THEORETICAL CONNECTION
And
CONCEPTUAL FRAMEWORK

3.1. Introduction:
Scientific knowledge is based on empirically tested theories. In the field of social sciences, perspectives change with context and situation. Thus, existing theories are constantly subjected to critical scrutiny, test, modification and even rejection. New theories based on current understanding take the place of old ones. This is a continuous process. Thus, while studying and understating emerging phenomena; it is important to locate a theoretical connection with existing perspective and knowledge. Such a linkage would help present study to contribute to our fundamental understanding of a process or phenomenon as well as strengthen existing theories. The chapter is presented in two parts.

Part I

3.2. Theoretical Connections:
The literature review yielded a few broad theoretical connections to the present study:

- Entrepreneurship and economic development theories.
- Empowerment theories or framework and development of SHG members due to establishment of microenterprises.
- Social Group Work theories and practice - group approach in social work.
- Good governance and role of institutions role in development of masses.
- Social capital and civil societies in development of society.
- Participatory and democratic approach in development of poor and marginalized.

This study will examine the qualitative, phenomenological relationships between the concept of ‘microenterprise promotion and development’ and role of ‘Self Help Groups’. SHGs have proved their effectiveness in safe delivery of micro credit and repayments. Thus, it is pertinent to know whether group (SHG) approach has the potential to develop microenterprises for the poor and marginalized.
The process of Globalization should not be at the cost of local economic development. This is a challenge faced by most of developing nations. Hence the researcher had narrowed down and focused the theoretical literature review to the areas- for the purpose of the study, only two thematic connections are considered. These are the theories related to entrepreneurship and economic development and theories related to the ‘Social Group Work’ in the Social work.

1-Entrepreneurship and economic development theories by some of the social scientists Joseph Schumpeter, Max Weber, Hagen etc. and their focus is largely on innovation, risk taking ability, creativity, profit orientation, religious beliefs and culture etc. influences the entrepreneurship character of a person .

2- Social Group work theories and social change considers Social Group Work process which includes areas like group approach, group relationship, decision making process, group dynamics, nature of membership, group leadership, conflict resolution process, group control mechanisms, subgroups within the group, isolators in groups etc. are important factors to be taken care of while studying the group. In little brief the researcher has explained theoretical connection further in the chapter.

3.2.1. Theories of Entrepreneurship:

Enterprises are created for self employment as well as providing employment opportunities to those who are dependent on the enterprise. Small scale enterprises were encouraged in 1960’s, and the concept won wide acceptance in third world countries because of their employment generating potential. It is believed that the entrepreneurial spirit in a community is responsible for the development of new products and services. This, in turn, contributes to economic growth of the country.

Unemployment is a major concern today. The UNO and the ILO have placed great emphasis on enterprise development particularly in the developing countries and the countries undergoing economic transition (Latin American, South Asian and African countries). Most countries have now realized the necessity and benefits of enterprise development and are actively promoting self employment and enterprise development programmes.

The Government of India included self employment in the 1980s, a major thrust for providing employment to citizens. We have seen various entrepreneurship
development programs and training programmes like state enterprises development corporations, Entrepreneurship Development Centers, TRYSEM, PMRY, NRY etc. These were targeted at different categories of the population. Entrepreneurship development through self employment has been opened and some time has been pushed- form poor to rich, uneducated to highly technical educated, rural as well as for urban people in our country too.

The concept of Entrepreneurship has been discussed by various economists as well as sociologists. Rao,&Pareek, (1978,Conceptual framework, Developing Entrepreneurship –A handbook) have provided a list of social scientists who have explored the concept of entrepreneurship. Schumpeter, Weber and others have studied entrepreneurship. Some of them were- Levine 1969, Hagan 1971, Coharan- 1971, McClelland -1969- need for achievement and motivation, Kilby- 1971, Christopher -1969, Kunel- 1971, Singer -1973,Ginzberg, Axelrad, Herma and Ginsburg. In book on Entrepreneurship the Social Science View, Richard Swedberg notes that the first economic theory of entrepreneurship is to be found in the work entitled ‘Essay on the Nature of Commerce in General’ (cira 1730, p.11)

Various entrepreneurship concepts are mostly can be categories under- early sociologist, psychologist, economists etc. the researcher has mentioned here in brief about these theoretical thoughts.

