Chapter 5

Findings, Conclusion and Recommendations

Introduction

This chapter provides a summary of the major findings of the research study, conclusion of the research and recommendations made on the basis of the findings and conclusion.

The presentation of the findings of the study is organized as under:

1. Only inferences drawn from statistical analysis of primary data are presented.
2. Inferences derived from both testing of hypotheses and from descriptive statistics are included.
3. The findings are grouped under broad themes for ease of comprehension.

The rationale for the grouping is given in Table 5.1. below:

Table 5.1

Scheme of presentation of findings of the research

<table>
<thead>
<tr>
<th>Broad theme</th>
<th>Specific themes addressed by research</th>
<th>Hypotheses included/reference to source tables</th>
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<td>Effect of microfinance on the economic empowerment of beneficiaries</td>
<td>Income generation ability</td>
<td>H2: Access to and use of microfinance has significantly increased the income of beneficiaries</td>
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<td></td>
<td>Growth in Assets</td>
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<td>Perception about the economic benefits of microfinance</td>
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<td>Entrepreneurial capacity building</td>
<td>H9: Increase in entrepreneurial capacity is significantly higher with access to and use of microfinance.</td>
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(Source: Self compiled)

The coverage in earlier chapters was as follows: Chapter 1 provided an introduction to microfinance and entrepreneurship. Chapter 2 consisted of a review of the literature on topics relevant to this research study. Chapter 3 related to research methodology comprised the objectives of the study, statement of the problem, research questions, variables of the study, the conceptual framework,
hypotheses formulated, and the planned methodology for collection and analysis of data. Chapter 4 related to the analysis and interpretation of data through descriptive and inferential statistics using appropriate tools.

5.1. Summary of findings:

The major findings from the research are presented under the following headings

5.1.1. Effect of microfinance on the economic empowerment of beneficiaries

5.1.1.1. Income generation ability: The average annual income of the beneficiaries increased significantly from INR 61,260 in 2010 to INR 103,150 in 2016, due to provision of microfinance. The Z test confirmed that the change in income is statistically significant (Z=15.16868, p=0.00). Microfinance intervention also helped more than 26% of the beneficiaries to move upwards from the annual income bracket of INR <120,000 in 2010 to INR 120,000 – 300,000. Similar findings were reported in studies of Mahmood, Arby, Hussain and Sattar (2016) in Pakistan, Teng, Prien, Mao and Leng (2011) in Cambodia, Rajasekar (2004) in India, related to the effect of microfinance on income generation.

5.1.1.2. Growth in Assets: Assets, in terms of vehicles, consumer durables and other household articles are known have a positive effect on the quality of life, economic empowerment, security and general economic well-being of beneficiaries. There is significant growth in the assets held by beneficiary households due to access to microfinance during the period under study (The t test returned an absolute t value of 5.40 and p =0.00 at 5%, which is statistically significant).

Agricultural lands and dwelling houses owned by the beneficiaries have remained almost unchanged. There is however an impressive
growth in other assets held by the beneficiaries, like cars, trucks, tractors, scooters, motorcycles, mobile phones, television sets, gas stoves, sewing machines, water pumps/motors, music systems, radio, refrigerators, fans, pressure cookers, satellite TV connections, furniture/cupboards and even gold. The aggregate loan liability of the beneficiaries reduced from INR 133 million to INR 109 million between 2010 and 2016. Studies by Salia (2014) in Tanzania, Suhaimi et al. (2011) in Malaysia and Tilakratna (2005) in Sri Lanka concluded similarly that microfinance helped households to increase their assets. These findings were also published by Krishnan, Sivramkrishna and Warrier (2017b)

5.1.1.3. Financial Inclusion: The percentage of respondents investing in financial instruments increased from 20% of the sample to 42% during the period of the study. The variety of instruments in which they invested also grew during the period. Thus, there has been a significant increase in financial inclusion resulting from intervention of microfinance (the t test returned an absolute value of 2.50 and p=0.02 at 5%, which is statistically significant. A study by Puhazhendhi and Badatya (2002) in India reported that availability of varied products facilitated higher savings. These results have been published by Krishnan, Sivramkrishna and Warrier (2017b). However, there seems to have been no other study of this nature on the effect of microfinance on financial inclusion.

