting point for full financial inclusion for hundreds and thousands of people in the thirties, forties and fifties in Udupi and Dakshina Kannada districts.

R. Laxmi (2010)  

The author has made an attempt to study the influence of SHG schemes on rural women empowerment. This study has employed both analytical and descriptive type of methodology. The study revealed that SBL programme has made enormous contribution in empowerment of rural people of Tamil Nadu through SHGs. The credit from banks form a position of dominance of supply side considerations to a more healthy demand oriented service system. The
strong social ties among the members, increased business loan per member and lower SHGs’ expenditures and contributed to the higher average income of the group members.

**Surender and Manoj Kumar (2010)**

The authors have studied the SHGs and their impact on employment generation. A stratified sampling technique was followed by selecting 92 respondents of Haryana State. The data was collected through pre-tested questionnaire. The study revealed that employment generation with the help of SHGs is more in BPL and APL members. Expenditures of beneficiaries have increased in current year as compared to last year. There is positive impact of SHGs on earnings and employment generation.

**Muralidhar Lokhand (2010)**

The study was made to ascertain socio-economic impact of WSHGs on group members in Aurangabad district of Maharashtra. Out of 757 women groups, 75 groups were selected randomly and 2 members were deliberately selected from each group. For the purpose of data collection, a well-structured questionnaire was used. It concluded that considering the vast number of poor, discriminated and underprivileged women and the need of financial services, there is tremendous scope for MF through WSHGs in India. The SHPIs, NBFCs, Banks and voluntary organizations are supposed to play a crucial role in MF market.
N.K. Shanmugam (2010)\textsuperscript{34}

The research paper has examined the empowerment of women who have joined the WSHGs in the state of Tamil Nadu. Out of 8156 groups, 300 respondents were chosen at random and the data was collected through a well-structured interview schedule. The research revealed that the formation of SHGs empowered the members. The study suggested the members to undertake business.

Laxminarayan Ramanathan and A. M. Gurav (2010)\textsuperscript{35}

The paper has made analysis of SBL of State Bank of India. The study is based on secondary data collected from the reports of NABARD. The study focused to identify the credit facility extended to SHG accounts under SBLP by SBI. It concluded that the banks in tandem with Government agencies, MFIs and other developmental agencies to improve MFIs with additional infrastructure, training and other requirements to sustain growth.

Yamuna A. Konesar and Kumar K.M. (2010)\textsuperscript{36}

Their research paper has highlighted the role of PRIs in women empowerment. The study was conducted in Haveri district of Karnataka state. Gram panchayat, Taluka Panchayat, Zilla Panchayat members, secretaries, account writers and SHG members constituted the sample unit. An interview schedule was prepared and administered to respondents. It has concluded that the new PRIs have played relatively positive role in providing infrastructure, employment opportunities and promoting SHGs. Consequently, there is a change in the attitudes of rural women who are becoming conscious of
education, employment etc. But income generating schemes have not been implemented to the satisfaction of the beneficiaries.

**Somesh G. Yattin and L. D. Vaikunthe (2010)**

The study has aimed to identify the problems faced by NGOs in implementation of rural developmental programme. The study is at micro level in Haveri district in North Karnataka and based on primary data. The two NGOs were selected for the study. A multistage random sampling method was followed to select the members from 10 selected villages. The study revealed that SHGs have been playing a vital role in the empowerment of women. This is an important institution for improving the life of women on various social and economic components.

**A. Kotishwar (2010)**

The research paper has examined the role and performance of SHGs in promoting women’s empowerment. The study has selected 9 mandals in Nizambad district in Andhra Pradesh. The data were collected from 49 SHGs and 900 members for the study. The study revealed that the SHGs had set a new agenda for financial intermediation by banks in the form of micro-credit. It suggested that uniformity should be maintained in formation and extension of financial assistance to them by banks in all mandals. The procedure of banks in sanctioning credit to SHGs should be simple and quick. It concluded that the members of SHG should be more active, enthusiastic and dynamic to mobilize savings by group actions. In this process, NGOs should act as a facilitator and motivator.
Farzaneh Shaikh Khatibi and M. Indira (2011)\textsuperscript{39}

The authors made an attempt to study the efforts of some NGOs who work with WSHGs and address environmental issues. The data were collected through structured questionnaire and interview with the members of SHGs and participating NGOs on their accountability relationships. It has concluded that the present delivery mechanisms of government are not adequate to achieve sustainable development. They suggested for the involvement of people through effective participation in the process of delivery mechanism.

