CHAPTER 1
INTRODUCTION TO MICROFINANCE

1.1 Introduction

Microfinance is a way of living and a source of livelihood to the poor. It has been proved through different kind of researches that microfinance aims at providing different kinds of financial products and services to the poor. Such products and services include Micro credits, Micro savings, Micro insurances, Financial and Social intermediations (subsidies, grants), Business Development Services (business training and skill development, backward and forward linkages, technology services), etc.

Microfinancing is an endeavor supported by the Government, government agencies, nationalized banks, NABARD, cooperative banks and various Microfinance institutions in the present economic system intending to alleviate poverty, provide better facilities to poor and improvement of standard of living of the poor and all round development of poor, especially poor women. For overall development of the country, women who constitute half of the population of country should grow in order to develop society as a whole.

In India, Micro finance is of an ancient origin. Traditionally, Money lenders, zamindaars (landlords), traders, etc have provided micro credit to poor borrowers in rural areas at exorbitant rates of interest (Debadutta Panda, 2009). There was no regulation on this kind of lending as it was informal in nature and it led to exploitation and difficulties for the poor. As a result of this, poor in rural areas faced lot of hardships and became poorer and poorer because of the burden of loan. Further, non repayment of loans, unemployment, bonded labor, child labor, exploitation of women and unlawful and obligatory transfer of claim on assets added to their woes. As a result of this, the landless and poor farmers got more and more entangled in the vicious cycle of poverty.
However, in today’s scenario, the entire concept of Microfinance has changed. It does not include any unfair, unreasonable practices or harassment to the poor. Rather, it is more about alleviating poverty, organizing the poor especially women into groups called ‘Self Help Groups (SHG)’, providing credit facilities at subsidized rates and providing employment opportunities by helping them set their own microenterprise.

**Table 1.1 Phases of Microfinance**

<table>
<thead>
<tr>
<th>Phases</th>
<th>Year</th>
<th>Features</th>
</tr>
</thead>
<tbody>
<tr>
<td>First phase : Social Banking</td>
<td>1960-1990</td>
<td>1. Nationalization of commercial banks. Fourteen commercial banks were nationalized in 1969 and 8 commercial banks were nationalized in 1980.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2. Lead bank scheme was initiated with district credit plans.</td>
</tr>
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<td></td>
<td></td>
<td>3. Expansion of the network of rural banking. RRBs were set up in 1976. NABARD was formed in 1982. Cooperative banking was structured and developed. SIDBI was established.</td>
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<tr>
<td></td>
<td></td>
<td>4. Extensive disbursement of subsidized credits.</td>
</tr>
<tr>
<td>Second phase : Financial</td>
<td>1990-2000</td>
<td>1. NGO –based MFIs were developed to provide microfinance products and services on not for profit basis.</td>
</tr>
<tr>
<td>systems approach</td>
<td></td>
<td>2. SHG-BANK linkage programme was initiated and rapidly replicated.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3. Innovative credit lending mechanisms based on “peer pressure” and “moral collateral” were developed.</td>
</tr>
</tbody>
</table>
Third phase: Financial inclusion 2000 onwards

1. Microfinance is seen as a business proposition and has been commercialized.
2. Development of for-profit MFIs like Non Banking Financial Companies (NBFCs) and Non – Banking Financial Institutions (NBFIs).
3. NGO- MFI are being legitimized.
4. Customer –centric /client -centric microfinance products and services are given importance.
5. Policy regulations are increased.

Source: “Understanding Microfinance” – Debadutta Panda

The above table is adapted from the book “Understanding Microfinance” in which the author Mr. Debadutta Panda has explained three phases of microfinance first one being Social Banking gives details about nationalization of banks, extension of Regional Rural banks (RRBs), formation of National Bank for Agriculture and Rural Development (NABARD) and Small Industries development Bank of India (SIDBI), etc. It also states about extensive disbursement of subsidized credits. Second Phase of Micro finance is called financial systems approach phase wherein NGO –based MFIs were developed to provide microfinance products and services on not-for-profit basis, SHG-BANK linkage programme was initiated and rapidly replicated. Also innovative credit lending mechanisms based on “peer pressure” and “moral collateral” were developed. Third phase of micro finance is financial inclusion phase. This phase speaks about Microfinance being seen as a business proposition being commercialized, development of for-profit MFIs like Non Banking Financial Companies (NBFCs) and Non – Banking Financial Institutions (NBFIs), NGO- MFI are being legitimized and Customer –Centric /Client -Centric microfinance products and services are given importance.
The term microfinance has gained greater implication among the Non-Governmental Organization (NGOs), Development professionals, Non-Banking Financial Companies (NBFCs), banks, cooperatives, policy makers and other stakeholders, who represent the socio-political and economic environment. In fact, the support of microfinance funds has transformed the poor who were considered non–bankable in the past into the principal target segment of the mainstream financial institutions, which had so far deprived reception to the Bottom of The Pyramid (BOP). They were denied access to credit because they lack collaterals, besides having meager income streams (Nedunchezian, V.R., & Sivasankaran, N., 2009).

Nobel Prize winner Professor Mohammed Yunus, in the similar context, founded Grameen Bank in 1976. The intention of doing this was to provide funds to poor women in his country who did not have any collateral and also had very low income. They were operating their businesses with funds borrowed from local moneylenders at an exorbitantly high rate of interest which was sometimes over 120 percent. That was one of the main reasons that they were trapped in the vicious cycle of poverty, debt, and low income. At present, nearly seven hundred NGOs of various sizes also provide Micro Credit to millions of borrowers there and, about 9 million households in Bangladesh benefit from microcredit offered by GB and other NGOs (Molla, R., Alam, M., & Wahid, A. M., 2008).

Goel, G., & Rishi, M., 2012, in their article have focused on Indian economy and state that while India is at present being appreciated as a growing economy, the real fact about the country continues to remain untouched. Even after six decades of planned economic development, two decades of economic reforms and presence in the global information technology sector, India is unsuccessful in reducing the number of people living below the poverty line. While the percentage of people below the poverty line has declined from 36% in 1993–94 to 27.5% in 2004–05, the total number of people below the poverty threshold is still more than 300 million. India has been growing at an average annual rate of 10.2% during 2002–07 and an estimated 7% during 2009–10 in the face of the worst-known economic slowdown.
These facts clearly confirm the internal vigor and flexibility of the economy. But, despite these impressive growth rates, poverty in the subcontinent remains an issue. Even though the incidence of poverty has declined in India, one-fourth of the population still remains under poverty.

According to a World Bank 2005 estimate, 42% of India was below the international poverty line of $1.25 a day. Although the Indian economy has grown steadily over the last two decades, its growth has been uneven when comparing different social groups, economic groups, geographic regions, and rural & urban areas. According to a recently released World Bank report, India is on track to meet its poverty-reduction goals. However, by 2015, an estimated 53 million people will still live in extreme poverty, and 23.6% of the population will still live under $1.25 per day. This number is expected to reduce to 20.3%, or 268 million people, by 2020. Goel, G., & Rishi, M., 2012 further state that, the effects of the worldwide recession in 2009 have further plunged many more Indians into poverty. Above all, the Indian Planning Commission is embarking on a major reassessment of poverty levels in the country that would effectively increase the national poverty rate from 27.5% to 37.2%. By this criteria, the number of people “officially” categorized as poor will be closer to 408 million. Quite simply, no matter how it is defined or measured, poverty is a serious problem in India.