5.1.1.4. Perception about the economic benefits of microfinance: The ‘feel good’ factor of microfinance is high among a section of the respondents. 19% of respondents in the sample perceived that access to microfinance had a positive effect on their income or in reduction in their level of indebtedness. Their perception matches with the factual data relating to the benefits of microfinance. No study appears to have
been conducted into perception of beneficiaries about the economic benefits of microfinance.

5.1.1.5. **Comparison in growth of assets in BMRDA and non-BMRDA clusters:** The growth in assets of residents of villages forming a part of the Bangalore Metropolitan Region Development Authority (BMRDA) cluster, where higher impetus is provided for growth, was found to be higher than the assets held by residents in the non-BMRDA cluster (The t value of 1.73 and the p value of p=0.04 at 5% is statistically significant). There is no indication of similar studies having been carried out.

5.1.2. **Effect of microfinance on social empowerment of women**

5.1.2.1. **Education levels and income generation propensity:** Women beneficiaries with higher levels of education are better equipped to deploy funds from microfinance optimally in their business enterprises, resulting in higher incomes for their households. The chi-square test confirmed that education levels are positively related to higher levels of income (Chi-square value=16.401 with 8 degrees of freedom, p=0.037). Studies by Rahman, Rafiq, Momen and Rahman (2009) in Bangladesh and Satyasai (2002) in Andhra Pradesh and Karnataka reported similar findings.

5.1.2.2. **Decision making power of women in households:** Decision making power in households stood enhanced with an increase in the level of household income. In households with annual income less than INR 120,000, 59% of decisions are taken by the wife solely or jointly with husband. This improves to 73% in households in the income range of INR 120,000 – 300,000 and INR 300,000 and above. Annual income has a significant effect on the decision making power of women in
households (the chi-square test returned a value of 46.650 with 4 degrees of freedom and p=0.000 at 5%) and indicates women empowerment. Similar findings regarding the positive effect of microfinance on decision making power of women and consequently on women empowerment were reported in studies by Okurut, Kagiso et al. (2014) in Botswana, Venugoplan (2014) in Kerala, Rathiranee (2013) in Jaffna, Sri Lanka, Shivachittappa (2013) in Mandya District of Karnataka, Cheston and Kuhn (2002) in Ghana, Zaman (2000) in Bangladesh and Pitt and Khandker (1997) in Bangladesh. These results have also been published by Krishnan, Sivramkrishna and Warrier (2017a).

5.1.2.3. **Empowerment of educationally disadvantaged women:** Micro entrepreneurs in the study area are educationally backward (2% are illiterate, 69% are school dropouts, 28% have a secondary or higher secondary pass certificate). Barring 0.4% who are diploma holders, none of the women has enrolled in college. Studies by Adhikari and Shreshta (2013) in Nepal, Narang (2012) in India, Aruna and Jyothirmayi in Andhra Pradesh (2011), Gopalan (2007) in Kerala, also reported similar findings.

5.1.2.4. **Empowerment of socially disadvantaged women:** 98% of the respondents were from the disadvantaged sections of the society including backward classes, scheduled castes and scheduled tribes. Microfinance intervention has led to empowerment of socially disadvantaged women.

5.1.2.5. **Contributions towards community development activities:** 16% of the respondents made donations towards building a temple or a community center, leading to enhancement of their status in society.
5.1.2.6. **Gifts to family members:** 18% of the respondents gave gifts to their children, grandchildren and others towards house construction or education of grandchildren or children of relatives, leading to enhancement of their status within the family in particular and society in general.

