CHAPTER-I

INTRODUCTION TO THE STUDY

1.1 OVERVIEW OF MICROFINANCE

Of the many constraints on the social and economic mobility of the world’s poor, the restricted access to financial institutions limits the flow of capital to potential entrepreneurs and curtails their access to the tools of capitalism, tools that they need to be players in a modern economy. Mainstream financial institutions are designed to serve those who already possess a reasonable amount of money, but the poor don’t have much money at all. With millions of people throughout the world excluded from the formal banking system, this problem affects developing and industrialized nation’s alike (Woolcock 1999, p. 18).

Among the financial services that are needed to develop small businesses, credit is extremely important (Woolcock 1999; Snow & Buss 2001). Lack of credit translates into a lack of capital and a major obstacle to business development for the world’s poor. Though the poor may need credit, most lack assets that could be used as collateral against loans. Because their assets are limited to begin with, the poor have no way to access additional resources for business development.

Standard financial markets are not designed to draw in new players from underprivileged groups, and there are few incentives for commercial lending institutions to offer small loans that poor people could manage. In addition to the problem of collateral, small loan sizes require a high overhead cost per loan, making small loans less profitable to administer. Commercial institutions also base their lending decisions on the credit histories of potential borrowers. Poor people often have negative marks on their credit histories, or no credit histories at all, which makes them less attractive lending candidates.
The poor also lack understanding of the formalities involved in financial transactions, making it even more difficult for them to make gains within the financial system (McKernan 2002, p. 93). They remain outside the mainstream economy, not by choice, but because they do not have the connections, wealth, and formal education that are required to take part in formal financial markets. Many scholars argue that this constitutes an unmet demand for capital and a market failure (Woolcock 1999, Snow & Buss 2001). Those who advocate for expanding credit availability to this untapped market believe that this will open opportunities for the poor to leave poverty, improve their lives, and contribute to overall economic development.

In the 1970s, this line of reasoning led to the concept and implementation of microfinance programs in some parts of the developing world. Microfinance programs offer alternative credit sources for business development and are designed to serve clients that would have difficulty qualifying for loans through traditional commercial institutions. Microfinance programs still face the challenge of reducing the cost of loan administration that deters commercial lenders from tapping this market. But in the developing world, programs have found substitutes for traditional measures of creditworthiness. In some cases, this has been accomplished through peer-lending groups in which borrowers share the responsibility for securing one another’s loans. Loans are awarded to the group as a whole to be divided among its member, reducing the cost of administering the loan and transferring some loan-monitoring responsibilities to the borrowers themselves (McKernan 2002, p. 941).

The Grameen Bank of Bangladesh is considered the first and one of the most successful microfinance programs in the developing world. Mohammed Yunus, the bank’s founder, recognized the financial constraints of poverty and initiated lending and savings groups within poor, rural communities. In these groups, members were required to save a small amount of money on a regular basis to establish their capacity for repayment. Eventually, individual members would be eligible to take out a loan, but the group as a whole would share the responsibility of repaying the loan should an individual
become delinquent on payments. This peer pressure system helped ensure that loans would be repaid. Group members would take out loans to either start a new business or invest in an existing business. Today, the Grameen Bank still operates and has greatly expanded its geographic purview. The majority of its borrowers are women and the organization boasts a 97 percent repayment rate (McKernan 2002). This high repayment rate is one factor that has inspired the development of similar programs around the world and in India. With the restructuring of the global economy promoting a search for new approaches to domestic social and economic problems and the successful precedents of microfinance programs in the developing world, many community and economic developers in India are employing microfinance strategies. These strategies are being used to foster development, combat poverty, and provide alternative economic opportunities for women. While domestic practitioners of microfinance are often very enthusiastic about its potential, the context of microfinance in the United States is very different from that in the developing world. And as a whole, the field of microfinance needs greater empirical investigation of its methods and outcomes, as well as the effects of social context on the success of programs (Woolcock 1999).

1.2 MICROFINANCE IN INDIA

Microfinance’s history dates back to the formation of the private sector- Syndicate Bank in 1921. In its initial years the Syndicate Bank focussed on improving upon its micro deposits contribution from the clients. This was done in the form of collecting deposits on daily or weekly basis and it also included its initiatives on sanctioning short term loans termed as micro loans to its customers. However, it was the contribution of Dr Yunus’s Grameen Bank experiment that brought the microfinance in the limelight and gave it mass movement significance.

