CHAPTER 1

INTRODUCTION

1.1 India 2020

The entire world is looking upon India to supersede China and emerge as the super power nation, with Dr. A.P.J. Abdul Kalam’s mantra, “India 2020” gaining momentum. This will not be a far off dream if the nation could generate more of job providers than job seekers. Entrepreneurship is the catalytic agent for the economic development of a nation. In 2020, the world will have a shortage of 47 million working people but Indian workforce will have a surplus of 56 million people. In order to reap the benefits of this demographic dividend, India will have to explore the unexploited business opportunities at the grass root level. The economic growth of the nation should be an inclusive growth resulting in balanced development of all sections of the society.

1.2 Inclusive economic growth of India

The term ‘inclusive’ growth is often used interchangeably with a suite of other terms, including ‘broad-based growth’, shared growth’, and ‘pro-poor growth’. Inclusive growth allows people to contribute to and benefit from economic growth and results in rapid and sustained poverty reduction. Rapid pace of growth is unquestionably necessary for substantial poverty reduction, but for this growth to be sustainable in the long run, it should be broad-based across sectors, and inclusive of the large part of the country’s labor force.

Inclusive growth can be defined as an equitable allocation of resources in order to benefit every section of the society. But the allocation of resources must be focused on the intended short and long terms benefits and economic linkages at large and not just mathematically on some regional and population criteria. The concept of...
few people monopolizing the economic and other opportunities in a country, and restricting the entry of others is a faulty notion. Social cohesion and human dignity lie at the core of inclusive growth. It has two mutually reinforcing strategic pillars:

- Sustainable growth to provide economic opportunities to those excluded from current growth models, through creative enterprise and responsible leadership.

- Inclusion of all people to ensure the distribution of opportunities, through investment in education, health and infrastructure or through partnership between the public and private sectors, and the civil society (Institute of International Trade-Centre for World Trade Organization Studies, 2011).

**Climbing the Pyramid: The Quest for Inclusive Growth in India**

The next phase of India’s growth is critically linked to unlocking value at the bottom of the pyramid. Inclusive growth is all about the bottom of the pyramid -- the poorest of the world benefiting from economic growth. In India, for example, 70 per cent of the population is poor. What is predicable is that the 300 million people at the top of the pyramid will have better lives with the economic growth, but the remaining 700 million will only receive a small benefit. Inclusive growth is about changing that -- engaging all the people in the benefits of growth. (8th Annual India Business Forum at London Business School, 2010).

**1.3 Importance of women in inclusive economic growth**

Poverty and deprivation in rural areas is a stark reality and the situation is more aggravating among India’s women. Their real life struggles get buried under poverty line. Unless rural women are not trained to be independent in terms of economic income, a country like ours cannot progress. The necessity for self-employment is an imperative need for the inclusive growth of India. “Development if not engendered is indeed endangered” - UNFPA India Report 1997.
Women Empowerment

- Empowerment is about people - both women and men - taking control over their lives: becoming conscious of their own situation and position, setting their own agendas, creating space for themselves, gaining skills, building self-confidence, solving problems, and developing self-reliance.

- Outsiders cannot empower women: only women can empower themselves, to make choices or to speak out on their own behalf. However, institutions, NGOs and Government agencies, can support processes that increase women's self-confidence, develop their self-reliance, and help them set their own agendas.

During the Vedic and Mughal periods, women were exploited. However, during the medieval and post-second World War periods, women enjoyed greater freedom in the society and family. After independence, eminent women and other reformers in the society started massive campaigns for women’s emancipation and liberation. These movements helped women to attain constitutional backing for assuring equality, dignity, justice, stability and prosperity.

