EXECUTIVE SUMMARY

Microfinance refers to the provision of financial services to poor and near-poor households, whose members are self-employed or unemployed. This empirical research study is undertaken to ascertain the impact of microfinance on entrepreneurship capacity building in Kanakapura taluk of Ramanagara district in Karnataka State and to determine changes in variables which improve economic and social well-being of women. Further the study aims to determine the effect of microfinance intervention on shift in occupation, micro entrepreneurship, end use of microfinance, and the comparison of asset growth in villages situated in closer proximity to Bangalore city with that of other villages. A total of nine hypotheses were formulated for the study.

An exhaustive survey of literature on the subjects of microfinance and micro entrepreneurship was completed to review earlier studies, to compare/contrast viewpoints/perspectives on the subject and to arrive at research gaps, based on which the objectives of the study and the research questions described in the previous paragraph were arrived at.

The key variables of the study were financial inclusion, entrepreneurial capacity creation in non-agriculture sectors through occupational shift, changes in household decision making pattern, income generation, asset growth, sustenance oriented micro entrepreneurship, education and income generation propensity and entrepreneurial orientation, severally or together contributing to entrepreneurial capacity building.

The area of the study was Kanakapura Taluk in Ramanagara District in Karnataka State, India. A pilot study was undertaken with 50 respondents from nine villages. The main survey was conducted through an interview schedule based on a structured questionnaire. Multi stage random sampling methodology was adopted. 73 villages were selected for the survey from a total of 282, using simple random sampling technique. In the next stage, stratified random sampling method was used. Respondents were drawn randomly from each stratum. A total of 762 valid responses were received.

The data was tabulated, analyzed and tested using tools such as the chi-square test of independence, the paired samples t-test and the Z test of proportions. The conclusions of
the study were that the effect of microfinance on economic and social empowerment of women is significant through enhancement of income generation ability, growth in household assets, financial inclusion, enhancement of the decision making power and empowerment of the socially and educationally disadvantaged women. It has also led to a strong entrepreneurial orientation, supplementing of agricultural income with income from other business sectors such as animal husbandry, services, trading, transport, manufacturing and sericulture, creation of entrepreneurial capacity in non-agricultural business verticals. The synergistic effect of a combination of variables has led to entrepreneurial capacity getting built in the region. It is found that micro entrepreneurship in the study area is sustenance oriented.

It is recommended that 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 Sadhan, 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 business incubation facilities may be extended to nurture talented entrepreneurs who are inclined towards expanding their business and scouring opportunities and higher education opportunities should be made available to beneficiaries, through concepts such as night schools.

Scope exists for future research for a comparative study of the effect of microfinance between districts within the Karnataka State and between States; a wider study incorporating samples drawn from different regions of the country to produce a balanced research output and for studies to capture more dimensions of micro entrepreneurship.