Microfinance can be termed as a significant approach to provide saving and investment facility to the masses and lower income group population. It provides improved access and efficient provision of savings, credit, and insurance facilities
thus enabling the poor to manage their consumption, risks better, gradually strengthen their asset base, grow their business. It also provides enhanced income earning capacity and an improved quality of life. Self Help Group (SHG’s), Non-Government Organizations (NGOs), and Credit Agencies mainly operates the microfinance in India. The microfinance brings joy to the life of the people by giving them a larger stake in their own success rather than providing them with one time donation of food, goods, or money incentives. Even today as in the past many initiatives of Government for alleviation of poverty could not succeed to the desired level. This may be due to the fact that they do not consider the power of the poor to deal with their own problems. By giving one time subsidies by the Government hardly reduces their poverty levels and may not act as a long term solution. Guidance, power of capital and productive assets can emerge as the successful entrepreneur, if proper guidance can be imparted to this society. The same can be easily achieved by empowering them with power of microfinance.

In the planning process in India, poverty alleviation has been always one of the most important agenda and it is because of this reason Government has considerably increased the funds/budget allocation for providing quality education improved health services, sanitation and other facilities which promote capacity building, good infrastructure as well as well-being of the poor and development of the nation.

Since independence the Indian government lays strong emphasis on providing financial services to the poor and underprivileged. After the nationalisation of the commercial banks in 1969 and they were directed to lend 40% of their loan at subsidised rates to priority sector. This sector in general included the agriculture, rural activities and weaker section of society. The objective was to provide resources to help the underprivileged section to start their small and micro enterprise to attain self-sufficiency. The other poverty alleviation programs launched by government of India were Small Farmers Development Scheme (SFDS) in 1974-75, Twenty Point Programme(TPP) in 1975, National Rural Development Programme (NRDP) in 1980,

However most of these programmes could not achieve the desired goal due to poor execution and vested interest on the part of government officials. Mehta (1996) reports that public, which are meant for poverty alleviation are being misappropriated or diverted through manipulation by the locally powerful or corrupt officials or politicians. To support the efforts of microfinance, the Integrated Rural Development Programme (IRDP) launched in 1980 finds a special mention. This scheme involved the commercial banks giving loan of less than Rs 15000/- to underprivileged section. Around Rs 250 billion to roughly 55 million families got the benefit in this scheme in 20 years. However the scheme failed to realize its desired goal. The problems identified with the scheme were its design, which incorporated a substantial element of subsidies (25-50%) and this resulted in extensive malpractice and mis-utilisation of funds. IRDP loan was viewed as a motivated hand out and therefore the banks largely failed to follow up with borrowers. The net result is that estimates of repayment rates in IRDP ranged from 25-33%. This experience of the bankers spread through two decades affected the credibility of micro borrowers hindering the access of the less literate poor to banking services. This experience of the system affected the development of micro entrepreneurship among the underprivileged of the society having a huge impact in terms of failure of a very good, high rated and potential program which once claimed to be “the world’s largest microfinance programme” the main reason being poor execution and political interference.

The mid-review of the ninth plan revealed that most of these programmes presented a matrix of multiple programmes without desired inter linkages. The findings presented further reveals that programmes suffered from critical investments, lack of bank credit, over-crowding in certain projects and lack of linkages. Rather focusing on the process of social intermediation, which is considered important for success of
self-employment programmes these programmes were more subsidy driven. A committee was constituted in 1997 to by the planning commission to review the effectiveness of self-employment and wage employment programmes. The important recommendations included the merger of all self-employment programmes, shift of importance from individual beneficiary approach to a group based approach and emphasized on the identification of activity clusters in specific areas with strong training and marketing linkages. The recommendations given by the committee was accepted by the government of India on 1st April 1999 with the launch of a new programme called Swarnajayanti Gram Swarojgar Yojana (SGSY) by amalgamating programmes like IRDP (Integrated Rural Development Programme), TRYSEM (Training of Rural Youth for Self Employment), DWCRA (Development of Women and Children in Rural Areas), SITRA (Supply of Improved Toolkits to Rural Artisans), GKY (Ganga Kalyan Yojana) and MWS (Million Wells Schemes). This was a all-around holistic programme incorporating various aspects of self-employment such as formation of Self Help Groups (SHG’s), training, credit, technology, infrastructure and marketing. The objective of the programme was to establish a large number of micro enterprises in rural and backward areas. SGSY is a credit-cum- subsidy programme. It laid emphasis on activity clusters in different villages. Upon its launch this programme got tremendous response from the beneficiaries. As per the sources the number of SHG’s under this program is about 2.25 million with an investment of Rs 14,403 crore, profiting over 6,697 million people.