Today, rural women have acquired a secondary status in social life, economic activities and decision making among their families. Their role in productive work, employment generation and income oriented activities is hindered by many socio-economic constraints. Hence, there is a need to formulate policies, which aims for the empowerment and entrepreneurship of women. Earlier women were involved in self employment mostly making home products like pickles or handicraft items which could be produced on a very small scale at home to earn money to support the scanty family income. Entrepreneurship can help women’s economic independence and improve their social status. Automatically, women get empowered once they attain economic independence (Lisham Anandkumar Singh, 2011).
1.4. Entrepreneurship Development and Economic Growth

The role of entrepreneurship and an entrepreneurial culture in economic and social development has often been underestimated. Over the years, however, it has become increasingly apparent that entrepreneurship does indeed contribute to economic development. Transforming ideas into economic opportunities is the crux of entrepreneurship. (Dirk J. Bruinsma, 13th UNCTAD-EMPRETEC Directors’ meeting).

**Figure 1.1 Entrepreneurship Pyramid in India**

![Entrepreneurship Pyramid in India](image)

The entrepreneurship pyramid shown above, consists of four levels of business activities, encompassing the three sectors, namely, primary, secondary and tertiary sectors of the Indian economy at different levels of the pyramid. The first level of the pyramid being its base constitutes agriculture, plantation, mining, fishing, forestry, livestock and quarrying. The second level consists of wholesale and retail trade and Hotels and restaurants. The third level being manufacturing, electricity, Gas and water supply. The top of the pyramid being the last level, constitutes the emerging
sectors such as IT, Banking, Finance, Insurance and other knowledge intensive sectors.

There are two strategies towards entrepreneurship and economic growth:

“Growth led entrepreneurship and Entrepreneurship led growth”. For our country, the second strategy is more suitable. First entrepreneurial growth should be attained and then automatically the economic growth will follow. Instead of growth chasing entrepreneurs, it should be entrepreneurs who have to chase the growth of our nation. But, with a broad rural-urban divide, rich getting richer and poor becoming poorer, it is very necessary to promote entrepreneurship both qualitatively and quantitatively in our country (Jayshree Suresh, 2009).

**Figure 1.2 Entrepreneurial Motivation and Family backgrounds**

![Entrepreneurial Motivation and Family backgrounds](image)

The above chart shows the various factors motivating different types of entrepreneurs. The urge for independence is the great motivating factor, followed by market opportunity for first generation entrepreneurs, whereas, family background is
the greatest for second and third generation entrepreneurs, followed by idea driven as the next motivating factor.

Dr. A.P.J.A.Kalam envisages India to be a major player in shaping the emerging world order through economic strength, technological vitality and moral leadership by the year 2020. In 2020, while the world will have a shortage of 47 million working people, India will have a surplus of 56 million people as its workforce. In order to reap the benefits of this demographic dividend, India will have to shape them as job providers, rather than as job seekers since entrepreneurship is the key to the development of any nation. The economic growth is the result of the efforts taken by entrepreneurs. The curve of economic growth is dictated by entrepreneurial efforts, by their actions and decisions.

1.5 SHG as a tool for Women Entrepreneurship Development

Alleviation of poverty is the core of all developmental programmers. Since, the 1950s, various governments in India have experimented with a large number of grants and subsidy based poverty alleviation programmers but these programmers have not been fully successful in meeting their economic objectives. At this juncture, microfinance institution (MFIs) in collaboration with the government, NGOs, social organizations play a very significant role. Microfinance is seen as provision of financial service to mostly low income people, especially the poor and very poor who are without tangible assets. (Lisham Anandkumar Singh, 2011).

Prof. Muhammad Yunus, of Bangladesh developed and founded the concept of microfinance. He was awarded the Noble Peace Prize in 2006 for his contribution to institutions like Microfinance and Grameen Bank system. Noble laureate Mr. Yunus founded the Grameen Banks in 1976 to make loans to poor Bangladeshis. Microfinance can help the poor to increase income, build viable businesses and reduce their vulnerability to external shock. There are two major models under

Self Help Group is a voluntarily formed group with member size of 10-20. Basically Self Help Groups are homogeneous in nature. Members come together for addressing common problems. The amount of saving is within the range of Rs.20-150 per month. They rotate this common pooled resource within the members itself with a very small rate of interest. The president or secretary of SHG usually maintains records of transactions on a daily basis. In India, NABARD initiated SHGs in 1986-87. Microfinance institutions include NGOs, federations of SHGs, mutually aided cooperative societies, state and national cooperatives which provide specified financial services targeted to the poor.

