CHAPTER I

INTRODUCTION

India is one of the developing countries facing challenges related to poverty. Poverty alleviation is a goal for many government and non-governmental organizations throughout the world. In India, new developed efforts and strategies aimed at reducing poverty are continually being designed and implemented. One such development effort is micro finance.

1.1 Micro Finance

Micro finance activity has been playing an important dominant role for the upliftment of rural as well as urban poor in India.

The term micro finance refers to institutions, which provide financial services to low-income clients, including the self-employed. Financial services generally include saving and credit, and some micro finance institutions also provide insurance and payment services.

Microfinance is a development program related to the provision of financial services to people with low incomes; these services are credit, saving and insurance. Microfinance is recognized as the most essential tool for poverty alleviation in many developing countries, and it is an effective instrument that can improve on the most important things for poor people such as households
1.2 Micro Credit

Micro credit is the provision of small loans. According to the Micro Credit Summit in 1997, the definition of micro credit is small loan to very poor people for self-employment projects that generate income, allowing them care for themselves and their families.

Micro credit is the practice of distributing very small loans to people who have a very low income as a means of poverty alleviation and economic development. Microcredit is a subset of the broader category of microfinance, which includes all financial services such as insurance and money transfers. The very poor often do not have access to any financial services, and microcredit enables individuals to borrow for a profit-making enterprise in hopes of beginning an upwards spiral out of poverty².

Micro credit is a provision of small collateral free loan to poor people in order to faster income generation and poverty reduction through enhancing self-employment³.

---

¹ Sivcho Teng, Sokhak Pien, Nara Mao and Bunchor Leng, “Impacts of Micro-credit on Household Economics”, International Journal of Environmental and Rural Development (2011) 2–1
² http://faculty.georgetown.edu/bh297/HsuMicrocredit.pdf
³ M. Jahangir Alam Chowdhury, “Microcredit, micro-enterprises, and self-employment of women: experience from the Grameen Bank in Bangladesh”, Paper presented at the FAO-
1.3 Micro Credit Providers

The Indian micro finance sector presently consists of variety of micro finance services providers, comprising apex financial institutions like NABARD and SIDBI, Government owned societies like Rashtriya Mahila Kosh, formal one like commercial banks, regional rural banks, mutually aided co-operative societies, SHG federations, Private Sectors, like money lenders, Pawn brokers etc.

Micro credit is a form of financial services for entrepreneurs and small businesses lacking access to banking and related services. The two main mechanisms for the delivery of financial services to such clients are: (1) relationship-based banking for individual entrepreneurs and small businesses; and (2) group-based models, where several entrepreneurs come together to apply for loans and other services.

The micro credit providers are majorly classified into two i.e formal financial institutions and informal financial providers. These classifications are given in figure 1.1
Figure 1.1

Micro Credit Providers

- Formal Financial Institutions
  - 1. Banking Institutions
  - 2. NGOs
  - 3. Self Help Groups (SHGs)
- Informal Financial Institutions
  - 1. Moneylenders
  - 2. Pawn Brokers
  - 3. Others

I. Formal Financial Institutions

The following institutions are comes under the formal financial providers

a) Banking Institutions

India has one of the largest banking networks in the world. The commercial banks and co-operative banks are actively participating in the uplift of the rural and urban poor’s’ through the micro credit. The NABARD has supporting all the banks for their efforts of the micro-credit. Most of the banking institutions are providing the micro credit through the self-help groups.

b) Non-Governmental Organization

The NGOs became a supplementary agency for the developmental activities of the government and in some cases they become alternative to the government. NGOs have their origin in non-profit value-based voluntary organizations and have been working throughout the world for centuries. Non-governmental
Organizations are playing a vital role in the formation of Self-help Groups and motivating women to join in Self-help Groups. Non-Governmental Organizations in India were responsible for converting the pilot programme of Self-help Groups into a mass movement in our country.

c) Self Help Groups

The origin of SHGs is from the brainchild of Grameen Bank of Bangladesh, which was founded by Mohammed Yunus and formed in 1975. SHGs is a suitable means for the empowerment of both men and women in the rural areas. It considered a new lease of life for the women in villages for their social and economic empowerment.

A self help group is defined as a “self governed, peer controlled informal group of people with similar socio-economic background and having a desire to collectively perform common purpose”. It is a homogenous group of poor people voluntarily coming under to save whatever amount they can conveniently out of their earnings to mutually agree to contribute to a common fund and to lend to the members for the meeting their productive and emergent needs.

The self help groups are generally small and local, which means they have access to good knowledge about each other’s financial circumstances and can offer convenience and flexibility. Since poor people manage them, their costs of operation are low. However, these providers may have little financial skill and can
run into trouble when the economy turns down or their operations become too complex. Unless, they are effectively regulated and supervised, they can be ‘captured’ by one or two influential leaders and the members can lose their money.

II. Informal Financial Institutions

The informal sources of credit would include big farmers, big farmer-cum-moneylenders, friends, relatives, pawnbrokers, village shopkeepers and other. Normally, two-third of the credit need in rural areas is met out by informal sources. But, the moneylenders have yet to disappear. Through they charge high rate of interest. They provide timely and adequate credit to the rural poor without much paperwork and for any purpose, especially for meeting consumption and other social needs. However, physical, economic and social exploitation of the poor people is attached with this system.

1.4 Small Business Units

A small business usually owned and managed by one or a few persons. The owners take active participation in day-to-day activities of business. The area of operation of a small business is limited. It is generally cater to the need of the local people. The small business units are generally labour intensive and thus require less capital investment.

Small businesses are common in many countries, depending on the economic system in operation. The small-scale sector has emerged as an engine of
growth in most of the developing and newly industrialized countries of the world. In India, the small-scale industries have played a catalytic role in socio-economic transformation of the country. This sector has exhibited tremendous capacity for employment generation, greater resource use efficiency and technical innovation, promoting inter-sectoral linkage, raising exports and reducing regional imbalances.

Micro-enterprise may be defined as businesses operated by fewer than ten employees, which are owned and operated by the poor, irrespective of their product or service⁴.

Self-employment in small-scale businesses presents a constructive option for income generation. In many developing countries, a high percentage of small-scale businesses that cater to local needs are controlled or owned by women⁵.

Small enterprises assume special position in India because of their role as creators of large-scale employment opportunities apart from contributing significantly to industrial production, exports and regional dispersal. The contribution of this sector which is currently 40 per cent of industrial production and 35 per cent of exports, will further improve. The SSI sector currently (2010-11) provides employment to 192 lakhs persons. According to Working

⁴[www.ifad.org/pub/other/rural women/5.pdf]
⁵[www.ifad.org]
Group on 10th Plan on SSIs, 44.1 lakhs additional employment opportunities would be provided by the end of 10th Plan. This has also been accepted by Dr. S.P. Gupta Special Group Report (May 2002) on Targeting 10 Million jobs per year during 10th Five Year Plan. At present, our share in the world trade is only 0.67 per cent, which is very low by any standards. This will have to be improved to 1.5 per cent in the next 10 years.  