Weber Max (1930) proposed a religious context to entrepreneurship. In “Protestant Ethic and Spirit of Capitalism”, religion has both a causative and a supportive role in the development of entrepreneurs. Religions like Hinduism, Buddhism and Islam or even Roman Catholics do not support entrepreneurship. Protestants have the capacity to take up enterprises. This was because, by nature of their faith, Protestants questioned and challenged the traditional church practices. The tendency to question the status quo instilled the qualities of entrepreneurship. Weber’s hypothesis has been critiqued and evidence shows that this is not true. (Fox (1973), Mines (1973), Papanek (1973), Nandy (1973) and Singer (1973)). Countries like Japan and China are predominantly Buddhist, yet they have made tremendous industrial progress. There are many more examples to prove Max Weber wring.

Weber’s views on entrepreneurship are often linked to his theory of ‘charisma’. The entrepreneur is a special type of human being who has the charisma. He believes that
such a type of person gives a direction to the economy. According to him money lending, commerce and entrepreneurship are looked down by major religions (ibid, p. 26). Hence making more or earning a profit is not religiously approved. Weber says that for the entrepreneurs having innovation and new ideas are not enough but entrepreneurs need to draw profit from the enterprises or from business; it is an important one in the entrepreneurship.

Schumpeter Joseph (1934). In his oft-referred theory of entrepreneurship, “Theory of Economic Development”, Schumpeter says that ‘Entrepreneurship’ is about innovation and risk taking. A person who possesses such qualities is an entrepreneur, and helps economic development and the progress of an economy. In Schumpeter’s view, the entrepreneur as a leader in economy.

Schumpeter stresses the non-utilitarian motives for entrepreneurship: First of all, there is a dream and the will to find a private kingdom and, usually, though not necessarily, also a dynasty …. Then there is the will to conquer, the impulse to fight and prove oneself superior to others, to succeed for sake, not for the fruits of success but of success itself …. Finally, there is a joy of creating, of getting things done, or simply of exercising one’s energy and ingenuity” (Schumpeter1912:93). Schumpeter proposed two stages in development of theory of entrepreneurship the first one “Theory of Economic Development” in 1911, which has second edition in 1926, and in his latter part of life in 1950s he looked at sociological connections to the entrepreneurial concept. Hence, while working continually on the subject, he could also add more aspects to it.

Network theory in entrepreneurship discusses Entrepreneurship as the entrepreneur’s networking capacity which helps him/her to do and expand business. Negotiations are important to maximize profits of entrepreneurs. Different networks are possible to be developed e.g. production networks, labour supply networks, market network etc. which play an important role in making enterprises profitable. (Swedrberg Richard, 2004 p-310,) It is also called social capital. Social capital is the final arbiter of competitive success (ibid, p-283.).

Richard Swedberg, commented that there are very few theories related to entrepreneurship. Those that exist have been developed by economists. He further adds that economists have failed to develop the good theories on entrepreneurship.
According to Richard Swedberg, there are practical entrepreneurship concepts and theoretical entrepreneurship concepts and at present there is a gap between understanding them.

Rao and Pareek, have analysed that there are studies on entrepreneurship that were carried on from various perspectives in social sciences. These can be broadly categorized by following patterns:

1- Religious beliefs school.
2- Motivational and achievement needs- the psychological school.
3 - Existing opportunities, incentives, policies and programmes.- the push and pull factors.
4- Managerial aspects and organization skills development schools of entrepreneurship (ibid, pp. 5-6).

There are also factors like social context, opportunities, social and cultural values, motivation, technical and organizational skills. Institutional factors are generally discussed in theories related to entrepreneurship. So it can be said that the concept of ‘Entrepreneurship’ is not a fully developed one and needs further study. A widely acceptable, general theory appears to be very difficult.

Entrepreneurship studies are based on men’s issues and perspectives. Women’s concerns are rarely addresses. Woman have to play a dual role as homemakers and as well as livelihood earners. This gap is yet to be satisfactorily studied. Present theories focus more on ‘entrepreneurship’ aspects and less on ‘enterprises’ development. Entrepreneurship is one of the factors to develop or create an enterprise. There are several other concerns and factors that need serious attention.

Further, the studies are based on entrepreneurs who belong to be educated and relatively well of classes. In contrast, the poor and the marginalized cannot be expected to possess necessary preconditions and skills to take up a challenge of this nature. Circumstances force them into entrepreneurship in order to make a living. Therefore, the present study - microenterprises of poor and of marginalized through group based approach- is expected to open new areas for research, which has occurred in the context of participatory approach of development for poor and marginalized section of the society. It may need to explore the new possibilities of theorization.
In Indian context of industrialization policy and planning, we are having various types of ownership of enterprises – by government public sector e.g. H.P, Railways etc., in private sector e.g. TATAs, Birlas, in co-operatives - dairy and sugar. And presently coming up NGOs based cottage industries to support rural poor e.g. ‘Srujan’ in Katch etc.