At a time when the Indian economy is growing on a sustainable basis, it is very important to realize that many factors contribute to this growth. In fact, women contribute to a portion of this achievement. In today’s scenario, it must be remembered that any scheme for development or improvement will not be complete unless it is ensured that the benefit percolate to women. The latent strength of rural women is well exhibited in increased credit absorbing capacity of women SHGs (SAMPARC, 2014).

Organizing the poor women to create income is a challenge. But, unless these women are put into the loop of a sustainable livelihood through micro-credit, the benefits won't arrive. The SHGs play a major role in achieving a sustaining livelihood by facilitating the rural women to enter into entrepreneurial activities. Globally, it is slowly proving as one of the most effective strategies to neutralize poverty. This helps them to make further income on a regular basis with the money already saved. SHGs play a vibrant role in making rural women economically self-reliant. SHGs are necessary to overcome exploitation, create confidence for the economic self-reliance
of poor, particularly among women, who are most invisible in social structure of our nation.

1.6 Need for the study

Today, employability is important in everyone's lives. It's necessary for a long happy life with less financial problems that will come about. There are many ways to deal with financial problems. Apart from being job seekers, women can come out of poverty by joining SHG and doing business. Women can feel better, and find their own livelihood by joining SHG, and life goes along a lot better. So, this study basically focuses on the key factors that influence women to become entrepreneurs, the hurdles and challenges they face and how they can overcome and sustain in their business over a longer period of time.

1.7 Scope of the Study

This study on entrepreneurship development of SHG women will facilitate effective understanding about the problems undergone by women of lower strata of the society in their entrepreneurial journey. The project training will provide the researcher an opportunity to gain practical experience, which will help to increase her sphere of knowledge about the pros and cons for sustainable entrepreneurship development of SHG women in Chennai city.

1.8 Statement of the Problem

Indian economy has been experiencing unprecedented growth during the last few years. But the fruit of such growth has not improved life for all. More than half of India’s population is below the poverty line. This situation is surely unsustainable. The great and immediate challenge of the current century is to generate inclusive and sustainable growth of the nation. In this context, the intimate relationship between entrepreneurship and economic development assumes significance. Schumpeter
opines that entrepreneurial process is a major factor in economic development and the entrepreneur is the key to economic growth.

In traditional societies, women were confined to the four walls of houses performing household activities. In modern societies, they have come out of the four walls to participate in all sorts of activities. The global evidences support that women have been performing exceedingly well in different spheres of activities like academics, political administration, social work and so on. Now they have started plunging into industry also and running their enterprise successfully (Sinha. S.K., 2011).

Therefore, while discussing of entrepreneurship development, it seems in the fitness of the context to study about the development of women entrepreneurs at the grass root level of the economy, so as to churn the growth, exploit and explore the economic opportunities at the bottom of the pyramid. Among many plans and programmes entitled by the government, the concept of SHG is playing an important role to counter the imbalanced growth of the nation. The financial assistance obtained by SHG women ease out their personal and domestic problems but does not result in their long lasting entrepreneurship development. The entrepreneurial ventures taken up by the SHG women entrepreneurs need to be long lasting in existence so as to contribute consistently towards the growth of the nation and thereby reap its benefits. Hence, this study on “Entrepreneurship development of SHG Women in Chennai city” is of utmost significance in the present scenario. The researcher has basically taken up significant factors influencing entrepreneurship development such as motivational factors, facilitating factors, challenging factors, problems faced as an entrepreneur, reasons for engaging in the particular economic activity and benefits obtained after joining SHG for analysis and evaluation, so as to find solution for the problem stated under the research topic.
1.9 Objectives of the study

Primary objective

- To study the process of evolution of entrepreneurship development of SHG women in Chennai city.