**Type of Small Business**

In India, small business may be categorized on the basis of investment in fixed capital in plant and machinery or on the basis of nature or place of operation. Following are some of the main types of small business.

(a) **Small-scale Industries**

A small-scale industrial unit is one in which fixed capital investment in plant and machinery does not exceed Rs.1 crore. In case of certain export promotion units this investment ceiling can be raised upto Rs. 5 crores.

(b) **Tiny Industries**

A business unit whose total fixed capital investment in plant and machinery does not exceed Rs. 25 lakhs is called a tiny industry.

---

(c) Ancillary Industrial Undertakings

When a small-scale industry supplies not less than 50% of its production to another industry, it is called as ancillary industrial undertaking. The fixed capital investment limit of Rs.1 crore also applies to it. If an ancillary unit is owned by some other business unit, it loses its status of small business.

(d) Village Industries

A unit that is located in rural area and whose fixed capital investment in plant and machinery does not exceed Rs. 50,000 per artisan or worker is termed as village industry.

(e) Cottage Industries

These are small manufacturing units producing simple products involving some specific art or skill like handicrafts, filigree etc. They use simple equipments with indigenous technology for production. Cottage industries are carried on wholly or primarily with the help of members of the family either on a whole or part-time basis. These units are not defined by the ceiling of capital of investment.

(f) Micro Business Enterprises

The fixed capital investment of in plant and machinery of these enterprises does not exceed Rs. 1 lakhs.
(g) Small-scale Service and Business (Industry related) Enterprises (SSSBE)

In these businesses the investment limit in fixed assets of plant and machinery does not exceed Rs. 10 lakhs. The main business enterprises included under this category are—Advertising agency, marketing consultancy, Typing centre, Photo copying centre (Xeroxing), Industrial testing laboratory, Auto repair and garages, laundry and dry cleaning, tailoring, STD/ISD booths, beauty parlor, crèches, etc.

(h) Trading Units

These are usually in the form of small retailers found in the market places.

Government Policy towards Small Business

The Government of India has given special importance to small business enterprises due their vast potentiality for development of social and economic condition of the country. Several assistance and support are announced from time to time keeping in view the changing economic conditions. The following are some of such steps taken by the Government for development of small business in India.

- It provides liberalized credit policy like, less formalities to process the loans and advances, loans at concessional rate, for small scale industries.
➢ To keep away from the competition with large-scale industries, the Government of India has reserved about 800 items for exclusive production by small scale industries.

➢ It provides concession and exemption in excise and sales tax to the small-scale units. The excise exemption has raised from Rs. 50 lakhs to Rs.1 crore for small industries.

➢ The Government also gives preference to the products of small enterprises while purchasing stationery and other item for its own consumption and use.

➢ For promotion, financing and development of small-scale industrial enterprises several institutes like Small Industrial Development Bank of India (SIDBI), National Bank for Agriculture and Rural Development (NABARD), District Industries Centres (DICs) etc. have been set up by the Government.

➢ The Government of India has set up separate Ministry of Micro, Small and Medium Enterprises for effective planning and monitoring of the development of small business enterprises in the country.

➢ To provide benefits of its plans and policies to large number of industries, it has lowered the investment limit from Rs. 3 crores to Rs.1 crore.
➢ The Government provides capital subsidy of 12 % for investment in technology in select sectors of small-scale business.

➢ To encourage Total Quality Management (TQM) the Government provides grant of Rs. 75,000 to each units that obtains ISO 9000 certification.

➢ To provide finance, design and marketing support to handloom sector it has launched the Deendayal Hathkargha Protsahan Yojana.

➢ The Government of India has permitted upto 24 % of total shareholding of small- scale units by other industrial units.

➢ The Government provides land, power and water etc. at concessional rates to small business enterprises.

➢ Special incentives are also provided for setting up of small enterprises in rural and backward areas.

➢ The Government encourages to establish small-scale industry by providing developed land and industrial estates.

**Classification of Business Sector**

In India, entrepreneurs running formal and informal businesses have very different profiles.

**1.5 Formal or Organized Sector**

Formal or organized businesses are registered as a sole trader, partnership or limited company. They pay taxes, perform other legal obligations and benefits
from the protection of a law. They are located in permanent shop. The sector is
classified into micro, small and medium based on the size of the enterprise, as
defined in Table 1.1

**Definition of Micro, Small and Medium Industry**

According to the Micro, Small and Medium Enterprises (MSME) Development Act of 2006, (India) a micro enterprise is where the investment in plant and machinery does not exceed twenty five lakhs rupees. A medium enterprise is where the investment in plant and machinery is more than five crore rupees but does not exceed ten crore rupees. A small enterprise is where the investment in plant and machinery is more than twenty five lakhs rupees but does not exceed five crore rupees. In the case of the enterprises engaged in providing or rendering of services, as

(a) a micro enterprise is where the investment in equipment does not exceed ten lakhs rupees. (b) a small enterprise is where the investment in equipment is more than ten lakhs rupees but does not exceed two crore rupees. (c) a medium enterprise is where the investment in equipment is more than two crore rupees but does not exceed five crore rupees.

According to the Ministry of Micro, Small and Medium Enterprises, recent ceilings on investment for enterprises to be classified as micro, small and medium enterprises are as follows:
TABLE 1.1

Definition of Micro, Small and Medium Industry

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Investment in plant and machinery/equipment (excluding land and building)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Manufacturing Enterprises</td>
</tr>
<tr>
<td>Micro</td>
<td>Up to Rs. 25 Lakhs</td>
</tr>
<tr>
<td>Small</td>
<td>More than Rs. 25 Lakhs and up to Rs. 5 crore</td>
</tr>
<tr>
<td>Medium</td>
<td>More than Rs. 5 crore and up to Rs. 10 crore</td>
</tr>
</tbody>
</table>

Source: Annual Report (2006-2007) of Ministry of Small scale Industries, India

* Investment limit in Plant & Machinery
** Investment limit in equipments
*** Rs 50 = 1 USD

Importance of the MSME sectors

The contribution of micro, small and medium enterprises (MSME) sector to manufacturing output, employment and exports of the country is quite significant. According to estimates, in terms of value, the sector accounts for about 45 per cent of the manufacturing output and 40 percent of the total exports of India. The MSME sector employs about 42 million persons in over 13 million units throughout the country. There are more than 6000 products, ranging from traditional to high-tech items, which are being manufactured by the Indian MSMEs.
FIGURE 1.2

Trends in the Growth of Micro and Small Enterprises (MSEs) and the Employment Generated

Source: Annual Report, 2008-09, Ministry of Micro, Small and Medium Enterprises
It can be deciphered from the Figure 1.2 that the number of MSEs has increased steadily in India from 67.87 lakhs in 1990-91 to 133.68 lakhs in 2007-08. This could be possible due to the conducive policy environment during the liberalization era (post 1991). Similarly, number of persons employed in MSEs has risen from 158.34 lakhs in 1990-91 to 322.28 lakhs in 2007-08. The yawning gap between the two lines over the years indicates that employment elasticity of the MSE sector has improved. However, much of the labour absorption has taken place in the unorganized/ informal enterprises.