The microfinance initiative in the private sector in India can be accredited to the initiative undertaken by Shri Mahila SEWA a self-employed women’s association co-operative bank in 1974 for providing banking services to the poor women employed in the unorganized sector in Ahmadabad in Gujarat. Established with the initiative of 4000 self-employed women workers who contributed a share of Rs10 each with a specific objective of providing credit women in the group to empower them and free them from vicious circle of debt dependencies. As on date this bank has over
35000 account holders with total working capital of more than Rs 1291.89 million. The other example is of the MYRADA (Mysore Rehabilitation and Development Agency) of Karnataka an NGO started in 1968 to foster a process of ongoing change in favour of the rural poor. Self Help Affinity Groups (SHG’s) and through partnership with NGOs and other organizations in 1984-85 were formed with the aim of helping the poor help themselves. Currently, this group is managing around 25 projects in 20 backward districts of Karnataka, Tamil Nadu and Andhra Pradesh.

The successes of these programmes were limited to regions and their concerned group members only and therefore couldn’t take the shape of a mass movement. It was only after intervention of National Bank for Agriculture and Rural Development (NABARD) in 1992 that the movement of microfinance got a boost in terms of providing micro-credit to various organizations in India.

As per a study done by Reserve Bank of India (RBI) in 1992 it was reported that the share of formal financial sector in total rural credit was 56.6% compared to informal finance at 39.6% and unspecified source at 3.8%. It further reported a huge potential of microfinance in rural India. RBI advocated the theme for financial inclusion of majority of population for economic development of India. RBI was of the opinion that the access to affordable financial services specially credit and insurance enhances livelihood opportunities of poor. Financial inclusion also imparts formal identity and provides access to the payment system and to saving safety net like deposit insurance (Thorat, 2007).

With the changing time we have many agencies and institutions providing microfinance services that includes apex institutions like National Bank for Agriculture and Rural Development (NABARD), Small Industries Development Bank of India (SIDBI) and Rashtriya MahilaKosh (RMK). At the second tier we have Commercial Banks, Regional Rural Banks and Cooperatives. There are Micro Finance Institutions (MFIs), who are private institutions that undertake microfinance services
as their main activity and also NGOs which lend credit to SELF HELP GROUP (SHG’s). The prominent NGOs that provide support the Self Help Groups include MYRADA in Bangalore, Self Help Women’s Association (SEWA) in Ahmedabad, PRADAN IN Tamilnadu and Bihar, ADITHI in Patna, SPARC in Mumbai. Few NGOs directly provide credit to the borrowers like SHARE in Hyderabad, ASA in Trichy, RDO LOYALAM Bank in Manipur.

1.3 NEED FOR THE STUDY

As discussed above in detail the main objective of a Micro Finance Institutions is to providing financial assistance to small and low income people. The primary objective of the MFI’s is poverty alleviation. However, in the recent past it is found that majority of the MFI’s and NGO’s which were basically started for serving the poor and welfare of the society are involving themselves in unscrupulous activities causing threat to the financial upliftment of the community. Numerous studies show that there is a mismatch between the achievable and achieved outcome. It has been felt in the recent times that there is a need to have regulatory bodies and regulatory framework/guidelines to make the MFI’s more responsible and accountable towards the stakeholders. Further most the previous studies have focussed on the Micro Finance, Key stakeholders of Micro Finance, participation of SHG and NGO’s, financial inclusion, risk assessment, rate of interest and loan waiver scheme etc.,