During the first two five year plans, Industrial policy emphasized on the growth of big /heavy industries in the public and private sectors. Infrastructural growth in areas - roads, railways, electricity etc. was a thrust area.

Than from the 1960s onward, development of small scale and medium enterprises was given emphasis to achieve economic growth. From 1990s onwards, promotion of microenterprise for the poor received greater attention as a viable strategy for poverty alleviation.

3.2.2. The Paradigm Shift:

The Grameen bank’s innovative approach to microenterprise through groups has been widely studied and adopted as a model strategy. The Grameen model focuses on the poor and the poorest of poor for whom income generation is a necessary objective. Thus microenterprise development is seen much more prominently here. On the other hand, SHGs in India are seen as a safe means delivery and recovery of micro credit given to poor and others; who are unable to access formal financial services. Solidarity among the members is an essential requirement of these groups and for this reason, in some part of the world; these groups are called ‘solidarity groups’. SHGs in India are formed more for a social and financial intermediation purpose of microfinance delivery system for providing finance to the poor or to those who are little above poor (Harper M, 2003).

Although an understanding of the principles of entrepreneurship and its interrelationships is necessary, it is not necessary to carry out in-depth analyses. A multidisciplinary approach has been adopted to analyze the data from this study. This is both important and necessary as our society faces a serious challenge of providing employment opportunities to the poor and marginalized. The promotion of microenterprises through SHGs holds immense potential to provide such opportunities.
The important questions are:

- To what extent does microcredit to SHGs support their members in taking up micro entrepreneurship?
- What factors influence the sustainability of such microenterprises?

These questions call for a better understanding of the principles of social-groups

3.2.3. Theoretical Understanding of Groups:

Definition of ‘Group’ in sociology –

“A group is a SOCIAL SYSTEM involving regular INTERACTION among the members and a common group identity. This means that group has a sense of entity. This means that groups have a sense of “we-ness” that enables members to identify themselves as belonging to a distinct entity e.g. football team. The group members interact with each other to achieve some or other purpose through this group relationship. Group is a shared identity- there is an understanding between the group members that insider and outsider of the group. Groups vary as the members’ interaction is very high, intimate and many time members come together physically.

Group is an important sociological concept because groups play such complex and important part in social life. The group is a key agent of SOCIAL CONTROL over individuals, for it is in groups that social pressures toward CONFORMITY can be most directly applied, especially when those who deviate risk their membership as a result.

Groups are important because of the social consequences they produce. It is in groups that many social activities take place- socialization, production of goods, religious worships, formal education, social movements, scientific research, politics and even making of wars.”(Johnson, G,A., The Blackwell Dictionary of Sociology, pp-138-139)

To bring about ‘Social Change’, change agents/ social worker/ development practitioners must mobilize and organize the members of the communities they work with. The process is effective with well organized groups who are empowered and have a powerful collective conscience. Indeed, it may be said that proper organization is an essential pre-condition. The movement to change begins with an awareness of
the issues involved and the need for change. This is followed by mobilization, education and collective action.

Group practices are seen are used in all fields of social sciences – Anthropology, Psychology, Economics, and Political Science, Social Work etc.

In professional Social Work practice and theory, there are different scientific methods for working with and helping individuals, groups and communities. To work with more than one individual, social workers use a purposeful group experience for individuals who have similar needs and problems. This approach is called ‘Social Group Work’ (SGW) as a method of intervention to solve social problems. One can see various types of groups formed by a social worker for a specific purpose. With this group purposeful interactions, sharing, learning experiences etc. are conducted by the social worker or by the change agent with a group. The social work group method works on the broader philosophical assumption that an individual can learn better and change his or her life situations as per his or her aspirations if he or she works towards that change as a member of the group.

Group dynamics must also be clearly understood. Group dynamics is about actual interactions among the group members. The concept is important because it calls attention to the difference between what happens and what might happen and what might be expected to happen in the given the groups’ culture and structure. Understanding the group’s power structure, coalitions on particular issues are some of the important aspects that must be clearly understood while studying the dynamics of a group. (Forsyth, D, R.1999.)