![Comparison of Growth Rates in MSE and Overall Industrial Sector](image)

Source: Annual Report, 2008-09, Ministry of Micro, Small and Medium Enterprises

**Figure 1.3**

**Comparison of the Growth Rates in Micro and Small Enterprises and the Overall Industrial Sector**
Figure 1.3 shows that the MSE sector observed better growth rates vis-à-vis the overall industrial sector in India.

![Graph showing percentage share in total industrial production and GDP for MSE sector from 1999-2000 to 2006-07.]


**Figure 1.4**

**Contribution of MSE (%) at 1999-2000 prices in total Industrial Production and GDP**

It can be witnessed from the Figure 1.4 that the contribution of the MSE sector to overall industrial production has declined marginally from 39.74% in 1999-2000 to 38.57% in 2006-07. The contribution of the MSE sector to the gross domestic product (GDP) has increased from 5.86% in 1999-2000 to 5.94% in 2006-07.
FIGURE 1.5

Exports from Small Scale Industries

Figure 1.5 shows that exports from the small scale industry has increased from Rs. 9,664 crore in 1990-91 to Rs. 1,50,242 crore in 2005-06. However, export-oriented SMEs are likely to be impacted from imminent global slowdown. Little progress has been made to diversify our export basket. Since the late 1980s, exports from SMEs continues to be dominated by just eight product groups, (namely, Readymade garments, Engineering goods, Electronic and computer software, Chemicals and allied products, Basic chemicals, pharmaceuticals and cosmetics, Processed foods, Finished leather and leather products and Plastic products) accounting for over 90 per cent of total value of exports.
1.6 Informal or Unorganized Sector

Informal sector represents an important part of the economy and certainly of the labour market in many countries, especially developing countries, and thus plays a major role in employment creation, production and income generation. In countries with high rates of population growth and/or urbanization, the informal sector tends to absorb most of the growing labour force in the urban areas. They are engaged in retail trade without a fixed place or in urban street. Street vendors who sell goods in weekly bazaar during holidays and festivals.

In India, the official definition of the informal sector enterprises consists of Directory Establishments that employ at least six persons but not more than nine, Non-Directory Establishments, which employ five persons or less, and Own Account Enterprises that employ one self. Officially, these constitute the unorganized sector of industries. However, the available database and hence, the modes of estimation of the unorganized sector workforce are not so dependable.\textsuperscript{7}

Position of Informal Sector in MSME

The MSME sector was estimated to include 29.8 Million enterprises in 2009-10. Table 1.3 explicit, the size of the MSME sector in India. The sector has been growing at an effective rate of 4 per cent annually over the last three

years from 2007-08 to 2009-10. The share of registered enterprises in the sector is estimated to be only around 6 percent, which goes to show that the sector is dominated by unregistered enterprises that do not file business information with District Industry Centers (DICs) of the State/Union Territory. In order to encourage these unorganized units to register, the Ministry of MSME has simplified the registration process.

**TABLE 1.2**

*Size of the MSME Sector in India (in Millions)*

<table>
<thead>
<tr>
<th>Year</th>
<th>Registered</th>
<th>Unregistered</th>
<th>Total Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006 – 07</td>
<td>1.5 (-6%)</td>
<td>24.6 (-94%)</td>
<td>26.1</td>
</tr>
<tr>
<td>2009 – 10</td>
<td>1.8 (-6%)</td>
<td>28.0 (-94%)</td>
<td>29.8</td>
</tr>
</tbody>
</table>

Source: MSME Census, Ministry of MSME, Annual Report, 2009-10

**1.7 Profile of the Pudhucherry**

The de facto transfer of the territory of Pondicherry, consisting of the former French Settlements of Pondicherry, Karaikal, Mahe and Yanam, to the Indian Union was effect on 1 November 1954. The territory is divided into 16 communes, out of which 8 in Pudhucherry settlements, 6 in Karaikal and one each in Mahe and Yanam. There are 388 villages in the territory. These settlements are small pockets isolated from each other. Their total area is 479.2sq.km. This union territory is smaller than that of other union territories in the country, except Laccadives, Minicoy and Amindivi Islands. Pudhucherry town is the headquarters
of administration. Pudhucherry is the head quarters of Union Territory which is 162 Kms in south of Chennai along with east coast is in Pudhucherry region covering 290 sq. kms. Pudhucherry is referred by names such as ‘Quintessence of French Culture’, ‘India’s Little France’ and ‘The French Riviera of the East’.

1.8 Statement of the Problems

Credit is one of the very important inputs of economic development. The timely availability of credit at an affordable cost has a big role to play in contributing to the well being of the weaker sections of the society. The credit needs of micro enterprises are small and frequent in nature. While servicing the micro enterprises, the timeless of credit and the financial institution are crucial. Any financial product and package for micro enterprises necessary have to meet objectives of both the lenders and the borrowers. This type of financial package or schemes are availed by the organized sector or the formal small business units from the formal banking system and other micro finance institution. On the other hand, unorganized sectors or informal businesses are not able to availing the loans and schemes from the banks and other financial institution. The unorganized sectors are meeting their day-to-day operation from the conventional type of lending institutions like moneylenders, pawnbrokers, and private financial organizations. They often resort to high interest loans from non-institutional sources. Although they usually high repayment capacity, absence of collateral and
firm domiciliary status usually debars them from obtaining institutional credit. In this context, the following questions were incorporated:

1. What type of micro credit schemes available in the union territory of Pudhucherry? and how is it performed in this area?

2. How are micro credit programmes changing the socio-economic status of the organized and unorganized sector of the small business units in Pudhucherry region?

3. What type of problems are facing by the unorganized groups to operate the small business units in Pudhucherry region?

Hence, the present study is an attempt to analyze the impact of micro credit on the small business units in Pudhucherry region.

1.9 Scope of the Study

Pudhucherry is a popular business centre in southern states in India. The Pudhucherry Government is providing various financial assistance and tax concession facilities to the newly started business as well as existing entrepreneurs. Most of the traders are registered under the legitimate rules and they are utilizing the government schemes properly in this area. But the unorganized business units of road vendors and platform stall holders, are engaging the business on the weekend of Sunday. The Sunday Market is a popular to the unorganized business units in Pudhucherry region. The samples were drawn
from both the organized and unorganized small business units who had micro
credit from the formal and informal institution respectively and assess the impact
on small business units in the study area. This study helps to identify the problems
and prospects of micro credit scheme to the small business units in Pudhucherry
region, particularly in the unorganized groups. It is anticipated that the end of the
study this research will provide a balanced picture of the positive and negative
impact from receiving such loans.