Asokan (2005) reports a study conducted by National Institute of rural development (NIRD) on micro enterprises developed by SHG’s in Kerala. The major findings were focused on identifying the characteristics of micro entrepreneurs, which reveals that a majority (90%) of them were unemployed prior to joining SHG and tailoring was found to be the most preferred activity (47%). The study also reveals that on an average monthly turnover of micro project was around Rs. 1917 and a net profit Rs. 700 per month. The findings indicated a high level of profit considering the fact that around 60 per cent of individual units had investments of less than Rs. 5,000.
Similarly a study conducted by Ganesh (2005) in Akola district of Maharashtra states that a successful SHG can be formed under SGSY in a record time of one and half years. He found that majority of the families belonging to BPL status have uplifted their status to owner of brick kiln with their net profit being around Rs.550/- to Rs.650/- per 1000 bricks with their turnover increasing to more than Rs.3.5 lakhs.

A study by NABARD (2005) studies the impact of SHG’s on economic empowerment of its SHG beneficiaries in Ballir district, Uttar Pradesh. The study reports an increase in the monthly income of each of the families by at least Rs.700/month and attributes the same to the business that they were able to do with the support from the loan obtained from the SHG’s. There are similar success stories like this which can be traced from the literature. But there has also been few discussions on the poor performance of the SHG programs in other parts of the country.

Based on the available literature review in the field of Microfinance institutions and their governance which is discussed in detail in the third chapter the following research gaps were identified for the present study.

I. Micro Finance Institutions should be properly controlled and regulated. This research on governance explores the possible mechanisms to regulate the Micro Finance Institutions which will strengthen the sector and enhance the greater benefits towards stakeholders of Micro Finance Institutions.

II. As the number of research undertaken on governance of Micro Finance is limited in number, this research work will prove highly useful in the days to come in the area of Micro Finance. Further very few studies have focused on capturing the perceptions of the stakeholders involved in the SHG governance and implementation.
More specifically this research has been carried with the following objectives.

1.4 **RESEARCH OBJECTIVES**

The study was taken with the following objectives:

I. To study the MF scenario in India
II. To assess, up to what extent SHG beneficiaries are satisfied with the Micro finance scheme available to them.
III. To study the procedural aspects of SHG Micro financing scheme and evaluate the progress with specific reference to its implementation in Dharwad district of Karnataka.
IV. To analyse the views and perceptions of various players in the SHG’s towards identifying the strong and weak spots in order to enhance the effectiveness of the scheme.
V. To document the views of the Stakeholders to sharpen the implementation of similar schemes in the future.
VI. To suggest measures to improve the implementation of the scheme.

1.5 **RESEARCH HYPOTHESIS**

The following research hypothesis has been framed for the study based on the review of literature and the above objectives

I. There is influence of the gender on the selection of the different type of businesses in Dharwad District.
II. The amount of loan sanctioned by the Bank is dependent on the type of business the beneficiary proposed.
III. The non-availability of the necessary documents with the beneficiaries led to their dissatisfaction with the Bank’s document verification process.
IV. The repayment status of the loan is dependent on the type of business run by the beneficiary.
The above hypothesis were tested using appropriate statistical tests as listed in the methodology section.

1.6 RESEARCH METHODOLOGY

1.6.1 Micro finance Program Included in this Study

The program included in this study is the Self Help Groups (’s). This sample includes small business loans to borrowers who reside in Dharwad district of Karnataka. The common conception of micro finance refers to programs that make very small business loans to borrowers excluded from mainstream financial institutions. In the developing world, loans are extremely small and go a long way in promoting business development. In the India, the range of loan sizes that could be considered micro finance is large, as is the range of borrowers who could be considered financially excluded. While some micro finance programs lend in the range of a several hundred to a few thousand lakhs of rupees. The Reserve Bank of India (RBI) classifies business loans of up to Rs. 50000/- per member or less as microloans. For this study, we have used loan size as the main criterion for defining what counts as both a microloan and a micro-lending organization. We have also defined micro finance as any loans that are used for business purposes, whether they are commercial or consumer loans. This means that, those SHG’s who have taken at least a few loans of Rs. 50000 or less for business purposes were eligible for this study.