The objectives of Social Group Work are: the growth and development of the group. To these end- purposeful interactions, information sharing and disseminations etc. help members of the group to get empowered and benefit in many ways. Group work generally gives security and strength to individuals to challenge and overcome the existing (oppressive) social structures. Democratic leadership is essential to the success of group experiences.

Social Group Work (SGW) practiced in various social work settings –social, institutional, political, economic, health etc. SGW has been practiced while keeping different perspectives in mind- empowerment, psychoanalytical, developmental,
behavioral and cognitive development etc. Social Group Worker uses types of groups which are having base like purpose oriented groups, where the purpose is known and clear to join the group. Task and action, goal oriented groups e.g. schools, hospitals, communities are called setting based groups. The study has looked SHGs as development oriented group of beneficiaries who are poor as well as marginalized.

The social group work model applies to SHGs also. SHGs work towards bringing change in the lives of its members in a number of ways- saving, lending, income generation, skill building etc. It is necessary to understand the dynamics of SHGs as well- the group formations process, goals set, the dynamics of members, leadership patterns, structures, processes, conflict resolution, decision making processes, strengths of the group and its members etc.

Theoretical connections to SGW varies and there is not a single theory which is enough sufficient to understand the social group work practice so the SHGs. It is a practice based and process oriented and it keeps on getting changed and modified as per the context and situations (Garvin Charles D, Gutierrez Lorraine M., Galinsky).

Self help groups’ theoretical understanding has been based on a philosophy i.e. SHG is- of the people, by the people and for the people- and it is a democratic process to bring desired change collectively(Theoretical basis for self help promotion,p.19).

The theoretical literature review related to entrepreneurship and Social Group Work has helped the researcher to learn various limitations of existing theoretical dimensions to the concepts which are under the research enquiry.

Based on the researchers experience as a practicing social worker and a study of available literature, an understanding of the concepts of enterprises and Social Group Work process has been helped in developing the conceptual frame work for the study.

Part II

3.3. Conceptual Framework:

After understanding from the existing literature and of exploration of could be theories to the research enquiry, the researcher has arrived at an understanding that- no single existing theory is be in position to be a platform, for the present research
enquiry. Hence the researcher felt the need to develop own conceptual framework for this study.

3.3.1. The Context:

Understanding and creating knowledge is a context specific process. An effort is made here to understand the relationship and usefulness of some of the existing theories to the present research in the broader context of Participatory People Centered economic development processes. But it has been realized that these theories were hardly found relevant and applicable to the present context of the study. Hence, a ‘Conceptual Framework’ has been developed to obtain better clarity of the phenomenon under research inquiry, the study.

‘Participatory People Centered’ democratic development process is a paradigm shift from the earlier development approach of top-driven development. By these means, the poor and marginalized are encouraged to take responsibility and a stake in their development. Such an approach ensures sustainability of developmental efforts and the outcome. As the people have a direct stake in their development, concerns those are about the immediate environment; are must be assured social justice, equitable distribution of resources and gains of the development.

The formation of self help groups of poor and of marginalized to use their collective strength for their development is an accepted strategic approach accepted in India by the government and RBI.

The Self Employment by developing entrepreneurship is in practice since the 1960s. With the initial support of the ILO in 1961, many countries promoted and supported enterprise development programs. From 1990 creation of employment opportunities from self employment efforts for poor has received emphasis in policies and programmes. A study of the experiences in developing countries like Pakistan, Philippines, India etc. showed that it is difficult for entrepreneurs to establish an enterprise without finance (East- West Center Technology and Development Institute, 1997). The study resulted in creating strong institutional support for ‘microfinance’. Since then microfinance has made strong progress.

The belief here was that the receivers of microfinance would be in position to overcome their state of poverty; once the amounts were disbursed! The economic
activities taken up by the beneficiaries under this were called microenterprises. The difference from the past financial delivery practice is that the microfinance which is made available here is not for the poor individual but for the group of poor individuals. It has been experienced that group financing is safer and ensures better accountability than providing microfinance to individuals (NABARD, 2007, Karmarkar, K.G.2007).

For creating a self employment through microenterprises, the development of microenterprises by SHG is one of crucial aspects. The challenges of addressing local development concerns in a globalized environment are many.

The ‘Millennium Development Goals’ are pushing countries to respond urgently to their major problems of poverty and unemployment. By creating a suitable ‘investment climate’ and ‘empowerment’ are the pillars of economic development need to be established (WB, Development Conference Report, 2000).