1.10 Review of Literature

The related literature were studied to know the trends and scope for
research in the chosen field. Many doctoral theses, reports and article published in
leading journals were subjected to analysis. This review enable the researcher to
identify the area and themes for the present study.

Indian Reviews

Rekha, R. Goankar (2001)\textsuperscript{8} in her article on, “Working and Impact of
Self-Help Groups in Goa”, concluded that the movement of SHGs can
significantly contribute towards the reduction of poverty and unemployment in the
rural sector of the economy and the SHGs can lead to social transformation in
terms of economic development and the social change.

Judith Tendler (2002)\textsuperscript{9} has made study on, “Small Firms, the Informal Sector, and the Devil’s Deal”, observed that, small firms (SFs) as the proper subject of social policy and safety nets, and house of SF programs in departments of social welfare or labor. Others see SFs as the stuff of “serious” economic development, and focus on upgrading their collective efficiency, productivity, and market access. Unfortunately, the combination of the social policy view with the inevitable local politics of SFs generates a brew that inadvertently undermines not only the upgrading agenda, but certain aspects of the social policy agenda itself namely, better environmental, labor, and health and safety practices and protections. Tendler in his article explains how this happens, and shows that things do not always need to turn out that way, especially if donors and others pay attention to the histories lying behind today’s thriving SF clusters in developing countries.

Mathew, M.C. (2004)\textsuperscript{10} his article on, “Small Industry and Globalization”, highlighted the reason for panic in All India Census Report on small-scale industries. The study stated that the country needs a strong small and medium enterprises policy which was closely linked to its international commitments. The study suggested that at the strategy level, there were need to be mechanism by


which the demography of small and medium enterprises sector itself becomes a matter of public security.

**Rajyalakshmi, N (2004)** in her study on, “Productivity Awareness among SSI Units: A Case Study”, reviewed the productivity awareness among SSI units in Visakhapatnam district of Andhra Pradesh at micro level and explored small-scale entrepreneurs, how they measured productivity in their units. The study found that chemical units were more capital intensive and it was low in food and agro units. Productivity awareness was not noticed in the SSI units. The study concluded that success in small industry will be best achieved if the productivity culture will be clearly understood by all the employees.

**Subrahmanyabala M H (2004)** in his article on, “Small Industry and Globalization: Implications, Performance and Prospects”, highlighted the impact of globalization and domestic reforms on small-scale industries sector. The study stated that small industry had suffered in terms of growth of units, employment, output and exports. The author suggested that the focus must be turned to technology development and strengthening of financial infrastructure in order to make Indian small industry internationally competitive and contribute to national income and employment. The study concluded that all the policies which were

---


opted by Government of India were the efforts to form a dynamic MSE sector and a diversified economy providing expanded employment opportunities to absorb all new labour force and offer exciting career opportunities.

**Satish P (2005)** in his article on, “Mainstreaming of Indian Microfinance”, observed that, a significant feature of microfinance in India is that it has been built upon the existing banking infrastructure. In the process, it has obviated the need for the creation of a new institutional set up or introduction of a separate legal and regulatory framework. In the linkage model, the financial resources are being sourced from regular banking channels as well as members savings. Thus, the problems related to regulation and supervision of microfinance institutions (MFIs), the accessing of public deposits by MFIs and reliance on donor and grant funding are obviated. With the group acting as a collateral substitute, this model also overcomes the intractable problem of collateral provision by the poor. It has to be realized that microfinance is a means or an instrument for development, not an end in itself. To assess the extent to which Indian microfinance has been able to achieve the goal of poverty eradication and fulfill its role as a means for development, requires in depth impact assessments on an ongoing basis.

---

France sinha (2005) 14 conducted a study on, “Access, Use and Contribution of Microfinance in India, findings from a National Study”, observed that, microfinance is making a significant contribution to both the savings and borrowings of the poor in the country. The main use of mirrored it is for direct investment. While the presence of microfinance has increased the borrowing options for the poorer clients, it seems not (yet) to have significantly affected the terms and conditions of different informal credit providers.

Manoranjan Sharma (2005) 15 in his article on, “Emerging Contours of Micro Finance: Where Do We Go From Here?” , made the conclusion of this topic is the higher costs of serving the rural poor is a high risk, high cost proposition, with high uncertainty and transactions costs related to small loan size, frequent transactions, etc. But this admittedly higher cost needs to be borne because of the extraordinarily high repayment rates and socio-economic benefits. As micro enterprises usually keep no formal records and have neither credit ratings nor collateral. NABARD's success model of SHG-bank linkage together with intensifying competition in urban area, through multinational banks has induced most banks and even major financial institutions like Housing Development and Financial Corporation (HDFC). Industrial Credit and Investment

---


15ManoranjanSharma “Emerging Contours of Micro Finance: Where Do We Go From Here?” The Business Review, Cambridge; Summer 2005; 4, 1; ABI/INFORM Complete pp. 288
Corporation of India Ltd. (ICICI) to increasingly emphasis micro finance activities.

**Raghavan R. S (2006)**\(^{16}\) in his article entitled, “Micro-Finance Uplifting Rural Economy”, concluded that more than one-third of credit needs in the rural areas are still met by informal and high cost resources such as moneylenders, landlords, friends and relatives, and as such the scope for the micro-finance to make inroads in rural segment is quite enormous.

**Anna-Larisa Snijders (2007)**\(^ {17}\) has conducted a study on, “Microcredit and Women's Empowerment in South India”, observed that, this paper has examined the extent of empowerment of 66 women benefiting from a Prime Trust operated SHG Bank Linkage Program in Puducherry. The indicator economic security measures the resources dimension of empowerment. The ability to make small and large purchases, the involvement in major decisions and the relative freedom from domination by the family reflect the agency dimension, and the indicators mobility, legal and political awareness and participation in public protesting and campaigning represent the achievement dimension of empowerment.


Anjugam M and C. Ramasamy (2007) in the article on, “Determinants of Women’s Participation in Self-Help Group Led Microfinance Programme in Tamil Nadu”, concluded that socially backward, landless and marginal farm households are participate more in the self help group programme. Possession of livestock and consumer goods by the member households has been found to determine the joining of group.

Wanchoo Rajat (2007) has made an attempt to study on, “Micro-Finance in the India: The changing face of micro-credit Schemes”, the major constraints identified in the studies regarding microfinance in India are; greater and more diverse sources of funding; a meaningful set of poverty impact indicators in order to make meaningful statements about social impact, and lack of an enabling policy environment for microfinance. But the changing face of microfinance in India, appears to be positive in terms of the ability of microfinance to attract more funds and therefore increase outreach.