1.6.2 Sources of data collection

The requisite data were obtained from both primary and secondary sources. The secondary sources included the official records of NABARD, other banks, and SHG’s. Data from various governments’ websites and related agencies were also collected for the analysis.
### Data Collection

<table>
<thead>
<tr>
<th>Primary Data Sources</th>
<th>Secondary Data Sources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Observations</td>
<td>Annual Reports and Planning reports available on the Websites</td>
</tr>
<tr>
<td>Interactions with the NABARD officials.</td>
<td>Government of Karnataka Web sites and official sources.</td>
</tr>
<tr>
<td>Interactions with the Bank officials.</td>
<td>Official Records and Progress in Dharwad District</td>
</tr>
<tr>
<td>Survey of selected SHG’s beneficiaries from Dharwad District</td>
<td>Status reports from the selected Banks on the issued loans.</td>
</tr>
</tbody>
</table>

### 1.7 Sample Characteristics and Sample Size

The first step in this research was to identify lending organizations that grant microloans to borrowers in Dharwad district. To do this, we contacted organizations that were already known to us and did micro-lending and established leads through their networks. Once the micro finance lenders (Banks and NGO’s) agreed to participate, the information was collected through two research instruments, a survey and an interview. The interview with the stakeholders established how the program perceives its primary goals, specifically regarding poverty alleviation and economic development. It provides a total picture of the way the program operates and what its administrators hope to achieve. The interview also included some reflective questions about the elements of successful micro lending and the role of micro finance in local
development though the SHG program. These questions draw on administrators’ experience in the field to help answer the lingering questions about where microfinance fits in development agendas.

The survey gathered more specific and quantitative information about the program that could be used to evaluate its success, as well as the criteria by which programs assess the credit-worthiness of potential borrowers. The survey asked specific questions about target population and additional services offered by the organization that administers the lending programs. Because some programs do conventional lending in addition to microfinance, it asked for information about program funding for both capital funds and operational expenses. The survey included two lists, one of criteria that a program may use to evaluate the creditworthiness of an applicant, and one of objectives that may be included in a program’s mission. Administrators were asked to rate the importance of each criterion in the program’s evaluation process, and each objective in the program’s mission.

To gather information from borrowers, the borrowers were contacted personally for the administration of the survey. The interview involved both qualitative, opened-ended questions and survey components. Basic demographic information about the borrowers and background information about their businesses, to attain perspective on who has been successful in accessing these lending programs were collected. The qualitative portion of the interview included questions about why and how the borrower started a business, what they liked best about the through which they borrowed, how they interact with their local community, and what plans they have for business expansion. These questions provide insight into borrowers’ motivations for being in business and their perspectives on both being in business and interacting with micro lenders. Some survey questions were designed to assess social and economic outcomes. All of these questions gauge whether microfinance programs support profitable businesses and whether the borrowers have seen an increase in their
financial security since being self-employed. Questions were also asked about business training, because the educational element of microenterprise development has proven very important in the Indian context. Finally, questions were asked about their household spending patterns since they became self-employed and how they balance their business and household responsibilities.

The study was conducted in the Dharwad district of Karnataka state in India. Dharwad has major industrial areas, educational institutes and good hospitals. The city is well developed with good roads, shopping centres, and residential areas, and also has good communication and transport infrastructure. Dharwad presents all the necessary criteria’s to be classified as one of the fastest developing district in North Karnataka. The details of the selected sample is given in table 1-5, 1-6 and table1-7.

Table 1-1: Taluka-wise SHG Beneficiaries selected for the study from Dharwad District.

<table>
<thead>
<tr>
<th>Taluka</th>
<th>Cases Selected for the Study</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dharwad</td>
<td>175</td>
</tr>
<tr>
<td>Hubli</td>
<td>102</td>
</tr>
<tr>
<td>Navalgund</td>
<td>78</td>
</tr>
<tr>
<td>Kalghatgi</td>
<td>64</td>
</tr>
<tr>
<td>Kundgol</td>
<td>59</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>478</strong></td>
</tr>
</tbody>
</table>

SOURCE: COMPILED BY THE RESEARCHER
Table 1-2: Bank officials covered for the study

<table>
<thead>
<tr>
<th>Type of Bank</th>
<th>No. of Branches/loans availed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public sector banks</td>
<td>125</td>
</tr>
<tr>
<td>Grameena banks</td>
<td>95</td>
</tr>
<tr>
<td>Cooperative banks</td>
<td>30</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>250</strong></td>
</tr>
</tbody>
</table>

The demographic and the business profile of the selected sample are presented in the following tables and figures.
Out of the total selected sample size of 478 beneficiaries 134 (28.03%) of them were male and 344 (71.97%) of them were female.