Secondary Objectives

1. To study the functional operation of SHGs in Chennai
2. To evaluate the socio-economic and SHG profile of respondents
3. To analyse the opinion of the respondents regarding EDP Training undergone
4. To establish the factors influencing entrepreneurship development
5. To examine the reasons for engaging in the particular economic activity by SHG women
6. To find the influence of personal and SHG details of respondents on their perception towards factors influencing entrepreneurship development
7. To estimate the dependency relationship between benefits obtained after joining SHG and distinct factors influencing entrepreneurship development

1.10 Research Methodology

The research type is both analytical and descriptive in nature. Different factors such as the evolution of SHG, training offered, problems faced by them, factors influencing the entrepreneurship development of SHGs are focused and analyzed.
Data Collection

The study depends on both primary and secondary data. Primary data was collected from the SHGs using a well designed questionnaire. Secondary data was collected from the office of Mahalir Thittam, PIU, Chennai, published articles, websites, journals and magazines.

Study area

As review of literature revealed that ample study has not been done on entrepreneurship development of SHGs, in Chennai, the current study was undertaken in Chennai.

Sampling Design

Multi-stage purposive sampling technique was followed in the selection of study area. In the first stage, Chennai city in Tamil Nadu was selected. In the second stage, zone wise list of SHGs in urban area of Chennai city was collected from the office of the Mahalir Thittam, Project implementation unit (PIU), Chennai. The zones were arranged in descending order of their total number of SHGs. In the third stage, questionnaire was distributed in proportion to the number of SHGs in the urban area of each zone. Totally 1000 questionnaires were distributed to SHG members. 583 were collected out of which 510 were found to be usable.
The following table gives a bird’s eye view of the sampling design of the researcher:

Table 1.1: Sampling design

<table>
<thead>
<tr>
<th>ZONE NUMBER-NAME</th>
<th>NO. OF SHGs</th>
<th>NO. OF QUESTIONNAIRES CIRCULATED</th>
<th>NO. OF FILLED IN QUESTIONNAIRES</th>
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<tbody>
<tr>
<td>1- Tondiarpet</td>
<td>4175</td>
<td>165 (115 was later transferred to Zone 2)=50</td>
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<td>09</td>
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<td>21</td>
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<td>3- Pulianthope</td>
<td>2866</td>
<td>115</td>
<td>59</td>
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<td>15</td>
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<td>44</td>
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<tr>
<td>10- Adyar</td>
<td>2835</td>
<td>110</td>
<td>68</td>
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<td>04</td>
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<td>64</td>
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<td>5- Kilpauk</td>
<td>2795</td>
<td>110</td>
<td>85</td>
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<td>07</td>
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<td>78</td>
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<td>8- Kodambakkam</td>
<td>2734</td>
<td>110</td>
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<td>07</td>
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<td>4- Ayanavaram</td>
<td>2558</td>
<td>100</td>
<td>73</td>
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<td>9- Saidapet</td>
<td>2239</td>
<td>90</td>
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<td>04</td>
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<td>26</td>
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<tr>
<td>2- Basin Bridge</td>
<td>2183</td>
<td>85 (115 was later received from Zone 1)=200</td>
<td>164</td>
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<td>14</td>
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<td>150</td>
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<td>7- Nungambakkam</td>
<td>1616</td>
<td>65</td>
<td>42</td>
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<td>31</td>
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<td>6- Icehouse</td>
<td>1358</td>
<td>50</td>
<td>25</td>
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<td>23</td>
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<td><strong>Total</strong></td>
<td><strong>25359</strong></td>
<td><strong>1000</strong></td>
<td><strong>583</strong></td>
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<td><strong>73</strong></td>
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<td><strong>510</strong></td>
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</table>

Data Analysis

The primary data collected are analysed using the SPSS (Statistical package for Social Sciences) - computer package. Statistical tools like Frequency analysis, Factor Analysis, Cluster analysis, Chi-Square Analysis, T-test, Analysis of variance, Linear multiple regression Analysis and Karl Pearson’s Co-efficient of Correlation are administered to the collected data for the purpose as follows:

- Frequency analysis is applied to measure the distribution of demographic details and to find the intensity of SHG profile of the sample unit.
- Factor analysis (FA) method by Principal Component Analysis (PCA) tool is used to reduce the numerous original variables into few significant factors.
- K-means Cluster analysis is applied for the classification of respondents into a small number of mutually exclusive clusters based on the premises that they are similar within the clusters but dissimilar among the clusters.
• A non-parametric Chi-square analysis is exploited to find the nature of association between the classified clusters and their cross tab relationship with personal/SHG details of the respondents.