In December 2005, Planning Commission constituted an Expert Group under the Chairmanship of Prof. Suresh D. Tendulkar to review the methodology for estimation of poverty. In 2011-12, the commission has stated that for a family of five, the all-India poverty line with regard to consumption expenditure would amount to Rs.4080 per month in rural areas and Rs.5000 per month in urban areas. According to the Tendulkar methodology, the commission has calculated the national poverty line at Rs.816 per capita per month in villages and Rs. 1000 per capita per month in cities.
Table 1.2 Incidence of poverty

<table>
<thead>
<tr>
<th></th>
<th>Poverty ratio (%)</th>
<th>No. of Poor (Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rural</td>
<td>Urban</td>
</tr>
<tr>
<td>1993-94</td>
<td>50.1</td>
<td>31.8</td>
</tr>
<tr>
<td>2004-05</td>
<td>41.8</td>
<td>25.7</td>
</tr>
<tr>
<td>2011-12</td>
<td>25.7</td>
<td>13.7</td>
</tr>
<tr>
<td>Annual average</td>
<td></td>
<td></td>
</tr>
<tr>
<td>decline (%) , 1993-94: 2004-05</td>
<td>0.75</td>
<td>0.55</td>
</tr>
<tr>
<td>Annual average</td>
<td></td>
<td></td>
</tr>
<tr>
<td>decline (%) , 2004-05:2011-12</td>
<td>2.32</td>
<td>1.69</td>
</tr>
</tbody>
</table>

Source: Planning Commission Report, 2011-12

The incidence of poverty declined from 45.3% in 1993-94 to 37.2% in 2004-05 and further to 21.9% in 2011-12. The percentage of persons below the Poverty Line in 2011-12 has been estimated as 25.7% in rural areas, 13.7% in urban areas and 21.9% for the country as a whole. The respective ratios for the rural and urban areas were 41.8% and 25.7% and 37.2% for the country as a whole in 2004-05. It was 50.1% in rural areas, 31.8% in urban areas and 45.3% for the country as a whole in 1993-94. In 2011-12, India had 270 million persons below the Tendulkar Poverty Line as compared to 407 million in 2004-05, that is a reduction of 137 million persons over the seven year period (SAARC, 2013).

The policy makers had suggested subsidized credit schemes for the poor, assuming that the poor cannot have the funds to repay the loans at the usual rate of interest, i.e. the interest rate at which loans are disbursed to the higher strata of society. However, the subsidized credit schemes did not help the government in alleviating poverty.
This made them realize that the access to credit, and not to cost of credit, helps in bringing down the number of people living Below Poverty Line (BPL).

Since independence, India has initiated many schemes and projects to make the financial services reachable and accessible to the poor. Various poverty alleviation schemes like Swarna Jayanti Gram Swarozgar Yojana (SGSY), Jawahar Gram Samridhi Yojana (JGSY), Employment Assurance Scheme (EAS), National Social Assistance Programme (NSAP), National Old Age Pension Scheme (NOAPS), National Maternity Benefit Scheme (NMBS), Annapurna, Rural Housing – Indira Awaas Yojana (IAY), Area Development Programmes: Drought Prone Area Programme (DPAP), Desert Development Programme (DDP) And Integrated Wastelands Development Programme (IWDP). Apart from these schemes, Government has initiated various priority sector lending schemes. According to RBI, the most important priority sector lending schemes with respect to microfinance lending are:-

(a) Agriculture (Direct and Indirect finance): Direct finance to agriculture shall include short, medium and long term loans given for agriculture and allied activities directly to individual farmers, Self-Help Groups (SHGs) or Joint Liability Groups (JLGs) of individual farmers without limit and to others (such as corporate, partnership firms and institutions) up to Rs. 20 lakh, for taking up agriculture/allied activities. Indirect finance to agriculture shall include loans given for agriculture and allied activities e.g. Loans to food and agro-based processing units, Finance for setting up of Agri clinics and Agribusiness Centers.

(b) Micro Credit: Provision of credit and other financial services and products of very small amounts not exceeding Rs. 50,000 per borrower to the poor in rural, semi-urban and urban areas, either directly or through a group mechanism, for enabling them to improve their living standards, will constitute micro credit.
Loans provided to distraught urban poor to repay their arrears to lenders in the informal sector would be entitled for categorization in priority sector. Urban poor for this purpose may include those families in the urban areas who are below the poverty line. Such loans to urban poor may be classified under weaker sections within the priority sector. Various schemes have been launched but they were not very effective to reach out to the poor and eradicate poverty. The successful implementation of these schemes required the willing co-operation of the formal financial sector, particularly, the banking sector, which did not dare to provide financial assistance to the poor and low-income group people reason being, that these people are considered non bankable because they have no collaterals to offer or they have very little or nothing in the name of savings. So providing finance to these people has always been perceived as highly risky venture. That is why the poor mostly depend on the informal source of finance like moneylenders, which in turn leads to exploitation and lifetime indebtedness, specifically, in the rural areas.

Microfinance sector can be treated as an important instrument for providing social protection for the poor, mainly the individuals who are living in rural areas. So the implementation of microfinance program as a social protection tool for the rural poor may help the rural households to reduce their vulnerability. The Government of India has initiated microfinance program among rural women under Swarnjayanti Gram Swarozgar Yojana (SGSY) scheme through group-lending system.

Microfinance helps the poor households to meet basic financial services such as savings and getting credit during emergency. Credit can be utilized as working capital for initiating or expanding any income-generating activity which can provide economic stability to the micro borrowers. Microfinance programs generally target poor village women by providing financial services only through women, making women responsible for repayment of loan and making savings a regular habit, thereby playing an important role to improve household economics. Microfinance group members periodically contribute savings that are used to build a revolving fund from which they are encouraged to borrow to meet their consumption and short-
term production needs. Access to consumption credit enables them to strengthen income-generating activities. SGSY scheme wants to provide self-employment and sustainable increase in the income of the poor. It adopts a group approach, working through a cluster of villages and the formation of Self-Help Group (SHG). Crucial to the success of the program is social mobilization of the poor, organizing them into SHGs, motivating them and building their capacity for development (Kundu, A., 2011).

The primary objective of microfinance programs is to eliminate poverty and empower women by way of income generation, raising existing income levels and to widen financial markets by providing financial and non-financial services to the poor. Microfinance aims at economically active poor in the society to assist them generate wealth, build up assets and raise income for consumption.