In the mentioned development strategy by World Bank, ‘Investment climate’ mostly includes good governance, promotive, progressive and encouraging policies and programmes, eliminate corruption and respect the environment. ‘Empowerment’ is about building of capacities, skills and confidence of poor and marginalized to participate in development process of self. Mere empowerment will not suffice; but, simultaneously, the right environment must be created for investment to deliver growth with social justice.

The participatory development based approach in SGSY, includes strategies like Self Help Groups, Microfinance and income generation of poor and of marginalized people (GOI guidelines for SGSY). The poor need employment and sustainable sources of income to overcome their poverty. They need assets and resources in the form of materials and finance. Microfinance services offer the opportunity to enhance their financial capacity. Thus, they will be able to hire or purchase the necessary resources and assets. But mere ownership is not enough. These resources must be transformed into a marketable product or service. For this to happen, various capacities, skills and technological supports are required.

However, due to their years of exclusion; they lack the necessary knowledge, capacities and skills. Hence, there is a challenge to develop the poor human resource
of the society, with appropriate education, trainings, skill building etc. Thus developed, human capital can transform idle resources into marketable products and services. This process helps in creating employment and earning opportunities of individuals, groups and of communities.

Developing such capabilities at an individual level is difficult and impractical. Hence poor people with similar backgrounds and having similar development aspirations could be helped by collectively mobilized and organized through group experiences. This can hasten the development process. But, to make this happen, the right policies, programs, systems and processes must be in the place.

NABARD’s SHG- bank credit linkage programme emphasizes only the provision of microfinance to ALP-SHGs. In comparison, SGSY is a more comprehensive programme even though it has certain shortcomings and need some modifications.

The study examines how the two programs- SGSY and NABARD’s- SHGs Bank Credit linkage which deliver microcredit through SHGs to achieve their stated objectives of financial inclusion and poverty alleviation. Thus, it was necessary to know how the finance was deployed.

It is assumed that if the microenterprises of the SHGs are not sustainable, the SHGs and Micro Finance Institutions also would not be able to sustain themselves. Thus, one must need to accept that the sustainability of the microenterprises of SHGs is an essential aspect in poverty alleviation efforts. Sustainable microenterprises will create a regular demand for microfinance. This, in turn, will also ensure the sustainability of the MFIs automatically. Therefore, this study considers that sustainability of microenterprise is of paramount importance and has a greater role to play in development of poor and marginalized sections of the society.

3.3.2. ‘Conceptual Map’ prepared for this study tries to explain:

The Concept Map in the following page tries to schematically explain the factors, interrelationships, mutual dependencies that contribute to the sustainability of microenterprises. The map is also a summary of the discussions in the chapter. It is necessary to understand the complexities involved as, otherwise, the challenges of the Millennium Development Goal of- Eradication of extreme poverty and hunger without providing gainful employment to the poor and marginalized will not be met.
Figure 3.1

CONCEPTUAL MAP
3.3.3. Stages of Microenterprise development under the SHG and Microfinance:

Marginalized and Poor People - 1

SHG Formation and Development - 2

Capacity building and Empowerment - 3

Resource Allocation + Institutional support - 4

Establishment and Development of MEs of SHGs - 5

Institutional Support - 6

Employment and Income - 7

3.4. The Concept of Three Dimensional Strategy for Poverty Alleviation:

The mentioned three dimensional strategy by the researcher has been presented in the figure below. It explains the prism which has three sides and shown by numbers 1, 2, and 3. The side one is representing the microfinance phenomena and the side two is representing the SHG phenomena and the side third represents the microenterprises phenomena. Two sides of this prism i.e. SHG and Microfinance are known well and relations between them are studied but the relationship between SHGs and Microenterprises, Microfinance and Microenterprises has not been adequately researched. In the present study, the researcher has attempted to explore the relationship between SHGs and Microenterprises. An ontological assumption in this research is that to achieve economic development for the poor, mere access of microfinance necessarily need not create sustainable employment and a source of income. Creation of a sustainable microenterprise is an important challenge, which will bring sustainability to the MFIs as well as the SHGs and make for an effective poverty alleviation strategy. To improve sustainability and enhance it one must understand and study the emerging phenomenon.
Figure 3.2 Relationships between Three Components of the Three Dimensional Strategy

Figure 3.3 Interface of Three Dimensional Strategy

3.5. Conclusion:

Based on the conceptualization developed for this study the adopted methodology has been discussed in upcoming chapter the Methodological Concerns.