---


Saumya Chakrabarti and Anirban Kundu (2009)\textsuperscript{20}, in their article entitled on, “Formal – Informal Sectors’ Conflict: A Structuralist Framework for India”, observed that the study vast informal sector of the developing world in general and of India in particular is increasingly considered as a ‘dispersed development engine’ by the orthodox schools. It is also argued though sizeable portion of informal sector exists independent of formal sector; a large segment bears a complementary relationship with these formal productions. However, on the contrary we propose a fundamental conflict between the two sectors given the generic food supply constraint. To analyze such a proposition we construct a multi sector macroeconomic framework and show that agriculture-formal sector interaction is distinctly different from agriculture-informal sector linkage. Next, we examine the impacts of variations in agricultural productivity and that of fiscal policy changes on this formal-informal conflict. In the first case of increasing agricultural productivity while both formal and informal sectors expand the former benefits proportionately more than the latter. In the second case of expansionary fiscal policy, the informal sector expands even at the cost of contraction of the formal one.

Shambhu Ghatak (2009)\(^{21}\) has attempted a study on, “Micro, Small and Medium Enterprises (MSMEs) in India: An Appraisal”, deal with micro, small and medium enterprises and their role in economic growth and employment generation in the Indian context. The article discusses how policy environment for promoting MSMEs changed from ‘protectionism’ during the pre-1990s to ‘export orientation’ during the post-1990s. The key constraints faced by the MSMEs including access to credit and technology, red tapism etc. are discussed.

Tejmani Singh N (2009)\(^{22}\) in his article on, “Micro Finance Practices In India: An Overview”, concluded that micro finance can contribute to solving the problem of inadequate housing facilities and urban services as an integral part of poverty alleviation programmes. The challenges lies in finding the level of flexibility in the credit instrument that could make it match the multiple credit requirements of the low-income borrowers without improving unbearably high cost of monitoring to end use lenders. A promoting solution is to provide multipurpose loans or composite credit for income generation, housing improvement and consumption support. Micro finance can indeed be sustained in the long run in a profitable manner; going by the increasing number of commercial banks that have evinced interest in this area, the future does seem


bright. The changing face of micro finance in India appears to be positive in terms of the ability of microfinance to attract more funds and therefore increase outreach.

**Prema Basargekar (2009)**\(^{23}\) in his article entitled on “Micro credit and a Macro Leap: An Impact Analysis of Annapurna Mahila Mandal (AMM), an Urban Microfinance Institution in India” concluded that the impact of AMM’s micro credit movement on the development of self-empowerment is significant. There is a substantial improvement in various parameters of self-empowerment such as self awareness, economic independence, self-esteem, social status, group bonding and leadership qualities. At the same time, AMM has had limited success in building decision-making ability, risk taking ability and social awareness among its members. AMM has also been successful in providing emotional support to its members in the process of building social and economic empowerment.

**Indu Rao (2011)**\(^{24}\) his article on, “The Emergence of the Informal Sector Firms in International Business”, highlighted the emergence of Informal Sector Firms (ISFs) in international business. Due to increasing size and significance of the informal economy in the global context (particularly emerging markets), he attempted to understand the characteristics and relevance of the ISFs.

---


distributed diamond industry thrives in the atmosphere of secrecy and informality that envelops the diamond trade and has for long been labeled as an unorganized sector of the world economy. However, it resembles a close-knit community, composed of thousands of informal sector firms (ISFs) which exports cut and polished diamonds worth USD 20 billion annually while the collective output of ISFs in an emerging economy (India) enjoys a 95 percent market share of net global exports. It is suggested that due to lack of formal systems, ISFs may be largely influenced by their societal cultures which, in turn plays a role in the internationalization of ISFs.

Meganathan M (2011)\textsuperscript{25} made a study on, “Role of Micro finance on Urban Women Self Help Groups A Micro Study Puducherry”, revealed that SHGs help the urban slum members are able to improve the socio-economic conditions, standard of living, women literacy level, decision making, participation of social awareness programs, participation of training programs, participation of political activities, starting of new business enterprise income generating activities, offer employment opportunities to neighbors etc. In Pondicherry regions, there is no specific rule and regulations for non-government organizations activities therefore the government should make appropriate policy to monitor them and also helps the

urban slum women to up-lift their socio-economic conditions through Micro-Credit facility with subsidy to those who are below poverty line.

**Rajendran K. (2011)**\(^{26}\) conducted a study on, “Role of Non-Governmental Organisations In Micro Finance Through SHGs – A Study In Vellore District of Tamil Nadu”, He concluded that NGOs and self motivation of women are the main motivational factors to join SHGs and Self-help Group members also influence other women to join the groups. Respondents are well aware about the role of NGOs where NGOs are active in their quality of work rather than the no of players and is reflected in the study. It is concluded that NGOs play an important role in SHG formation, linking the groups with the banks, arranging for loans and imparting training to start income generating activities.

**Sarumathi S. and K.Mohan (2011)**\(^{27}\) made a study on, “Role of Micro Finance In Women’s Empowerment (An Empirical Study In Pondicherry Region Rural SHG’s)”, and concluded that microfinance brought psychological and social empowerment than economic empowerment. Impact of micro finance is appreciable in bringing confidence, courage, skill development and empowerment.

\(^{26}\)K.Rajendran, “Role of Non-Governmental Organisations In Micro Finance Through SHGs – A Study In Vellore District of Tamil Nadu”, Reseachers World Journal of Arts, Science & Commerce E-ISSN : 2229- 4686 , ISSN : 2231- 4172

The SHG members feel free to move with their groups and leaders. It leads them to participate on various social welfare activities with good co-operation. While interacting with the respondents, it is noticed that some members are expecting the NGO to come up with more training sessions in income generating activities. All they need is a way to develop their skills and talents by participating in various training programs.

**Tarun Bhaskar and Gopi Subramanian (2011)**\(^{28}\) in their article entitled “Loan Recommender system for Micro finance Loans: Increasing Efficiency to Assist Growth” observed that the majority of the world’s population does not have access to basic financial services. Therefore, financial inclusion is gaining attention from different sources like governments, Non-governmental Organizations and private institutions. Micro finance institutions (MFIs) have made a significant impact in the field of financial inclusion. But this impact is just the tip of the iceberg and these institutions need to grow exponentially and have efficient processes to have a more meaningful impact.

**Ruchika Gupta (2012)**\(^{29}\), in the article on, “A Comparative Study between Organised and Unorganised Manufacturing Sectors in India”, observed that these


two sectors differ significantly in terms of gross value of output, employment generation, use of latest technologies etc. In that paper, an attempt has been made to compare between the two sectors of the economy by using certain technical parameters. Data on unorganised sector has been taken from NSS 62nd round survey (July, 2005 to June, 2006) and for organised manufacturing sector Annual Survey of Industries (ASI) 2004-05 have been used.