The following are other objectives of microfinance:

Provide Access to Funds:

Traditionally, poor used to acquire funds through loans from money lenders and other informal lenders. These loans were being lent at a very high cost and poor had to undergo many exploitative practices. With the SHG bank linkage programme of NABARD, these exploitative practices came to an end. Poor started getting loans from banks. However, apart from banks, MFIs also provide small loans but it is usually at a high interest rate.

Encourage Entrepreneurship and Self-Sufficiency:

Poor people may have certain profitable business ideas, but due to lack of sufficient capital, they cannot put them into action. Microcredit loans provide clients with money, fund their business ideas and generate income for a better living. They can then pay off their micro-loan and continue to gain income from their venture indefinitely.
Empower Women:
Microfinance provides women with the financial backing they need to start business ventures and actively participate in the economy. It gives them confidence, improves their status and makes them more active in decision-making, thus encouraging gender equality.

The main reason for considerable percentage of population below the poverty line and India still remaining a developing country with lot of problems is due to the human resources not being used at the optimum level. The first Prime Minister of Independent India, Pandit Jawaharlal Nehru, has rightly said that, “the women of India should play a vital role in building strong nation” (Manimekalai, N. and G. Rajeswari (2000). Further, the Father of the Nation, Mahatma Gandhi has said, “the development of every village is nothing but the development of nation” (Awasthi P K, Rathi D and Sahu V (2001). It is a well-known fact that the growth of women in turn develops first her family, and then village and thereby leading to national development. Since women constitute 48.15% of total population of India as per census 2001, it is very essential to employ this resource optimally in the interest of the nation in general and her family in particular. In the past, women were not ready to undertake any work, job and business due to shyness, fear and male dominance in the society.

However, of late, Indian women have come out of the four walls of the kitchen and are more willing to take up entrepreneurial activities. Women today want more economic independence, their own identity, achievements, equal status in the society and greater freedom. Further, many women have proved that they are more productive than men in contributing to the growth of the economy. Just as we need two hands for the smooth functioning of human work, similarly both men and women should be involved in productive activities to build a strong nation. Besides, India has been facing the problem of unemployment and underemployment. To
mitigate this problem, women are needed not only to generate employment, but also to provide employment to others. They have to undertake entrepreneurial activities to create additional wealth for the nation and to solve the problem of unemployment and poverty. Entrepreneurship development among women, particularly among rural women, will strengthen the rural and national economy.

Increasing the amount of savings through Self Help Groups can develop the self-reliance of the women of microfinance program and further help them in investing their income and also undertaking increasing the income-generating activity.

The Ministry of Women and Child Development (MWCD), 2012-13 report on economic empowerment show that an average percentage of women’s work force is increased only to 25.7% from 22.5% between 1991 and 2001. This change is due to poverty being feminized, technology dominated sector, unviable traditional sector and inadequate security cover. There are factors impacting women’s economic empowerment are:

- Violence against women (like sexual violence, injury, death, human trafficking)
- Inadequate access to education, training and technology
- No provision of clean water and poor sanitation
- Low accessibility to responsible health care/reproductive health
- Lack of access to credit/finance, safe work conditions and living/minimum wages
- Traditional Cultural practices and religious interpretations of women’s status
- Women’s lack of knowledge about rights and laws (economic, social, political and religious)
- Lack of adequate representation in decision-making positions and governance structures.

When women have economic power - defined as control of income and capital (land, livestock, etc.) - they gain more equality and control over their own lives, while
contributing directly to their children’s development (nutrition, health and education) and thereby indirectly to the nation’s income growth. Autonomy in financial empowerment will improve the following decisions; (a) Household decisions with regard to Children Health & Nutrition, Education, Marriages (b) Economic decisions including acquiring, allocating, and selling assets (c) Fertility decisions implying that economically empowered women tend to have fewer children (Dheepa, T & Barani, and G. 2010).

**Figure 1.1 Economic Empowerment of Women**

Source: Dheepa, T & Barani, G, 2010
1.2 Definitions of Microfinance

Microfinance can be defined “as the provision of broad range of financial services to low income clients, poor households both in urban and rural areas who are generally not bankable” - (Debadutta kumar Panda, 2009)

According to CGAP, Microfinance can be defined as the supply of loans, savings and other basic financial services to the poor.

According to ACCION, microfinance is defined as “Banking and /or other financial services targeted to low and moderate income businesses or households, including the provision of credit.”

In the International Year of Microcredit 2005, “Microfinance was referred to as , loans, savings, insurance, transfer services and other financial products targeted at low income clients.”

Robinson (2001) defines microfinance as “small-scale financial services—primarily credit and savings—provided to people who farm, fish or herd” and adds that it “refers to all types of financial services provided to low-income households and enterprises.”

It is a type of banking service that is provided to unemployed or low-income individuals or groups who would otherwise have no other means of gaining financial services. Ultimately, the goal of microfinance is to give low income people an opportunity to become self-sufficient by providing a means of saving money, borrowing money and insurance.

1.3 Micro finance products

(a) **Micro credit**: According to RBI, “Micro credit can be defined as 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 living standards”
(b) **Microsavings:** Microsavings can be referred to as the mobilization of very small savings from the poor. According to SEWA bank,’ Poor women do not have a basic instinct for saving. they can and do save , if motivated and facilitated”

(c) **Micro insurance:** Micro insurance can be defined as “financial arrangements to protect poor and low income households against natural and artificial disasters and calamities and shocks through a specific structured mechanism for the exchange of regular premium payments proportionate to the likelihood and cost of risk involved” (Debadutta kumar Panda,2009)

1.4 Meaning of Self Help Group (SHG)

The SHGs are small, informal and homogenous groups. These groups have proved as cyclic agents of development in both the rural and urban areas. In simple words, they are small groups of women formed into groups of ten to twenty and operate a savings-first business model whereby the member’s savings are used to fund loans. Also, SHGs can be described as a ‘voluntary association of people formed to attain goals both social and economical’ (Hema Bansal, 2003).

The SHGs after being formed start collecting a fixed amount of thrift from each member regularly. After accumulating a reasonable amount of savings, the group starts lending to its members for petty consumption needs. If the bank is satisfied with the group in terms of (i) genuineness of demand for credit; (ii) credit handling capacity of the members; (iii) repayment behavior within the groups; and (iv) the accounting system and maintenance of the records, it extends a term loan of smaller amount to the group. Thus, financing through SHGs provides for quite a few benefits like; (i) savings mobilized by the poor; (ii) access to the required amount of appropriate credit by the poor; (iii) meeting the demand and supply of credit structure and opening of new market for financing institutions; (iv) reduction in transaction cost for both lenders and borrowers; (v) tremendous
improvement in recovery; (vi) heralding a new realization of subsidy less and corruption-less credit; and (vii) remarkable empowerment of poor women (Gadkari, R., & Ramkishen, Y, 2011).