• T-test is applied to determine the significance of the sample mean and thereby to interpret the analysis of credit facilities, facilitating and challenging factors influencing entrepreneurship development of the respondents.

• One way analysis of variance (ANOVA) is applied to ascertain the level of satisfaction among the respondents in relation to the influencing factors.

• Linear multiple regression analysis is used to estimate the dependency relationship between benefits obtained after joining SHG and influencing factors.

• Finally, a structural equation model (SEM) is developed to sequentially analyse the predominant dependent and independent factors for entrepreneurship development (ED) of SHG women using Karl Pearson’s Coefficient of Correlation.

Pilot study

Initially, a Pilot study was conducted by collecting 50 responses from different parts of Chennai, namely, Anna nagar, Thirumangalam, Paadi and Madavaram. The Cronbach’s alpha test was used to check the reliability and validity of the questionnaire and to estimate the variances in the perception of SHG members. The performance of the test over the Likert’s 5 point scale statement independently for motivational factors and reasons for engaging in the particular economic activity indicated the changes required in the research instrument. Accordingly, changes were made in the questionnaire for the final primary data collection. The final data was collected from 510 SHG women spread across the Chennai city.
Questionnaire design

Primary data were collected through a well structured questionnaire. The questionnaire is divided into six sections, so as to elicit comprehensive and complete information from the SHG respondents. The questions are of optional, bi-polar type and also on Likert’s 5 point scale statements. The first section covering the demographic details and the second section on SHG profile of the respondents comprises of optional type questions. The third section on EDP training undergone by the respondents consists of bi polar questions and Likert’s 5 point scale statements. The fourth important section covering the factors for and against entrepreneurship development comprises of Likert’s 5 point scale statements. The fifth section dealing with the details of economic activities undertaken by the respondents consists of optional type questions and also Likert’s 5 point scale statements. The last sixth section, on the details to analyse the viability and sustainability of entrepreneurship includes optional, bi polar type questions, Likert’s 5 point scale statements and open ended question to draw suggestions from the respondents for the growth of SHGs. The Likert’s 5 point scale statements in the questionnaire ranges as follows: strongly agree-1, agree-2, neutral-3, disagree-4 and strongly disagree-5.

1.11 Scheme of Chapterisation

The entire study is divided into six chapters:

Chapter 1 titled Introduction gives brief description of the topic. It deals with the importance of women in inclusive economic growth, SHGs as a tool for women entrepreneurship development, statement of the problem, need for the study, scope, objectives, and limitations of the study, research methodology, and chapter scheme.

Chapter 2 involves review of literatures related to the study. It is a concise overview of the topic, and it is organized chronologically and thematically.
Chapter 3 deals with SHGs and their entrepreneurship development in Chennai city.

Chapter 4 has analysed and evaluated the demographic and SHG details of the research subjects. The role played by EDP training have also been examined and analyzed in this chapter.

Chapter 5 involves identification of the factors for and against the evolution of entrepreneurs through SHGs, its influence on their entrepreneurship development and the challenges faced by the SHG women. A structural equation model is constructed to study the entrepreneurship development of SHG women in Chennai city.

Chapter 6 deals with findings and suggestions of the study. The scope for further research has also been outlined. A conclusion has been drawn by the researcher, with the result of the study for which it was conducted.

1.12 Limitations of the study

- The study is restricted to SHG women in Chennai city.

- The information given by the respondents are limited by their own perceptions, knowledge, emotions, feelings and awareness, hence their views might have been slightly biased.

- Some of the respondents neglected to express their views.

- The researcher was unable to meet the SHGs all time.