Madhusudan Ghosh (2012)\textsuperscript{30} in his article, “Micro-Finance and Rural Poverty in India; SHGs-Bank Linkage Programme”, reviewed the progress of the SHG-Bank linkage programme at the national and regional levels, and evaluated its impact on the socio-economic conditions of SHG households. The programme has grown at a tremendous pace during last two decades and emerged as the most prominent means of delivering micro-finance services to the poor, forging a bridge between the financially deprived and the formal financial services in India. Commercial banks, regional rural banks, cooperative banks and NGOs have contributed significantly towards the rapid spread of the programme. Though the regional spread of the programme has been highly skewed with highest concentration in the southern region, it has started picking up pace in other regions.

Santosh Mehrotra et al. (2012)\textsuperscript{31}, in the article on, “Organised and Unorganised Employment in the Non-Agricultural Sectors in the 2000s” observed that, conventional growth theory suggests a simple positive relationship between output and employment growth. However, an empirical analysis of the last decade suggests that employment growth may or may not be accompanied by output growth, depending upon the growth in productivity. Accordingly, this paper classifies the organised and unorganised non-agricultural sectors and identifies the sub-sectors that have been employment generating (both productive as well as productivity declining), jobless and job losing, depending upon their rates of growth of employment and gross value added. This paper highlights all these issues along with the jobless growth phenomenon experienced during the past decade in order to assess their policy implications.

S Chandrakumarmangalam and S C Vetrivel (2012)\textsuperscript{32} in their article entitled on “Impact of Group-Based Microfinance on Rural Households in India” observed that the study is empirical in nature and was carried out to assess the impact of group-based microfinance on income, assets position, savings, employment, literacy and migration of the household. A quasi-experimental


design was made where the target and control groups were randomly sampled from the population. The study concluded that the group-based microfinance impacted the client household positively in the increase of income, assets position, savings and literacy, and in the reduction of migration.

**Anthony P. D’souza (2013)**[^33], made a study on, “Unorganized Sectors: Role of an Entrepreneur and Challenges in Self-Employment”, observed that, unorganized sector, was coined by the British economist Keith Hart in 1971, which emerged as a one of the dynamic and vibrant sector. This sector broadly corresponds to the household sector, which includes private unincorporated enterprises. The unorganized sector also includes some formal activities on which there is no regular system of data availability. This paper is based on role of entrepreneur and challenges before the present youth in taking up such a job in unorganized sectors as self-employment. It highlighted about present scenario of unorganized sector, status, role of entrepreneur in creating interest for self employment, challenges and problems faced in selecting self-employment.

**Scott E. Chanelli (2013)**[^34] in his article on, “Impact of Microcredit on Small Business: Hyderabad, India,” observed that the researcher use a comparative model to isolate the effects of increases in credit on similar businesses. The results


[^34]: Scott E. Chanelli, Impact of Microcredit on Small Business: Hyderabad, India Economics Department Haverford college, 2013, pp 1-30
suggest that individuals using their first loan for a business they operate are likely to see significant increases in profits after the first 30 days. These increases in profits are statistically and economically significant. The results suggest that access to credit from MFIs may lead to significant enough increases in income to produce a sustainable model of lending. These results do not carry over into the non MFI formal lending sector.

Foreign Reviews

Hashemi et al. (1996)\(^\text{35}\) in their article entitled, “Rural Credit Programs and Women’s Empowerment in Bangladesh” carried out a longitudinal study between 1991 and 1994 among 1300 married women under the age of 50 in Bangladesh. They examined the effect of two different credit programs, the Grameen Bank and the Bangladesh Rural Advancement Committee (BRAC), by using two groups for the participants of the two different credit programs plus a control group. The control group was split up in a group of women with physical access to the same banks and another group with no access to credit at all. They concluded that the involvement in credit programs empowers women. The results indicate that participation in both credit programs “increases women’s mobility, their ability to make purchases and major household decisions, their ownership of productive assets, their legal and political awareness and their participation in

public campaigns and protests”. The women participating in BRAC were more active in political campaigns and protesting than those in Grameen.

Reta (2000)\textsuperscript{36} in his article on, “Women and Micro Finance: the case of Women Fuel Wood Carriers in Addis Ababa”, observed that the Ethiopia is one of the developing countries where the small-scale enterprises are estimated to employ 1.5 million people. Out of these 1.5 million people that participate in small-scale enterprises the proportion of women is high as small-scale enterprises are an important source of livelihood for women in Ethiopia.

James Copestake, et al (2001)\textsuperscript{37} in their article entitled “Assessing the Impact of Microcredit: A Zambian Case Study” observed that this article has analysed the impact of a microcredit intervention on borrowers living in low-income neighbourhoods of Lusaka. The programme was not directed towards the poorest business operators, but we estimated that one-third of clients were below the national poverty line. Those who graduated from their first to a second loan on average experienced significantly higher growth in their profits and household income, as compared with otherwise similar business operators. These borrowers also diversified their business activities more rapidly.

\begin{footnotesize}
\begin{itemize}
  \item \textsuperscript{37}James Copestake, Sonia Bhalotra And Susan Johnson, “Assessing the Impact of Microcredit: A Zambian Case Study” The Journal of Development Studies, Vol1,37, No.4, April 2001, pp.81-100
\end{itemize}
\end{footnotesize}
Daniel Makina & Louisa M Malobola (2004)\textsuperscript{38} in their article entitled “Impact Assessment of Microfinance Programmes, including Lessons from Khula Enterprise Finance” observed that the Khula impact study, albeit with a narrow, traditional donor-driven focus, shows that microfinance programmes lead to improvements in the economic welfare of households, enterprise development and increased empowerment of women. Notably, it emphasises the importance of targeting specific groups, as findings show that when this is not done, more men are likely to benefit more than women. Targeting should also be a consider-action as regards the desired outreach, without which the not-so-poor urban communities tend to benefit more than their poor counterparts in the rural areas.

M. Jahangir Alam Chowdhury, et al (2005)\textsuperscript{39} in their study on “The Impact of Micro-credit on Poverty: Evidence from Bangladesh” observed that focus is on both objective and subjective poverty and particular attention is paid to the length of time programme participants have had access to micro-credit. The two main findings are, first, micro-credit is associated with both lower objective and subjective poverty and, secondly, the impact of micro-credit on poverty is particularly strong for about six years with some leveling off after that point.


Johanna Hietalahti and Mikael Linden (2006)\textsuperscript{40} in their article entitled “Socio-economic Impacts of Micro finance and Repayment Performance: A case study of the Small Enterprise Foundation, South Africa” observed that the study focuses particularly on the benefits, disadvantages and challenges obtained from The Small Enterprise Foundation (SEF), microcredit village programmes (Micro Credit Programme (MCP) and the Tshomisano Credit Programme (TCP)). Impacts of micro credits and a comparison of two programmes were analysed on a household level. The results revealed that a number of the poorest women have been released from deepest poverty through the opportunities provided by SEF. The MCP clients, who tend to have a better starting point, seemed to be more educated, able to diversify and improve their businesses as well as being more capable of protecting themselves against vulnerability than the poorer TCP clients. Many repayment problems were caused by group heterogeneity. Particularly in the MCP, the incentive to free-ride seemed to be a problem phenomenon. These drawbacks demonstrate that there are still some unresolved disadvantages in the programmes.