In India, three types of SHG models have emerged:
1. **Bank-SHG-Members**: The bank itself acts as a self-help group promoting institution SHPI).
2. **Bank-Facilitating Agency-SHG-Members**: Facilitating agencies like NGOs, government agencies, or other community-based organizations form groups.
3. **Bank-NGO-MFI-SHG-Members**: NGOs act both as facilitators and microfinance intermediaries. First they promote groups, nurture them, and train them, and then they approach banks for bulk loans for lending to the SHGs (Dr. Satish Ailawadi, Prof. Rupali Gadkari Paranjpe & Shunmugasubburaja K Pandian, 2013)

**1.5 Self Help Group movement in India**
National Bank for Agriculture and Rural Development (NABARD) is an Apex Development Bank in India for financing and promoting agriculture, small scale industries, cottage and village industries, handicrafts and other rural crafts so as to promote integrated rural development.

NABARD had undertaken an initiative in 1992 for extending help to informal SHGs, which has turned out to be a great initiative named ‘SHG-BANK Linkage Programme’. SHG movement mainly aims at promoting SHG as an intermediary between poor women and the bank. Poor normally are reluctant to approach bank for their credit needs. But due to easy access to credit facility that the members of SHG enjoy, poor willingly join SHG and become a part of mainstream. It also reduces the transaction cost for the banks.
“The SHG - Bank Linkage Programme is a strategy for delivering financial services to the poor in a sustainable manner. It is considered as a decentralized, cost effective and fastest growing microfinance initiative in World. The search for such alternatives begin with the prior knowledge regarding the innovations which the poor had been traditionally making to meet their financial services needs. It was observed that the poor wanted to come together in various ways, mostly informal in nature for pooling their savings and getting small and unsecured loans at varying costs, lending to group members on the basis of their requirement. The linkage with banks has provided the members of the Groups the facility of not only pooling their thrift /savings and access to credit from the banking system, but also created a platform through which they could launch a number of livelihood initiatives and also facilitate the empowerment process” (NABARD- 2011-12).

The SHG – Bank Linkage Programme was started as an Action Research Project in 1989 which was the offshoot of a NABARD initiative during 1987 through sanctioning Rs. 10 lakh to MYRADA as seed money assistance for experimenting Credit Management Groups. In the same year, the Ministry of Rural Development provided PRADAN with support to establish self-help groups in Rajasthan. The experiences of these early efforts led to the approval of a pilot project by NABARD in 1992. The pilot project was designed as a partnership model between three agencies, viz., the SHGs, banks and NGOs. This was reviewed by a working group in 1995 that led to the evolution of a streamlined set of RBI approved guidelines to banks to enable SHGs to open bank accounts, based on a simple “inter-se” agreement. This was coupled with a commitment by NABARD to provide refinance and promotional support to banks for the SHG - Bank Linkage Programme (NABARD, 2011-2012).
Table 1.3 The overall progress of SHG BANK linkage programme is given below

<table>
<thead>
<tr>
<th>Particulars</th>
<th>2009-10</th>
<th>2010-11</th>
<th>2011-12</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No. of SHGs</td>
<td>Amount</td>
<td>No. of SHGs</td>
</tr>
<tr>
<td>SHG Savings with Banks as on 31st March</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>of which SGSY Groups</td>
<td>69.53 (13.6%)</td>
<td>6198.71 (11.8%)</td>
<td>74.62 (7.3%)</td>
</tr>
<tr>
<td>% of SGSY Groups to Total</td>
<td>24.4</td>
<td>20.9</td>
<td>27.1</td>
</tr>
<tr>
<td>All women SHGs</td>
<td>51.10 (9.18%)</td>
<td>4498.66 (1.46%)</td>
<td>60.98 (14.8%)</td>
</tr>
<tr>
<td>% of Women Groups</td>
<td>76.4</td>
<td>72.6</td>
<td>81.7</td>
</tr>
<tr>
<td>Loans Disbursed to SHGs during the year</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total SHGs</td>
<td>15.87 (1.4%)</td>
<td>14453.3 (17.9%)</td>
<td>11.96 (24.6%)</td>
</tr>
<tr>
<td>of which SGSY Groups</td>
<td>2.67 (1.0%)</td>
<td>218 (9.1%)</td>
<td>2.41 (9.5%)</td>
</tr>
<tr>
<td>% of SGSY Groups to Total</td>
<td>16.9</td>
<td>15.2</td>
<td>20.1</td>
</tr>
<tr>
<td>All women SHGs</td>
<td>12.94 (5.8%)</td>
<td>12429.37 (18.1%)</td>
<td>10.17 (21.4%)</td>
</tr>
<tr>
<td>% of Women Groups</td>
<td>81.6</td>
<td>86</td>
<td>85</td>
</tr>
<tr>
<td>Loans Outstanding against SHGs as on 31st March</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total SHGs</td>
<td>48.51 (14.8%)</td>
<td>28038.28 (23.6%)</td>
<td>47.87 (1.3%)</td>
</tr>
<tr>
<td>of which SGSY Groups</td>
<td>12.45 (27.5%)</td>
<td>6251.08 (6.6%)</td>
<td>12.86 (3.4%)</td>
</tr>
<tr>
<td>% of SGSY Groups to Total</td>
<td>25.7</td>
<td>22.3</td>
<td>26.9</td>
</tr>
<tr>
<td>No. of all Women SHGs linked</td>
<td>38.98 (18.9%)</td>
<td>23030.36 (23.9%)</td>
<td>39.84 (2.2%)</td>
</tr>
<tr>
<td>% of Women SHGs</td>
<td>80.3</td>
<td>82.1</td>
<td>83.2</td>
</tr>
</tbody>
</table>

Source: (NABARD ‘Status of Microfinance in India 2011-2012’)

In the above table, detailed analysis of the SHG-Bank Linkage Programme throughout the country and across the financing agencies is being presented. The Table gives the growth of SHGs – saving as well as credit linked for the last 3 years, separately for all Groups, Groups formed under SGSY and exclusive Women Groups.

Under the SHG-Bank linkage programme, over 103 million rural households have now access to regular savings through 7.96 million SHGs linked to banks. About 27% of these SHGs are savings linked through the SGSY programme – the rural
poverty alleviation programme of the Government of India where predominantly households below the poverty line are admitted as members.

There has been a decline in the amount of savings balance with banks to the extent of 6.7% as compared to the previous year although the number of SHGs saving linked has shown a growth of 6.7% during the year. This decline is almost entirely attributable to the groups formed under SGSY where the decline was to the extent of 23.2%. Increasing awareness at the SHG level about the advantage of using the savings for internal loaning is also partly responsible for the decline in saving balance with banks.

**Figure 1.2 SHG as on 31st March, 2012 – Saving And Credit**

![SHG-Bank Linkage - Highlights 2012](image)

Source: (NABARD ‘Status of Microfinance In India 2011-2012’)
Figure 1.3 Saving Linked SHGs (Number): Agency wise

Source: (NABARD ‘Status of Microfinance In India 2011-2012’)

Figure 1.4 Average Savings Balance of SHGs with Banks – Region wise

Source: (NABARD ‘Status of Microfinance In India 2011-2012’)

1.6 Benefits of SHG

The benefits of SHG’s may be categorized in the following manner:

• Groups members usually create a common fund by contributing their small savings on a regular basis; and also provides loan to its members. The rates of interest vary
from group to group. However, interest rates are higher than that of banks but lower than moneylenders.