5.1.3. **Sustenance oriented entrepreneurship practiced by micro entrepreneurs**

It is found that 88% of the respondents, which constitutes a significant majority, use microfinance for sustenance related purposes like Savings (30 %), Education of children (27 %), Repaying existing loan (12 %), Construction of house (9 %), Repair of house (8 %) and Son/Daughter's marriage (2 %). Only 12 % of the respondents stated that they were using funds in their business ventures. It is concluded that microfinance is used more for sustenance activities than for business operations and expansion (The Z test returned an absolute value of is 32.80 with a standard error of .01173. The value is significant at 5%). Kabir et al. (2012) in Bangladesh and Selamat (2011) in Malaysia reported similar findings in their studies.

5.1.4. **Effect of microfinance on entrepreneurial capacity building with particular reference to micro entrepreneurship**

5.1.4.1. **Entrepreneurial orientation:** It was interesting to note that all respondents (762) in the survey were self-employed micro entrepreneurs indicating high entrepreneurial orientation.

5.1.4.2. **Supplementary income from alternative occupations:** Microfinance has helped households to supplement livelihood from agriculture with income from alternative occupations such as animal husbandry, services and sericulture. Households simultaneously pursue more than
one occupation. 80% of the households were into agriculture. 64% were into animal husbandry, 44% were into services, 16% were engaged in trading, transport and manufacturing and 8% were into sericulture. It was also found that emigration of families from the villages in the study area is almost non-existent. This can be attributed, at least partly, to the availability of supplementary livelihood opportunities. In their studies, Gedion, et, al. (2016) in Kenya and Gindling and Newhouse (2014) covering low income countries, reported that microfinance had a positive effect on entrepreneurship development.

5.1.4.3. **Employment generation by micro entrepreneurs:** The micro entrepreneurs surveyed in this study created opportunities for employment of 2734 persons. Distribution of employment among different sectors is as follows: Agriculture - 42%. Animal husbandry 29%, Services 20%, Sericulture 3% and trading, transport and manufacturing - 6%. However, there is no significant increase in the total employment generated between 2010 and 2016. (The t test returned a statistically insignificant absolute value of 0.6171 and p=0.27 at 5%). In their study Banerjee et, al. (2015) had concluded similarly that the impact that micro entrepreneurs were able to create was negligible. They attributed this to the tiny size of the enterprises, low profitability and difficulties in expanding.

5.1.4.4. **Entrepreneurial capacity in non-agriculture business sectors through occupational shift:** Microfinance has facilitated occupational shift from agriculture to other sectors of business at the household level, i.e., animal husbandry, trading, transport, manufacturing, services and sericulture (t test returned an absolute t value of 2.2078 and p=0.03 at 5%). Entrepreneurial capacity has thus been built in business verticals, tailored to the needs of micro entrepreneurs. In
their studies, Bandiera et al. (2013) in Bangladesh, Chliova, Brinckmann and Rosenbusch (2013) through meta-analysis of 637 empirical findings from 97 studies, concluded that microfinance helped women shift out of agriculture and start their own small business enterprises. In their study, Devi, Ponnarasi and Saravanan (2007) also reported that respondents were more gainfully self-employed in the non-farm activities, due to microfinance intervention.

5.1.4.5. **Entrepreneurial capacity building**: The economic and social empowerment of women micro entrepreneurs, due to access to microfinance, has led to entrepreneurial capacity getting built. Positive validation is also provided of the hypotheses related to microfinance and increase in income, occupational shift from agriculture to other sectors of business, growth in assets, sustenance oriented entrepreneurship, financial inclusion, income generation and decision making ability and education levels of women and income generating ability. A study Prema Basargekar (2011) in Maharashtra, found that the level of entrepreneurial skills and capacity building stood enhanced due to their association with microfinance programs. Vincent (2004) in his study of less developed countries in general and Meyer and Nagarajan (2000) covering rural Asia in general, reported that microfinance helped entrepreneurial development.