Shashikala and Uma H.R. (2011)\textsuperscript{40}

The paper has analyzed the role of MF and SHGs in the empowerment of women in Hunsur taluk of Mysore district. The study has covered a sample survey of 10 SHGs in Hunsur taluk. It has concluded that the SHG programme has been successful not only in meeting peculiar needs of the rural poor, but also in strengthening collective self help capabilities of the poor at the local level, leading to their empowerment. The SHGs are making significant contribution and empower the members in economic, social and political spheres.

Geeta Chitagubbi et al., (2011)\textsuperscript{41}

The study was undertaken to examine the socio-economic status of SHG members and to evaluate social impact on the empowerment of women group members in districts of North Karnataka viz., Gadag, Dharwad, Bidar and Raichur. The study has selected 400 members out of 100 SHGs. The structured questionnaire is used to collect the data. It has found that illiteracy,
low work participation, poor exposure to media are the common causes for low status of women and their less autonomy. It concluded that WSHGs have enhanced the status of women as the participants and also helped in developing leadership quality through the sense of devotion to work, duty consciousness, self confidence, etc.

A. S. Shiralshetti (2011)\textsuperscript{42}

The study aimed at the empowerment of women entrepreneurs in Gadag district. The data were collected from 250 members selected on random basis from different taluks of Gadag district. It has found that the formation of SHGs has increased the women participation in legal and social activities. The study has suggested for the establishment of women marketing cooperatives. The SHG movement started in India has been working in right direction in empowering women by developing entrepreneurship spirit in rural and urban areas.

**Need for the study**

Majority of the Indians live in villages and their main occupation is agriculture. The dream of Mahatma Gandhiji was “development of every village is nothing but the development of nation”.\textsuperscript{43} The human resource is the huge strength of India which is affected adversely by poverty. Poverty represents a negative facet of human development and must be replaced by prosperity.

India has completed eleven five years plans and now it is in Twelfth Five Year Plan. All these plans focused on increasing the GDP growth and

\textsuperscript{43} Bhatia et al., Encyclopedia of Management P 27
eradication of poverty. The main causes of abject poverty are open unemployment, under employment and low resources of a very large number of producers in agriculture and service sectors. The eradication of poverty from the grass root level cannot be attained simply by accelerating the rate of growth of economy alone but the strategy should be made to resolve the cancerous problem of unemployment, under employment and massive poverty.

Table 1.1: Trends in Incidence of Poverty in India and Karnataka

<table>
<thead>
<tr>
<th>Year</th>
<th>All India level</th>
<th>Rural (million)</th>
<th>% of poor</th>
<th>Urban (million)</th>
<th>% of poor</th>
<th>Total (million)</th>
<th>% of poor</th>
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<tr>
<td></td>
<td></td>
<td>No. of poor</td>
<td></td>
<td>No of Poor</td>
<td></td>
<td>% of poor</td>
<td></td>
</tr>
<tr>
<td>1993-94</td>
<td></td>
<td>327.70</td>
<td>50.10</td>
<td>74.90</td>
<td>31.80</td>
<td>403.00</td>
<td>45.30</td>
</tr>
<tr>
<td>2004-05</td>
<td></td>
<td>325.80</td>
<td>41.80</td>
<td>81.40</td>
<td>25.70</td>
<td>407.20</td>
<td>37.20</td>
</tr>
<tr>
<td>2009-10</td>
<td></td>
<td>278.20</td>
<td>33.80</td>
<td>76.50</td>
<td>20.90</td>
<td>354.70</td>
<td>29.80</td>
</tr>
<tr>
<td>2011-12</td>
<td></td>
<td>216.70</td>
<td>25.70</td>
<td>53.10</td>
<td>13.70</td>
<td>269.80</td>
<td>21.90</td>
</tr>
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</table>

Karnataka

<table>
<thead>
<tr>
<th>Year</th>
<th></th>
<th>Rural (million)</th>
<th>% of poor</th>
<th>Urban (million)</th>
<th>% of poor</th>
<th>Total (million)</th>
<th>% of poor</th>
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<tr>
<td>1993-94</td>
<td></td>
<td>16.70</td>
<td>56.60</td>
<td>4.10</td>
<td>34.20</td>
<td>20.80</td>
<td>49.50</td>
</tr>
<tr>
<td>2004-05</td>
<td></td>
<td>13.50</td>
<td>37.50</td>
<td>5.20</td>
<td>25.90</td>
<td>18.70</td>
<td>33.40</td>
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<tr>
<td>2009-10</td>
<td></td>
<td>9.70</td>
<td>26.10</td>
<td>4.50</td>
<td>19.60</td>
<td>14.20</td>
<td>23.60</td>
</tr>
<tr>
<td>2011-12</td>
<td></td>
<td>9.30</td>
<td>24.50</td>
<td>3.70</td>
<td>15.30</td>
<td>13.00</td>
<td>20.90</td>
</tr>
</tbody>
</table>