- Banks can reduce the operating costs of forming and financing of SHGs, by involving NGO’s or youths for forming and nurturing SHGs.
- The innovative forms of financing is imperative to supplement credit strategies for meeting the needs of the poor by combining the flexibility, sensitivity and responsiveness of the informal credit system with the technical and administrative capabilities and financial resources of formal financial institutions and also to build material trust and confidence between bankers and the rural poor and to encourage banking in a segment of population that formal financial institutions usually find difficult to reach.

- The entire process of internal savings and credit is backed by financial and management counselling, promotion of new avenues of employment and motivation for enhancement of earnings from the ongoing activities.

- The groups develop their own management system and accountability for handling the resources generated. The interaction among the members is based on participatory mechanism in terms of decision-making.

- Small savings of rural women can generate the required resources, and which can wean the people away from the exploitation of moneylenders. Thus, the voluntary savings constitute the key for economic progress. Promotion of SHGs can bring women into the mainstream of economic development.

- Credit through SHGs is being regarded more suitable by banks and NGO’s since creditability of SHGs regarding utilization and recovery is praise worthy.
• Credit accessibility through SHGs is cost effective and group approach can ensure wider coverage of poor families through bank credit. In some cases members also approach banks themselves. (Gadkari, R & Ramkishen, Y, 2011)

1.7 Micro Finance and Women Empowerment

In India, gender inequalities have existed since years, women since ages were given a secondary status and they were expected to be at home, taking care of children, cooking and doing the household chores. Women were also subjected to domestic violence and indifference in the family. Education provided to the girl child was also limited. Female mortality and female foeticide was also high. With the increase in the middle class society, women started working and gradually coming out of their expected routine. Now they work, earn money and also take care of their children. Even though domestic violence still exists, women are more confident about their future because they can feed themselves and their children on their own. This fact is about the middle classes but in case of lower middleclass and poor households, status of women need to be improved. These women not only lack education and confidence, they also require some formal training if they are willing to work and earn. Development can happen only if women, who constitute half of the population of the country, are treated equally and get equal employment and self employment opportunities. Women can develop themselves as well as their families if provided with proper guidance about business opportunities. They can bring their families out of the vicious cycle of poverty (Gadkari, R & Ramkishen, Y, 2011).

Women below the poverty line are becoming more and more independent as compared to the past. They know the importance of additional income apart from the earnings of other members in the family; Savings along with income generation can create wonders and help them provide better future to their children. They understand the importance of income, savings, education, health and empowerment.
Microfinance programmes in India are becoming a powerful instrument in poverty alleviation and women empowerment. It has empowered women both socially and economically. These microfinance interventions helped the poor women in maintaining and improving their livelihood (Debadutta Kumar Panda, 2009). The Self Help Group (SHG) revolution was a commencement for empowerment, particularly women empowerment. The women SHG members usually achieve self confidence and admiration in the general public. The decision making power of women SHG member increases as women are also engaged in income generating activities so their importance is felt in society and their houses.

The SHG system is one that has proven to be very relevant and effective and offers women the possibility to gradually break away from exploitation and isolation.

A large number of poor women are becoming a part of SHG movement. SHG helps them undertake income generating activities and make them self reliant, self sufficient and financially independent. SHG movement helps to become conversant with and organize women and help them move out of their household and develop business relations with outside world. SHG helps women to come out of their daily household tasks. Microfinance and SHG are tools of empowering poor women.

Women comprise half of human resources and they have been identified as key agents of sustainable development. Women’s equality is essential to a more holistic approach towards stabilizing new patterns and process of development that are sustainable (Gupta, M.S., 2008). The contribution of women and their role in the family as well as in the economic development and social transformation are pivotal. Women constitute 90 per cent of total marginal workers of the country. Rural women who are engaged in agriculture form 78 per cent of all women in regular work (Kabeer N, 2005).

The role of micro-credit is to improve the socio and economic development of women and improve the status of women in households and communities. The micro
entrepreneurships are strengthening the women empowerment and remove the gender inequalities. Self Help Group’s micro credit mechanism makes the members to involve in other community development activities. Micro credit is promoting the small scale business enterprises and its major aim is to alleviate poverty by income generating activities among women and poor. Therefore, they could achieve self sufficiency. Now-a-days economic development is one of the factors that have changed the entire scenario of social and cultural environment within the country especially for the women. The rural women are engaged in small-scale entrepreneurship programmes with the help of Self Help Groups. Through these SHGs they are economically empowered and also attain a status in family and community (Tripathy, U, 2011).

1.8 Microfinance and Micro entrepreneurship through SHGs
In any developing country, it is very important to develop entrepreneurs to support the growth of the country. Entrepreneurs not only generate income for themselves but also create employment opportunities for others. In a country like India, even though the economy is growing fast, population is also growing at a faster pace. It will be difficult for the government to provide such large population with employment opportunities. It would be a great help for the country if people especially those from low income group start up their own small business (micro enterprises) to help themselves out, improve their standard of living and also help providing employment to others in their microenterprise. With the help of these small businesses, people at the Bottom of the Pyramid (BOP) /Below Poverty Line (BPL) would gradually get up lifted and will support the economy and also the economic development. The income generation from a business (entrepreneurial activities) helps not only the business activity expand but also contributes to household income and the small entrepreneurs also benefit on food security, children’s education, etc. Moreover for women who, in many contexts are secluded from public space, transacting with formal institutions can also build confidence and empowerment. This research studies the SHG model of microfinance as it is one of the most popular models in India. Along with this, it is important to understand
whether the financial and social status of these women has improved after joining the SHG and whether they have developed any entrepreneurial qualities.

“Entrepreneurship can be described as a creative and innovative response to the environment. Such responses can take place in any field of social endeavor - business, agriculture, education, social work, etc. Doing new things or doing things that are already being done in a new way is, therefore, a simple definition of entrepreneurship.”

P.N. Singh and J.C. Saboo, (2008), in their book titled ‘Entrepreneurship Management’ have listed the following eleven qualities/attributes of entrepreneurship.

- High level of motivation
- Moderate risk-taker
- Self-confident with positive self-image
- Excellent leadership qualities
- Good business acumen
- Managerial competence
- Problem solving attitude
- Flexibility and adaptability
- Realistic approach to planning
- Independence of thought and action
- Ability to perceive opportunities and threats

Entrepreneurs are quick to see possibilities for achievement. They try to make opportunities fruitful. They also have high motivation. As compared to managers, entrepreneurs have special qualities of innovativeness, problem solving attitude, etc.