### Table 1-3: LEVEL OF EDUCATION

<table>
<thead>
<tr>
<th>Educational Qualification</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Illiterate</td>
<td>9</td>
<td>1.9</td>
<td>1.9</td>
<td>1.9</td>
</tr>
<tr>
<td>Below 5&lt;sup&gt;th&lt;/sup&gt; Grade</td>
<td>126</td>
<td>26.4</td>
<td>26.4</td>
<td>28.3</td>
</tr>
<tr>
<td>5&lt;sup&gt;th&lt;/sup&gt;-10&lt;sup&gt;th&lt;/sup&gt; Grade</td>
<td>208</td>
<td>43.4</td>
<td>43.4</td>
<td>71.7</td>
</tr>
<tr>
<td>10th pass</td>
<td>81</td>
<td>17.0</td>
<td>17.0</td>
<td>88.7</td>
</tr>
<tr>
<td>12 pass</td>
<td>54</td>
<td>11.3</td>
<td>11.3</td>
<td>100.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>478</strong></td>
<td><strong>100.0</strong></td>
<td><strong>100.0</strong></td>
<td></td>
</tr>
</tbody>
</table>
The educational qualifications of the selected sample are shown in table 3-2.

**Figure 1-2: LEVEL OF EDUCATION**

![Chart showing education levels: illiterate, 5th Pass, 7th pass, 10th pass, 12th Pass, Graduate.](chart1)

**Figure 1-3: ANNUAL INCOME LEVEL**

![Pie chart showing income levels: Below 1 L, 1 Lakh to 5 Lakhs, Above 5 Lakhs.](chart2)
The annual income of the selected sample varied from below one lakh to above 5 lakhs. 43.4% of them were in the income level of below 1 lakh. Very few (15%) of them fall under the income level of above rupees 5 lakhs

**Table 1-4: LOAN AMOUNT SANCTIONED**

<table>
<thead>
<tr>
<th>Sanctioned Amount (Rs)</th>
<th>Frequency</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less Than Rs. 10000</td>
<td>119</td>
<td>24.90</td>
<td>24.90</td>
</tr>
<tr>
<td>Rs. 10000-15000</td>
<td>157</td>
<td>32.85</td>
<td>57.74</td>
</tr>
<tr>
<td>Rs. 15000-250000</td>
<td>131</td>
<td>27.41</td>
<td>85.15</td>
</tr>
<tr>
<td>Rs. 25000-30000</td>
<td>45</td>
<td>9.41</td>
<td>94.56</td>
</tr>
<tr>
<td>Rs. 30000 and above</td>
<td>26</td>
<td>5.44</td>
<td>100.00</td>
</tr>
<tr>
<td>Total</td>
<td>478</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

Also the loan amount varied across the beneficiaries as shown in table and figure below.
Table 1-5: TYPE OF BUSINESS

<table>
<thead>
<tr>
<th>Business Type</th>
<th>Frequency</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Processing</td>
<td>18</td>
<td>3.77</td>
<td>3.77</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>117</td>
<td>24.48</td>
<td>28.24</td>
</tr>
<tr>
<td>Services</td>
<td>145</td>
<td>30.33</td>
<td>58.58</td>
</tr>
<tr>
<td>Trading</td>
<td>126</td>
<td>26.36</td>
<td>84.94</td>
</tr>
<tr>
<td>other</td>
<td>72</td>
<td>15.06</td>
<td>100</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>478</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Similarly the proportion of business type selected for the study is shown in table and figure below.
Convenience sampling was used for their selection as the researcher had to personally visit the beneficiaries and convince them for their participation in the study. Although, this procedure consumed lot of time but ensured lively participation and helped gained deeper insights in the issues related to the procedural aspects and administration of SHG scheme in Dharwad District.