Source: Economic Survey of Karnataka 2013-14

It is evident from Table 1.1 that the rural poverty has decreased from 50.10 per cent in 1993-94 to 25.70 per cent in 2011-12 whereas the urban poverty has decreased from 31.80 per cent in 1993-94 to 13.70 per cent in 2011-12. There has been overall decrease of 48.70 per cent in rural poverty and 56.92 per cent in urban poverty in India during the same period. Similarly, the rural poverty has decreased from 56.60 per cent in 1993-94 to 24.50 per cent in 2011-12 and the urban poverty has decreased from 34.20 per cent in 1993-94 to 15.30 per cent in 2011-12 in Karnataka State. There has been reduction of 56.71 per cent in rural poverty and 55.26 per cent in urban poverty. This signifies that the poverty is high in urban area as compared to national rural area level. Non
or improper implementation of rural development programmes may be the cause for high level of poverty in rural areas in Karnataka State. It can be inferred that the urban poverty is more due to the migration of people from the rural to the urban.

The North Karnataka is characterized by a developing region. The study area is also not an exception to poverty. The area of study comes under dry region due to low rain-fall. Further, there has been low irrigation facility. The dependence of agriculture on monsoon creates seasonal unemployment which ultimately results into poverty.

Table 1.2: Trends in Incidence of Poverty in Study Area

<table>
<thead>
<tr>
<th>Year</th>
<th>Gadag Rural (in %)</th>
<th>Gadag Urban (in %)</th>
<th>Haveri Rural (in %)</th>
<th>Haveri Urban (in %)</th>
<th>Dharwad Rural (in %)</th>
<th>Dharwad Urban (in %)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004-05</td>
<td>49.40</td>
<td>47.40</td>
<td>72.50</td>
<td>75.30</td>
<td>13.70</td>
<td>32.10</td>
</tr>
<tr>
<td>2009-10</td>
<td>47.30</td>
<td>61.10</td>
<td>16.80</td>
<td>37.50</td>
<td>32.70</td>
<td>34.10</td>
</tr>
<tr>
<td>2011-12</td>
<td>25.60</td>
<td>15.00</td>
<td>31.30</td>
<td>52.20</td>
<td>57.30</td>
<td>15.50</td>
</tr>
</tbody>
</table>

Source: Economic Survey of Karnataka 2012-13 & 2013-14

It is evident from table 1.2 that the poverty in rural in Gadag district has decreased from 49.40 per cent in 2004-05 to 25.60 per cent in 2011-12 and the poverty in urban has decreased from 47.40 per cent in 2004-05 to 15 per cent in 2011-12. The poverty in rural in Haveri district has decreased by 56.82 per cent as compared to 30.68 per cent in urban area. The poverty in urban of Dharwad district has reduced from 32.10 per cent in 2004-05 to 15.50 per cent in 2011-12 but the poverty in rural has increased from 13.70 per cent in 2004-05 to 57.30 per cent in 2011-12.

People borrow money from the money lenders for their various needs which may be productive or unproductive. The need and urgency make them to agree to the unscrupulous terms and conditions of the money lenders which
may even ruin them. In this context, MF is a ray of hope for poverty alleviation. MF through SHGs is not just a tool for poverty alleviation but also for self development. Micro loans through SHGs benefit the poor both in economic and social aspects. The SHGs can also provide a platform to its members. This platform empowers the members economically, socially, politically and legally. The members of SHGs borrow funds from SHGs and deploy them in undertaking entrepreneurial activities. The numbers of SHGs formed have increased by 4784 times and the amount of bank loan has increased by 68617 times in span of two decades at national level. Similarly, in Karnataka state, the numbers of SHGs formed have increased by 436 times and the amount of bank loan provided to these SHGs has increased by 25253 times in a span of 18 years. The NABARD has identified 13 states as priority states, Karnataka is one among them. The initiatives of the various interveners like the State, the Non-Governmental Organizations and the banks have increased SHG coverage in Karnataka State. The SHG entrepreneurs also have problems in undertaking the entrepreneurial activities. Further, the review of literatures reveals that there are a few studies on this theme. The existing research studies do not provide comprehensive information on empowerment of the members, the problems faced by them in undertaking micro enterprises. This motivated the researcher to pursue a study on MF focusing on alleviation of poverty.