Dr. Joseph A. Schumpeter, the well-known expert on entrepreneurship (as cited in P.N. Singh and J.C. Saboo, 2008) has placed special emphasis on the concept of innovation as being the criterion that distinguishes enterprise from other forms of endeavor. He called those who led enterprises, entrepreneurs. As per him, nobody is
an entrepreneur all the time; one behaves as an entrepreneur only when carrying out innovative activities. He added that what counts in entrepreneurship is getting things done. For example, the early English Entrepreneurs demonstrated a key factor of the enterprising person - the innovative personality. They were involved in developing inventions for commercial use and in applying new scientific discoveries to productive purposes. In their efforts, they set a standard basic value for entrepreneurs who were to follow - that innovation must be the central characteristic of entrepreneurial endeavor.

However, as per Dr. David C. McClelland, one of the chief researchers in the field of entrepreneurship, (as cited in P.N. Singh and J.C. Saboo, 2008), ‘Achievement Motivation’ is one of the most important factors contributing to the success of an entrepreneur. In recent years, penetrating studies on “The Enterprising Personality” by David C. McClelland and his associates have led to a much clearer understanding of the characteristics of entrepreneurs. Their findings are summarized below:

**The need for achievement**: Prime among the psychological drivers that motivate entrepreneurs is a high need for achievement. This need can be defined as a drive within the person that motivates behavior toward accomplishment. Accomplishment, defined in an entrepreneurial context, is the fulfillment of a goal embodying a reasonable challenge to the individual’s competence. A task seen as an easy one therefore, carries no challenge. Hence, it is not motivating.

**Desire for responsibility**: Entrepreneurs desire personal responsibility for accomplishment. They prefer to use their own resources in their own fashion in working toward goals. They want to be accountable personally for the results. They will, however, perform well in a group as long as they can personally influence the results in some specific way.

**Preference for moderate risks**: Entrepreneurs are not gamblers. They prefer to set goals that require a high level of performance, a level that they believe will demand exertion, which they are confident to meet.
**Perception of probability of success:** Confidence in ability to achieve success is a significant quality of entrepreneurial personalities. They study the facts that can be gathered and form conclusion based on them. When facts are not fully available they fall back on their high level of self-confidence and proceed with the task.

**Stimulation by feedback:** Entrepreneurs want to know how they are doing. They want to get feedback whether it is good or bad. They are stimulated to higher levels of performance by learning how effective their efforts are as the task progresses.

**Energetic activity:** Entrepreneurs exhibit a much higher level of energy than an average person. They are active and mobile. They are engaged for a high proportion of the time, in getting tasks done in novel ways. They tend to be acutely aware of the passage of time. This awareness stimulates them to energetic engagement with their work.

**Future orientation:** Optimistically oriented towards the future, entrepreneurs plan and think ahead. They search for and anticipate possibilities that lie beyond the present.

**Skill in organizing:** Entrepreneurs show unusual skills in organizing both work and people for achieving goals. They are highly objective in choosing individuals for specific tasks. They will choose the expert over a friend for the sake of getting the job done efficiently.

**Attitude toward money:** For entrepreneurs, financial gain is secondary in importance to achievement. They value money, but not for money itself. They view it rather as a concrete symbol of a challenging objective accomplished - a testimony to their competence (P.N. Singh, J.C. Saboo, 2008).

P.N. Singh, J.C. Saboo, 2008, identifies factors contributing to development of entrepreneurship according to the period of the researchers. They are given in the table below:
### Table 1.4 Factors Contributing To Development of Entrepreneurship

<table>
<thead>
<tr>
<th>Sr.no</th>
<th>Researcher</th>
<th>Period</th>
<th>Factors contributing to development of entrepreneurship</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Middle Ages</td>
<td>Person in charge of large scale production projects.</td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td>17th century</td>
<td>Person bearing risks of profit (loss) in a fixed-price contract with government.</td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td>Richard Cantillon, 1725</td>
<td>Person bearing risks is different from one supplying capital.</td>
<td></td>
</tr>
<tr>
<td>4.</td>
<td>Jean Baptiste, 1803</td>
<td>Separated profits of entrepreneur from profits of capital.</td>
<td></td>
</tr>
<tr>
<td>5.</td>
<td>Schumpeter, 1934</td>
<td>Suitable environment, intuition in grasping the essential factors. Entrepreneur is an innovator and develops untried technology.</td>
<td></td>
</tr>
<tr>
<td>6.</td>
<td>Weber, 1961</td>
<td>“Protestant Ethic” which emerged from the religious belief system of Calvinistic Puritanism, and which is absent in oriental religious belief system.</td>
<td></td>
</tr>
<tr>
<td>7.</td>
<td>Peter Drucker, 1964</td>
<td>Entrepreneur maximizes opportunities.</td>
<td></td>
</tr>
<tr>
<td>8.</td>
<td>Staley and Morse, 1965</td>
<td>Quality of services in industrial guidance, managerial training and Industrial research.</td>
<td></td>
</tr>
<tr>
<td>9.</td>
<td>McClelland,</td>
<td>Need for, achievement through self study, goal setting and</td>
<td></td>
</tr>
</tbody>
</table>
Goel, G., & Rishi, M. (2012) in their article focuses on various initiatives and entities that promote entrepreneurship development among the poor in India and pays special attention to examining the ways in which these entities can better coordinate their efforts. The article also provides the background and examines the general literature on entrepreneurship and poverty eradication. It also presents a conceptual framework that models the efforts of the government, the private sector and the citizens in promoting entrepreneurship and capacity building for alleviating poverty. Apart from all this, it also activates the conceptual model and its tri-sector focus within the Indian context and also discusses the major government schemes designed to promote entrepreneurship among the poor. This section also highlights poverty-eradication initiatives within the private sector and the citizens sector, including a discussion on social entrepreneurs and Self Help Groups (SHGs). The article also does a general assessment of the various poverty-alleviation schemes in India by sector. The article’s conclusions emphasize that the lackluster success of poverty-eradication efforts in India may be attributed to non-recognition of co-ordination between the Indian government, the private sector and the citizens sector.

P.N. Singh and J.C. Saboo, 2008, have listed the advantages of developing entrepreneurship. The advantages are

- **Employment generation:** The entrepreneurial ventures or micro enterprises are generally started in small scale, utilizing the labour intensive techniques.
Therefore, these ventures generate lot of employment for the regional manpower.

In the current study, SHG women can work for their own business or microenterprises and also help create employment opportunities for others.

- **Distribution of economic power**: Small scale business or micro enterprises are seed bed for entrepreneurship. Therefore they help in equitable distribution of economic power instead of it getting concentrated in the hands of certain big industrialists.

  In the current study, micro entrepreneurs i.e. SHG women who start their small businesses, can help improve their standard of living as well as others because of their entrepreneurial venture.

- **Optimum utilization of regional resources**: The micro entrepreneurs generally rely on the regional resources for their production needs. For example they utilize local labor and raw material for their entrepreneurial venture resulting in optimum utilization of local resources.