Rafiqul Bhuyan Rafiq et al (2007)\textsuperscript{41} in the article entitled on “Microfinance Program in Developing Countries: an Analysis of the Impact of Micro-Credit for the Women in Bangladesh” observed that this paper analyzes and identifies the factors affecting women’s decision making about the loan use. Using primary data from two microfinance institutions in Bangladesh Grameen Bank, the pioneer of microfinance institutions, and Bangladesh Rural Advancement Committee (BRAC), the largest NGO (Non-Governmental Organization) in Bangladesh, the authors have identified certain factors that will influence the women to take more independent decisions about the loan use. Also some factors have been determined that will trigger the men to take more decisions about the loan use without consulting their wives.

Akanni.K.A (2007)\textsuperscript{42} has attempted a study on, “Effect of Micro-finance on Small Scale Poultry Business in South Western Nigeria”, and observed that, many small scale poultry farmers complain of limited access to funds. This is often linked with their low level of farm income and insufficient collateral securities. The resultant effect of this is the attendant decline in the quality and quantity of the poultry produce people now consume.

\textsuperscript{41} Rafiqul Bhuyan Rafiq, T Abdullah and Hamid Ahmadi, “Microfinance Program in Developing Countries: an Analysis of the Impact of Micro-Credit for the Women in Bangladesh”, International Journal of Business Research, Volume VII, Number 1, 2007, pp 211-222

Jamaluddin Husain (2008)\(^{43}\) has made a study on, “Role of Micro-Finance Institutions in Reducing World Poverty: An Overview”, observed that, this study provides an overview of the role Micro Finance Institutions (MFIs) play in the alleviating poverty internationally. Research findings are cited, leading to the conclusion that self-sustaining MFIs are more likely to impact poverty than those dependent on outside subsidies and grants to remain operational. The authors recommend a global shift away from the ‘welfarist’ approach and more towards the ‘institutionalist’ approach to supporting MFIs, which is more in line with the free market economy ideals. There is a need for continuing studies to understand the phenomenon of self-sustainability and an increased emphasis on helping MFIs become self-sustaining.

David Roodman and Jonathan Morduch (2009)\(^{44}\) in their study on “The Impact of Micro credit on the Poor in Bangladesh: Revisiting the Evidence” observed that the most-noted studies on the impact of micro credit on households are based on a survey fielded in Bangladesh in the 1990s. Contradictions among them have produced lasting controversy and confusion. Pitt and Khandker (PK, 1998) apply a quasi-experimental design to 1991–92 data; they conclude that microcredit raises household consumption, especially when lent to women.


Khandker (2005) applies panel methods using a 1999 resurvey; he concurs and extrapolates to conclude that microcredit helps the extremely poor even more than the moderately poor.

Gwendolyn Alexander Tedeschia and Dean Karlanb (2010)\textsuperscript{45} in their study on “Cross-Sectional Impact Analysis: Bias from Dropouts” observed that the assess the impact of microcredit programs, several micro finance organizations have begun using a management tool developed by Assessing the Impact of Microenterprise Services (AIMS) at the United States Agency for International Development (USAID). These tools recommend comparing veteran members to new members of a micro credit program, and attribute any deference to the impact of the program. The tool introduces a potential source of bias into estimates of impact by not instructing organizations to include program dropouts in their calculations. This paper uses data from a longitudinal study in Peru of Mibanco borrowers and non-borrowers to quantify some, but not all, of the biases in the cross sectional approach. In these data, not including dropouts overestimates the impact of the credit program.

\footnote{Gwendolyn Alexander Tedeschia and Dean Karlanb, “Cross-Sectional Impact Analysis: Bias from Dropouts”, PGDT 9, 2010, pp. 270-291.}
Sow H. Chana and Mazanah Abdul Ghanib (2011)\(^{46}\) has made a study on “The impact of Microloans in Vulnerable Remote Areas: Evidence from Malaysia” concluded that the micro finance is available to the poorest in the remote areas of Malaysia. The growth of micro enterprises and small businesses in the remote areas is attributed to the microloans. Micro finance has a positive impact on the most borrowers’ lives. Length of membership and continuous access to loan matters, as many borrowers graduate from poverty after three years of membership. The impact at the individual level leads to transformation and development at the community level. The positive impact shows that establishing micro enterprises and increasing productivity through micro loans is an efficient way to develop human resources and eradicate hard core poverty in the remote areas.

Ferdoushi Ahmed et al (2011)\(^{47}\) in their article entitled “Impact of Microcredit Programme for the Rural Poor: Evidence from Amanah Ikhtiar Malaysia” and observed that micro credit programmes provide small loans to the very poor. The concept of Amanah Ikhtiar Malaysia (AIM) is to create out of the hardcore poor households, highly motivated individuals who are committed to

---


earn an honest living and eventually move out of the poverty level. For that reason, Amanah Ikhtiar Malaysia plays a major role in micro credit programmes of Malaysia. This paper highlights on the AIM loan programme, financing scheme, loan disburse and achievement indicators of the Amanah Ikhtiar Malaysia (AIM), and also discusses the contribution of the AIM microcredit programme to poverty alleviation in Malaysia.

Sivchou Teng et.al (2011)\textsuperscript{48} studied on, “Impacts of Micro-credit on Household Economics”, concluded that micro-credit was strongly related to the improvement of household’s economics. In addition, micro-credit had improved household’s living to be better, because it could increase household’s incomes, assets, job opportunities, the empowerment of women, education and family welfare to those people using microcredit. However, data also showed that micro-credit created some negative impact such as the stress of borrowing. Despite this it is concluded that microfinance is an effective tool for poverty alleviation in Cambodia.

Robert Lensink and Thi Thu Tra Pham (2012)\textsuperscript{49} in their article entitled on “The Impact of Microcredit on Self-employment Profits in Vietnam”,
examined the impact of microcredit on household self-employment profits in Vietnam. For two indicators of credit participation a dichotomous participation dummy and the accumulated amount of microcredit received per household the analysis reveal a positive effect on household profits. The analysis also reveals that an instrumental variable method within a fixed effects framework can control for the possible end genetic of credit and thereby identify the true effect of credit.

Shadiullah Khan et al (2012) ⁵⁰ in their article entitled “Micro Finance and Small Enterprises Development: Client Perspective Study of Baluchistan, Pakistan” observed that this paper presents findings of a user perspective study on the impact of micro finance on small enterprises development in Baluchistan, Pakistan. The data showed that income of the clients was increased, their businesses were improved, and their social mobility and social network were increased after the utilization of micro credit. Microfinance helps women by providing them social mobility and opportunities to interact with the business related persons that boost their confidence and managerial skills. So it confirms that micro-finance and micro enterprise development may serve as a catalyst towards social and economic change and poverty alleviation.