**5.2 Conclusion**

The conclusion from this empirical research study of the impact of microfinance on Entrepreneurial Capacity Building in Kanakapura Taluk of Ramanagara District in Karnataka is as under:

5.2.1 The effect of microfinance on economic empowerment of women is significant through enhancement of income generation ability, growth in household assets and financial inclusion.
5.2.2. Microfinance positively affects social empowerment of women through enhancement of the decision making power of women in households and empowerment of socially and educationally disadvantaged women. It is found that relatively higher education levels of women leads to propensity to generate higher income. Their ability to contribute to family welfare measures and to community development activities led to enhanced status within their families and in society.

5.2.3. Microfinance has led to a strong entrepreneurial orientation among women through the medium of SHGs and has led to a significant increase in self-employed micro entrepreneurs.

5.2.4. Microfinance has enabled households to supplement agricultural income with income from other business sectors such as animal husbandry, services, trading, transport, manufacturing and sericulture. It has contributed to the creation of entrepreneurial capacity in non-agricultural business sectors.

5.2.5. The synergistic effect of a combination of variables including socio-economic empowerment, creation of entrepreneurial capacity in non-agricultural business sectors, high entrepreneurial orientation of women in the study area has led to entrepreneurial capacity getting built in the region.

5.2.6. There has been no Emigration out of the villages in the study area, attributable to availability of sustainable livelihood opportunities.

5.2.7. Micro entrepreneurship in the study area is sustenance oriented. Micro entrepreneurs are able to generate just enough income to sustain their livelihood. They are unable to scale up their micro enterprises through incremental investments. Micro entrepreneurs have the ability to create
But due to lack of scale, there are limitations on the number of jobs that they are able to create.

### 5.3 An Integrated Microfinance Model

Based on the findings and conclusion of the study, an integrated model is presented below. The model is referred to as “The 9 Enablers of Microfinance Model” (9EMM).

**Figure 5.1: ‘The 9 Enablers of Microfinance’ Model**

<table>
<thead>
<tr>
<th>No.</th>
<th>Enabler</th>
<th>Catalyst</th>
</tr>
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<tbody>
<tr>
<td>1</td>
<td>Self Help Group Formation</td>
<td>State Government</td>
</tr>
<tr>
<td>2</td>
<td>Microcredit</td>
<td>Banks/MFIs</td>
</tr>
<tr>
<td>3</td>
<td>Skill Development</td>
<td>NGOs+NABARD</td>
</tr>
<tr>
<td>4</td>
<td>Formal Education</td>
<td>NGOs+Government</td>
</tr>
<tr>
<td>5</td>
<td>Financial Products</td>
<td>Banks/MFIs</td>
</tr>
<tr>
<td>6</td>
<td>Regulation of the Industry</td>
<td>Independent Regulator</td>
</tr>
<tr>
<td>7</td>
<td>Penetrative Procurement</td>
<td>Industry Aggregators</td>
</tr>
<tr>
<td>8</td>
<td>Financial Inclusion</td>
<td>RBI + Government</td>
</tr>
<tr>
<td>9</td>
<td>Business Incubation</td>
<td>NGOs + Government</td>
</tr>
</tbody>
</table>

(Source: Self compiled based on the conclusion of the research study)

The key elements of the model are described below:

**Enabler 1 - SHG Formation:** The task of formation of Self Help Groups comprising women members at the village levels is best accomplished by the State Government through involvement of local officers.

**Enabler 2 - Provision of microcredit:** Credit gr is the role of Banks and MFIs linked with SHGs. Each SHG may be linked to either a Bank or a MFI.

**Enabler 3 – Skill Development:** Assessment of skill needs and delivery of skill development programs should be undertaken by NABARD in collaboration with NGOs.
**Enabler 4 - Formal education:** Innovative delivery methods and pedagogy such as night schools and blended learning are ways to build human capital, ideally through public-private partnership.