- **Regional development**: It is one of the key advantages of entrepreneurial ventures. This is very important for the nation like ours where the regional development disparities are very wide.
Women participation in entrepreneurial activities abroad is growing rapidly. According to Leitch, C., Hill, F., & Neergaard, H. (2010) “Twenty-five percent of businesses in China, 40 percent of all business in Hungary, 38 percent of business in Poland, 32 percent of business in Mexico, 25 percent of business in France are established by women entrepreneurs. 38 percent of businesses in USA are established by women and employed 27.5 million. They generate annual sales of $3.6 trillion. In addition, 23 percent of private firms in Japan, 1/3 of new businesses since 1990 in Germany and 1/3 of new businesses in Europe and 25 percent of self employed sector in UK were established by women entrepreneurs”.

Source: Goel, G., & Rishi, M (2012).
The growth and development of SHGs in India in general and study area in particular, has been tremendous. “The number of SHGs financed by banks in India has increased from 32,995 in 1992-93 to 2,476,492 in 2006-07. The loan sanctioned and disbursed to these SHGs went up from Rs. 571 million in 1992-93 to Rs. 135,119 million in 2006-07” (NABARD, 1992-93, 2006-07). The number of households benefited under SHG program is more than 32.98 million.

In the past, women from poor families were deprived of education, doing business activities, handling outside work, etc. They were expected to be at home, take care of children and older members of family, cook and help in agricultural work. The concept of women going out of the home and earning a livelihood was not popular and acceptable to family members.

With the advent of SHG, women started coming out of their homes, attend SHG meetings and undertake savings and other income generating activities.

While doing SHG work, women members get access to banks, perform banking operations themselves, operate and organize micro businesses and over time, these women get empowered.

A number of agencies i.e. government, private and non government organization are today providing Business Development Services (BDS) through a range of financial services. (Debadutta Kumar Panda, 2009). NGOs especially help SHG women in getting training and starting up their small enterprises.

Providing training and development activities can help low income group women to carry out their businesses and become successful entrepreneurs. It also help Self Help Groups for developing the entrepreneurial qualities such as innovativeness, risk bearing ability, managerial abilities, problem solving attitude, self confidence, etc among the women(Gadkari. R, Arekar. K & Ailawadi. S, 2013).
According to Tripathy, U., 2011, Entrepreneurship is the only solution to the growing unemployment among rural youth. It helps to generate employment for a number of people within their own social system. This is more beneficial for women in rural areas as it enables them to add to the family income while taking care of their own home and livestock centered task. Rural women possess abundant resources to take up enterprises. They have the benefit of easy availability of farm and livestock based raw materials and other resources.

1.9 Conceptual Definitions

1.9.1 Microfinance
Robinson (2001) defines microfinance as “small-scale financial services—primarily credit and savings—provided to people who farm, fish or herd” and adds that it “refers to all types of financial services provided to low-income households and enterprises.”

1.9.2 Entrepreneurship
An entrepreneur is a person who has possession over a new enterprise or venture and assumes full accountability for the inherent risks and outcome. The term is a lone word from French and was first defined by Irish economist Richard Cantillon. A female entrepreneur is sometimes known as ‘entrepreneuse’ However Entrepreneur in English is a term applied to type of a personality who is willing to take upon herself or himself a new venture or enterprise and accepts full responsibility for outcome. (Veira, X. (2008).

1.9.3 Self Help Group (SHG)
Self Help Group (SHG) is a village-based financial intermediary usually composed of between 10-15 local women. Members make small regular savings contributions over a few months until there is enough capital in the group to begin lending. Funds may then be lent back to the members or to others in the village for any purpose (Tripathy, U., & Padhi, P., 2011).

1.9.4 Joint Liability Group (JLG)
A Joint Liability Group (JLG) is an informal group comprising preferably of 4 to 10 individuals coming together for the purposes of availing bank loan either singly or through the group mechanism against mutual guarantee. The JLG members would offer a joint undertaking to the bank that enables them to avail loans. The JLG members are expected to engage in similar type of economic activities like crop production, etc. The management of the JLG is to be kept simple with little or no financial administration within the group (NABARD, 2006)

1.9.5 Below Poverty Line (BPL)
Below Poverty Line is an economic benchmark and poverty threshold used by the government of India to indicate economic disadvantage and to identify individuals and households in need of government assistance and aid.

1.9.6 Poverty
According to planning commission report, 2012 “poverty is defined with reference to a poverty line which is the level of monthly per capita consumption expenditure considered to be a minimum necessary for living”. According to Businessdictionary.com, ‘Poverty is a Condition where people's basic needs for food, clothing, and shelter are not being met.’

1.9.7 Standard Of Living
According to the dictionary of banking and finance, standard of living is defined as the quality of personal home life (such as amount of food or clothes bought, size of family car, etc).

1.9.8 Empowerment / Women Empowerment
Chowdhury, S. S., & Chowdhury, S. A. (2011), state that Empowerment is a multi-faceted, multi-dimensional and multi-layered concept. Women empowerment is a process in which women gain greater share of control over resources-material, human and intellectual (knowledge, information, ideas) and financial resources which leads to control over decision making in the home, community, society and nation.

1.9.9 Bank
According to the dictionary of banking and finance, bank is a business which holds money for clients, lends money at interest and trades generally in money.
1.9.10 Government
According to the dictionary of banking and finance, Government is an organization which administers a country.

1.9.11 Government Organisation
According to the dictionary of banking and finance, Government Organisation is an official body run by the government.

1.9.12 Nationalised Bank
According to the dictionary of banking and finance, a bank which is owned by the state is nationalized bank.

1.9.13 Cooperative Bank
According to the dictionary of banking and finance, an organization where customers and workers are partners and share profit.

1.9.14 Micro Finance Institution (MFI)
According to Investor words.com, Micro Finance Institution is ‘A financial institution specializing in banking services for low-income groups or individuals. A microfinance institution provides account services to small-balance accounts that would not normally be accepted by traditional banks, and offers transaction services for amounts that may be smaller than the average transaction fees charged by mainstream financial institutions.

1.10 Need for the study
Microfinance is a means of livelihood and a source of living to the underprivileged. In India, Microfinance is of an ancient origin. Traditionally, Money lenders, zamindaars (landlords), traders etc have provided micro credit to poor borrowers in rural areas at excessive rates of interest. However, in today’s scenario, the entire concept of Microfinance has changed. It does not include any unfair, unreasonable practices or harassment to the poor. Rather, it is more about alleviating poverty, organizing the poor (esp., women) into groups called as Self Help Groups (SHG), providing credit facilities at subsidized rates etc.

This study will build up the conclusion about the role microfinance plays in developing entrepreneurs especially women entrepreneurs through Self Help Groups
There are a number of benefits provided by Self Help Groups (SHG) which drive women to join such groups. This study will help in understanding the most important benefit factor which drives women to join SHG. This study will also help in understanding the most important factors which help developing entrepreneurial qualities among poor women. Researchers will understand the role of education, peer group pressure, financial organization support and their relation with benefit factors provided by SHGs. They will also understand the relationship between education, type of business, whether financial organization support, peer group pressure and family support have an impact on individual income of women in SHG.