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44 Annual Reports of the NABARD
45 Ibid P 11
Objectives of the study

The study intends to achieve the following objectives:

- To examine the role of banks and NGOs in alleviation of poverty through linkage of SHGs.
- To examine the entrepreneurial activities undertaken by SHG entrepreneurs to reduce poverty.
- To analyze the impact of micro finance in reduction of poverty.
- To analyze the problems of SHG entrepreneurs in undertaking entrepreneurial activities to eradicate poverty.
- To offer useful suggestions.

Hypotheses

The main hypotheses of the present study are;

H₀ = The banks and NGOs have not played any role in eradication of poverty through linkage of SHGs.

Hₐ = The banks and NGOs have played role in eradication of poverty through linkage of SHGs.

H₀ = There is no association between demographic factors of SHG Entrepreneurs and entrepreneurial activities.

Hₐ = There is an association between demographic factors of SHG Entrepreneurs and entrepreneurial activities.

H₀ = The Micro Finance has no impact on improvement of overall status of SHG entrepreneurs.
H_a= The Micro Finance has impact on improvement of overall status of SHG entrepreneurs.

H_0= The SHG members have no problems in undertaking entrepreneurial activities to eradicate poverty.

H_a= The SHG members have problems in undertaking entrepreneurial activities to eradicate poverty.

**Methodology**

The present study is based on the primary as well as secondary data. The primary data is collected through pre-tested questionnaires from 250 SHG entrepreneurs by selecting them randomly as sample from different taluks of Gadag, Dharwad and Haveri district. The statistical tools like Chi-square test, Paired t-test, F-test have been used to analyze the empowerment and to find association between the demographic factors and the entrepreneurial activities undertaken by the entrepreneurs. The statistical tools such as percentage are employed to examine the type of activities undertaken by the entrepreneurs and their problems. ANOVA is used to test the role of banks and NGOs in alleviation of poverty through linkage of SHGs. Besides, discussions have held with the officials of NGOs and banks. The secondary data is collected from Annual Reports of the NABARD and Performance Reports of Commercial Banks and NGOs apart from newspapers, books, magazines, journals and e-journals.
Sample Design

Table 1.3: Details of Sample of Entrepreneurs of SHGs

<table>
<thead>
<tr>
<th>District</th>
<th>No of SHGs selected</th>
<th>No of entrepreneurs selected</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gadag</td>
<td>39</td>
<td>110</td>
<td>44</td>
</tr>
<tr>
<td>Haveri</td>
<td>36</td>
<td>43</td>
<td>17</td>
</tr>
<tr>
<td>Dharwad</td>
<td>75</td>
<td>97</td>
<td>39</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>144</strong></td>
<td><strong>250</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Research Scope

The present study has covered MF for poverty alleviation. The researcher has selected Undivided Dharwad district which covers Gadag, Dharwad and Haveri. The data is collected from 2007 to 2013. The study is an attempt to examine the role of banks and NGOs in promotion of SHGs. It examined the entrepreneurial activities undertaken by women entrepreneurs and the role of entrepreneurial activities in empowering them. It analyzes the problems faced by the SHGs entrepreneurs in undertaking the entrepreneurial activities.
Organization of Study

The study is presented in six chapters:

Chapter I: Introduction

It consists of introduction, statement of problem, need for the study, review of literatures, objectives, methodology, hypotheses, sample design, scope of the study and presentation of study.

Chapter II: Role of Banks and NGOs in promotion of SHG

This chapter includes growth of MF in India and Karnataka. It also provides linkage at all India level, region-wise and agency-wise. The role played by banks and NGOs to alleviate poverty through linkage of SHGs and the activities of NGOs in improving the life of SHGs members are also included.

Chapter III: Analysis of Entrepreneurial Activities of SHG entrepreneurs

This chapter analyzes the various entrepreneurial activities undertaken by SHG members in eradicating poverty.

Chapter IV: Micro Finance and Empowerment

This chapter contains the role of SHGs in empowerment of members through MF.

Chapter V: Problems of SHG entrepreneurs

This chapter analyzes the problems of SHG entrepreneurs in undertaking entrepreneurial activities to alleviate poverty.

Chapter VI: Summary of Findings and Suggestions

It provides the summary of findings and suggestions.
References

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SHG Bank Linkage Programme: An Analysis of State Bank of India


44. Annual Reports of the NABARD

45. Ibid P 11