1.7.1 Questionnaire and Unstructured Discussions

Questionnaire was developed to capture the data from the benefactress. The questionnaire included questions to capture the basic profile of the beneficiaries, procedural issues faced during availing the schemes, their satisfaction on the support and guidance availed from the various stakeholders involved (included the NABARD officials, NGO’s and the bank officials). Questions were also asked pertaining to how their business performed and what criteria they considered to sell their products. The questionnaire used for the study is given in Annexure I. The questionnaire developed for capturing the perceptions of the bank officials was a modified version of the questions

Figure 1-3: TYPE OF BUSINESS

![Bar chart showing the frequency of different types of businesses](chart.png)
used by Tamragundi and Ragikallapur (2013), which was used in similar settings for evaluating the risk perceptions of the bank officials with reference to the SHG scheme.

Unstructured discussions through personal interactions were held with the NABARD officials from Dharwad district and 250 Bank Managers of different banks involved in the implementation of the scheme. Questions pertaining to the criteria considered for the selection of the applicant, providing training and various other issues faced by them during the implementation and administering the scheme were asked. Information was also collected from various secondary sources like Government reports, government agencies, websites, academic journals, industry reports etc. to review the concept and status of the unemployment, entrepreneurship and self-employment.

1.7.2 Data Analysis

The data collected from the NABARD officials was based on the unstructured discussions and therefore, the same was analysed qualitatively.

Means, standard deviations and frequency distributions with the help of frequency charts and pie charts was used to analyse the quantitative data collected from the bank officials and the beneficiaries.

Chi-square and ANOVA test was used to analyse the hypothesis framed for this study.

All the Data analysis was done using SPSS software.

1.8 SCOPE AND LIMITATIONS OF THE STUDY

The study identified the following limitations;

1. The study deals with the evaluation of the progress and administration of the Micro finance finance scheme in Dharwad District in Karnataka. Therefore, the
first limitation come in the form of the geographical scope i.e. Dharwad District in Karnataka. The findings of this study may not be exactly replicated and generalised with the other districts in Karnataka and in India. However it is mentioned that researchers may conduct similar studies in other parts of the country and compare the findings to draw meaningful conclusions and generalisations.

2. The findings of the study are in particular for the Microfinance scheme deployed by various agencies. Hence it is not advisable to generalise the same for any other Government Scheme for credit finance, as the objectives with which the government launches the schemes are different and may not match with that of the Microfinance schemes.

3. Self Help Groups, as micro financial invitation emerged as an impetus for community action. An informal supplementary credit delivery mechanism by lending at group level, the SHG’s are in existence the scope of study influenced by the chief objective to study the income generating activities and how it contribute to the empowerment of poor.

4. While this study contributes valuable information about the elements of successful micro finance, it does not provide control groups, so it is impossible to judge whether the observed outcomes are completely attributable to micro finance program. And though the sample of borrowers is representative of the total population of borrowers in Dharwad district, it is small according to statistical standards. This also makes it difficult to put forth strong assertions about the relationship between program characteristics and borrowers outcomes.

5. This study focused on the cross section perception of bank managers, non government organisations and the beneficiaries of the programme. However
further studies may conduct to get detailed insights on particulars of the scheme in form of conducting specific case studies in dharwad district. The findings of the study may be used to design case studies.

6. The other scope available for future studies involves of more MFIs as in present the focus was more on the organised national banks, the reason for the same is Readiness of these banks to participate in the survey and easy access to these banks.

7. The pioneer for micro-finance institutions was Bangladesh and form there started Revolution. The present study is a micro level study of how micro finance is perceived and helped in Dharwad district. A national level macro level study comparing the practices and policies in India and Bangladesh may be conducted which may bring out some important gaps for further developments.

8. Some of the quantitative questions rely on self-reported data and are therefore likely to contain a significant degree of error.

1.9 CHAPTER SCHEME

The study is presented in six chapters.

The First Chapter is developed to the introduction of the Micro finance and Micro financial institutions and the need for this study, the specification of the objectives, research hypothesis, design and limitations of the study. The Second Chapter presents a review of literature of the important existing studies on the micro financial situation worldwide.

The Third Chapter details the description of the study area.

Chapter Four gives us an overview of the SHG scheme and views of officials on its performance in Dharwad district.
Chapter Five presents the views of the Bank officials on the various perceptions they carry on the implementation of the SHG scheme.

Chapter Six presents the views of the SHG beneficiaries on the various perceptions they carry on the implementation of the SHG scheme.

The Chapter Seven summarizes the results and suggests polices to improve the micro financial activities.