1.11 Benefit of study

This study will contribute to better understanding of micro finance through Self Help Groups and its contribution towards developing women entrepreneurs. It also concentrates on entrepreneurial qualities developed in poor women. The study also helps understand the importance of encouragement provided by family members, peer groups etc in helping women to join SHGs, achieve their goals, start their own enterprises.

1.12 Statement of problem

The problem worded as given below:

“Understanding the role of microfinance in entrepreneurial development of poor women after joining Self Help Groups”

1.13 Objective of study

The objective of this study is as follows:

1. To identify the most important and least important benefit factors which help or drive women to join SHG
2. To identify which factors are most important and least important to improve /develop entrepreneurial quality among Women entrepreneurs.
3. To analyse the relationship between education (formal & vocational training) with the benefit factors.
To study the relationships between peer group pressure with benefit factors.
To find out the relationship between financial organization support with benefit factors.
To find the relationship between education and type of business.
To find the relationship between education and family support.
To find the relationship between peer group pressure and family support.
To find the relationship between financial organizations (sources of finance) and individual income of the women after joining SHG.
To find the relationship between education (formal or vocational) and individual income of Women after joining SHG.
To Study the relationship between family support and individual income of Women after joining SHG.
To study the relationship between peer group pressure and individual income of Women after joining SHG.
To find the relationship between family background and individual income of women after joining SHG.
To study the relationship between benefits factors and entrepreneurial qualities of the women after joining SHG.

1.14 Hypothesis

These entire hypotheses were tested under inferential statistics. To test the assumptions we had used 95% level of significance to take the decision whether the hypothesis were accepted or rejected.

1) The objective of the hypothesis given below is to identify the most and the least important benefit factors which help women to join SHG.
   **Hypothesis 1:** There is a significance neutral perception of all the benefit factors which help women to join SHG.

2) The objective of the hypothesis given below identifies which factors is most important and least important to improve entrepreneurial quality among Women Entrepreneurs
Hypothesis 2: There is significance neutral perception of all the factors which help to improve entrepreneurial quality among Women Entrepreneurs.

3) The objective of the hypothesis given below is to study the relationship between education (formal & vocational training) with the benefit factors.

Hypothesis 3: There is significance difference between education (formal or vocational training) received and the benefit factors to join SHG.

4) The objective of the hypothesis given below is to study the relationship between peer group pressures with benefit factors.

Hypothesis 4: There is significance difference between peer group pressure to join SHG and the benefit factors to join SHG.

5) The objective of the study is to understand the relationship between financial organization supports with benefit factors.

Hypothesis 5: Financial organizations (banks, MFI) support and all the benefit factors drive women to join SHG are independent

6) The objective of the hypothesis given below is to find the relationship between education and type of business.

Hypothesis 6: There is an association between education (formal or vocational training) and type of business chosen by SHG.

7) The objective of the hypothesis given below is to find the relationship between education and family support.

Hypothesis 7: There is association between education (formal or vocational training) and family support.

8) The objective of the hypothesis given below is to find the relationship between peer group pressure and family support.

Hypothesis 8: There is association between peer group pressure and family support.

9) The objective of the hypothesis given below is to find the relationship between financial organizations and individual income of Women working with SHGs.

Hypothesis 9: Financial organization and individual income of Women working with SHGs are dependent.
10) The objective of the hypothesis given below is to find the relationship between education (formal or vocational) and individual income of Women working with SHGs.

**Hypothesis 10:** Education and individual income of Women working with SHGs are dependent.

11) The objective of the hypothesis given below is to find the relationship between family support and individual income of Women working with SHGs.

**Hypothesis 11:** Family support and individual income of Women working with SHGs are dependent.

12) The objective of the hypothesis given below is to find the relationship between peer group pressure and individual income of Women working with SHGs.

**Hypothesis 12:** Peer group pressure and individual income of Women working with SHGs are dependent.

13) The objective of the hypothesis given below is to find the relationship between family background and individual income of women working with SHGs.

**Hypothesis 13:** Family background and individual income of Women working with SHGs are dependent.

14) The objective of the hypothesis given below is to find the relationship between benefit factors and entrepreneurial qualities of the women working with SHGs.

**Hypothesis 14:** Benefit Factors and Entrepreneurial Qualities of the women working with SHGs are positively related with each other.

### 1.15 Variables of the study

Variables of the research are used to predict the relationship between the two factors, comparison of the factors and identifying the factor which are most and least important. Majorly there are two type of variables we have used for this research i.e., dependent and independent variables.

#### 1.15.1 Dependent Variables
Dependent variable is the variable which helps to predict, and also helps understanding the relationship between variables to be forecast. Following are the dependant variables for the study.

1. 15.1.1 Benefit Factors

Benefit factors refer to the benefit that the women get after joining SHG. These factors include (i) SHG provide financial and social support,(ii) SHG can be helpful for Building self respect, (iii) After joining SHG, saving money and generating income is possible, (iv) SHG is helpful for Asset building, (v) Women in group trust each other in financial aspects, (vi) SHG helps women in coming together and sharing their joys and sorrows, (vii) SHG makes them feel empowered, (viii) SHG helps them understand the importance of working together and benefits of team work, (ix) They know that women also have to earn along with men in the family to earn a better standard of living, (x) Family members support women to join SHG

1. 15.1.2 Entrepreneurial Quality

This variable helps us identify what entrepreneurial qualities women develop after joining SHG. The questionnaire also includes questions related to entrepreneurial qualities like (i) Willingness to do business and take risk if required,(ii) Make limited opportunities fruitful,(iii) Ready to accept challenges for income generation,(iv) They feel more independent, financially, (v) Realization of the importance of finance,(vi) Innovativeness in their business, (vii) Getting support through microfinance funds , (viii) Enthusiasm for working and reducing poverty and improving the standard of living, (ix) Becoming more outgoing, smart, and confident, (x) More open minded, (xi) they love their work and do it passionately, (xii)They tend to be more ethics oriented and do work honestly, (xiii)They are determined to work harder, (xiv) They support each other in work.

1. 15.2 Independent variables

In a study, the independent variable is the variable that is varied or manipulated by the researcher, and the dependent variable is the response that is measured. An
independent variable is the presumed cause, whereas the dependent variable is the presumed effect. For our study following are the independent variables:

1. Education (formal & vocational).
2. Family Support.
3. Peer group pressure.
5. Training.
6. Age Group.
7. Individual Income.

1.16 Scope of future research

In this study, attempt has been made to study whether microfinance helps developing successful entrepreneurs. However further research can be done in the field of microfinance to know the impact of microfinance institutions on entrepreneurial development. Research can also be done in the role of NGOs in training and development of SHG women in becoming successful entrepreneurs.

1.17 Limitations of study

Data has been collected from 7 districts of Maharashtra. Due to various reasons, like limitation of time, resources, etc. Data could not be collected from other states of India. In the current research study, only SHG model has been studied and other models could not be studied. The study is specific to women entrepreneurs. Low income male entrepreneurs have been ignored in the study. In this study, various women SHGs have been studied but there are certain male SHGs which have been ignored herein.