1.11 Objectives of the study

The following objectives are framed for the present study:

1. To highlight the micro credit programmes of the organizational lending institutions in Pudhucherry region.

2. To study the socio-economic status of organized and unorganized small business units in Pudhucherry region.

3. To analyze the impact of micro credit on organized and unorganized groups of borrowers in Pudhucherry region.

1.12 Hypotheses

Ho: There is no reasons behind the availing the micro credit from the banks and moneylenders.

Ho: The micro credit is not created any impact on employment generation.

Ho: There is no difference in income generation of pre and post micro credit.

Ho: The micro credit is not impact on living standard, economic status and social status.

Ho: There is no difference in saving and consumption pattern and pre and post micro credit period.
1.13 Period of Study

The researcher has collected the secondary data for his study during the period of 2003-04 to 2012-13. The primary data were collected from the period of Jan-2013 to June-2013. The pilot study also has been conducted with the 50 respondents each from organized and unorganized small business units.

1.14 Operational Definition

Entrepreneur

An individual who is capable of conceiving an idea and putting that vision into action, usually for profit. As the owner (in micro-businesses the owner also manage the enterprise), the entrepreneur finance the supply of capital to the firm; organizes production; estimates the rate of output; finds and utilizes new combinations of materials, new processes and products; and accesses new markets. The entrepreneur assumes high level of risk in performing these activities due to limited access to credit (particularly long-term financing); and access to markets. As a catalyst of change, the entrepreneur is a crucial factor in the economic development process.

Small Enterprise

A business which has fewer than ten employees, most of which are not family members is called small enterprise. Products produced in small businesses require more investment in fixed assets than the products produced in micro-
businesses. It tends to deal with local producers and consumers but does involve some important and export to other areas. Competition is high. Businesses can be members of the formal sector, and classification of small or micro can overlap.

**Formal Sector**

This sector is considered the legal and federally recognized sector of the economy. Functioning within the sector is completely monetized. It is monitored by the government to ensure members are legally registered and pay the necessary taxes. Entry into the sector is difficult in that it requires the applicant to complete a variety of form. Fees to obtain licenses and permits are high and obtaining notice of registration can exceed weeks.

**Informal Sector**

This sector is comprised of entrepreneurs and businesses engaged in activities which do not fully comply with government regulation; appropriate taxes are not paid, businesses are not registered and activity is not counted by national statistics. Functioning within the sector can be monetized, consists of bartering and/or in-kind contributions. Entry is relatively easy in that entrepreneurs can set up shop anywhere, little capital is required, there is no structure regarding type of goods and/ or services sold, and hours of operation depend solely on the owner.
**Micro-Enterprise**

A business which has five or fewer workers (often owner’s family or friends). It is owner-operated and produces simple unsophisticated products based on traditional technology. It tends to receive its raw materials from the local markets and sells to local consumers. It is usually operated in the informal sector.

**Micro Credit**

Micro Credit has been defined as the provision of thrift, credit and other financial services and products of very small amount to the poor in rural, semi-urban and urban areas for enabling them to raise their income levels and improve their living standards.

**1.15 Methodology**

The objective of the study is mainly concerned with the impact of micro credit on organized sector and unorganized sector of small business units. The necessary data will be collected through the primary data with the help of structured interview schedule and secondary data have been collected through the selected books, Journals, and Internet resources. The collected data were analyzed, interpreted and presented with suitable tables, graphs and diagrams.
1.16 Sampling

The study is mainly based on primary data collected from small entrepreneurs in Pudhucherry region through an interview schedule. It is an empirical study based on survey method. The researcher have employed stratified sampling methods in this study. The researcher has conducted a survey from 600 respondents from the registered and unregistered small business units in Pudhucherry region. Out of the 600 respondents, 300 respondents were selected who are availing the micro credit through the government schemes. During the period of 2010-11, 1994 beneficiaries are availing the loan under the various government schemes in Pudhucherry region. Out of which, 15 per cent of the respondents were selected for this sampling. Totally, 300 were rounded up for this study. Among the 300 respondents, 150 respondents are from SHGs who are availing the loans through the scheme of SGSY. Remaining 150 respondents are an individually get the loan from various schemes offered by the Government of Pudhucherry. The sampling details of the organized sector are given in Table 1.3. Another 300 respondents from informal business units of street vendors, hawkers are located in and around of Mahatma Gandhi road in Pudhucherry and especially at weekly bazaar of Sunday Market.
TABLE 1.3
Sampling Design of the organized sector

<table>
<thead>
<tr>
<th>Schemes</th>
<th>No. of Beneficiary</th>
<th>15% of Beneficiary</th>
<th>Total Rounded Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>SGSY</td>
<td>1028</td>
<td>154</td>
<td>150</td>
</tr>
<tr>
<td>PMEGP</td>
<td>121</td>
<td>18</td>
<td>20</td>
</tr>
<tr>
<td>PBCMDC i) B/C welfare</td>
<td>190</td>
<td>28</td>
<td>30</td>
</tr>
<tr>
<td>ii) Minorities</td>
<td>265</td>
<td>40</td>
<td>40</td>
</tr>
<tr>
<td>MUPSES</td>
<td>390</td>
<td>59</td>
<td>60</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1994</strong></td>
<td><strong>299</strong></td>
<td><strong>300</strong></td>
</tr>
</tbody>
</table>

Source: Report from concerned Departments 2010-11

1.17 Data Processing and Analysis

The collected primary data were analyzed by applying various statistical tools such as percentage and descriptive statistics like Mean and Standard deviation, Cross tabulation with chi-square test, t-test, f-test, factor analysis, reliability and validity test, correlation, regression, and Friedman Kendall’s ‘W’ test.

1.18 Limitation of the study

The present study is also subjected to the following limitation.

1. The study has been limited with Pudhucherry town only.

2. The respondents may would have not rendered fullest co-operation.

3. The researcher has been limited to small business units only.
4. The respondents may differ with their opinion with respect to impact of micro credit on their business.

5. Through, there are various types of business organization are functioning in Pudhucherry territory, the researcher has confined his study only two business classifications of organized or registered and unorganized or unregistered small business units in Pudhucherry region.

6. Due to the advent of many unorganized business units from time to time, there would be changes in the entrepreneurs’ attitudes and their level of satisfaction.

7. There is a several lack of statistical information from local and central government offices.

1.19 Arrangement of Chapters

The introductory chapter deals with statement of problem, scope of the study, review of literature, objectives of the study, methodology, sampling design, framework of analysis, limitations of the study and arrangement of chapters. The second chapter deals with Government scheme in Pudhucherry. The third chapter analyzes the status of organized sectors. The forth chapter deals with status of unorganized sectors. The fifth chapter deals with impact of micro credit on organized and unorganized sectors. And brief summary of findings, suggestions and conclusion is given in the sixth chapter.