**Enabler 5 - Financial products:** Products which are innovative in nature addressing specific needs of the poor including pension, insurance and savings must be designed and delivered by banks/microfinance institutions

**Enabler 6 – Regulation:** It is important to have a separate independent regulator to ensure orderly growth of the microfinance industry with participation from RBI, NABARD and SEBI.

**Enabler 7 – Penetrative procurement:** Industry leaders who are able to set up a value chain similar to NDDB must be promoted. They should be able to reach markets with strong brands, establish processing capacity to ensure quality products and penetrate deep into villages to procure a variety of raw materials like fruits, flowers, vegetables, poultry and similar, paying remunerative prices. Only strong movements like the milk revolution can create large scale impact.

**Enabler 8 – Financial inclusion:** Efforts to ensure 100% financial inclusion must continue to be spearheaded by the Government and the RBI, supported by the SHG linkages with banks and MFIs.

**Enabler 9 – Business incubation:** Business Incubators must identify micro entrepreneurs with potential to grow and nurture them.

### 5.4 Recommendations

The following recommendations/suggestions are made on the basis of the findings and conclusion of the study:

It is concluded from the study that intervention through microfinance led to economic empowerment of beneficiary households in Kanakapura Taluk of Ramnagar District of Karnataka State in India in terms of income generation ability and growth in assets. Microfinance also had a significant effect on the
social empowerment of women in Kanakapura Taluk due to: the enhanced
decision making power of women in households with an increase in the level of
household income; increase in income generation capacity of educationally and
socially disadvantaged women and enhancement of their status in their families
and the society. Some of the best practices adopted in Kanakapura Taluk viz.,
proactive promotion of SHGs by local authorities with the support of the State
Government; enrolling only women as members in SHGs; high enrolment rates
(100% of the respondents were members of SHGs); participation by women in the
age group of 21-50 in microfinance programs and special efforts of the
Government of India and RBI to promote financial inclusion can be considered
for replication all over India in particular and LDCs in general. Greater variety of
pension, insurance and other financial products may be considered to be offered
to microfinance beneficiaries.

It is also concluded from the study that entrepreneurial capacity was built up in
Kanakapura Taluk due to high levels of self-employment (100% of the
respondents were self-employed) and occupational shift from farm based
occupations to non-agricultural sectors such as animal husbandry, services,
trading, transport, manufacturing and sericulture. The resultant benefits were in
terms of generation of employment and supplementary non-farm based income to
households. There is scope for replicating this success in more occupations in
India as well as other LDCs. The skill development programs provided by NGOs
in some parts of the country in embroidery, clay modeling, tailoring, compost
beds, dry flower manufacturing, sanitary napkins, readymade garments, solar
products, fish culture, poultry farming and vegetable cultivation (refer Sa-Dhan,
2016) may be offered on a larger scale with a view to creating more small
business options for microfinance beneficiaries. It is suggested that similar
support systems as that available to micro entrepreneurs from Karnataka Milk
Federation (KMF) for milk in Kanakapura taluk, be extended to other products.

This study also concluded that higher levels of formal education of beneficiaries
in Kanakapura Taluk translated into higher income generating propensity. It is
suggested that higher education opportunities should be made available to beneficiaries, through concepts such as night schools.

Another finding of the study was that the activities of micro entrepreneurs in Kanakapura Taluk were oriented towards sustaining their livelihoods. Funds from microfinance were thus utilized for sustenance related activities than for operation or expansion of their business ventures. It is suggested that business incubation facilities may be extended to nurture talented entrepreneurs who are inclined towards expanding their business and scouring opportunities.

5.5 Scope for future research

Scope exists for research into the following areas:

A comparative study of the effect of microfinance between districts within the Karnataka State and between States can lead to a better understanding of the impact of microfinance.

A study of implementation of strategies and operational plans by different States can help highlight common and divergent practices.

A wider study incorporating samples drawn from different regions of the country will produce a balanced research output.

Future studies can aim to capture more dimensions of micro entrepreneurship using suitable research methodology.