

Performance of Rural Entrepreneurs: A Study in Dakshina Kannada District of Karnataka

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ABSTRACT

In India, the need for microfinance is high as demand for credit to start microenterprises by the poor people is not met by the institutional initiatives of rural finance in a large scale. Due to the failure of percolation theory of social development, poor people are highly dependent on non-institutional sources of credit. Growth of microfinance in India has been the response to the failure of institutional initiatives of rural credit and exploitation attached with the informal system of credit. The delivery of microfinance to the poor is smooth, effective, and less expensive if they are organized into Self Help Groups (SHG). SHGs are promoting microenterprise through microcredit intervention. Microenterprise is an effective instrument of social and economic development. Microfinance is the agenda for empowering the rural poor. The objective of this paper is to focus on the activities of SHGs in the study area and to analyze the performance of rural entrepreneurs before and after availing microcredit.

Keywords: SHGs, Rural Entrepreneurship, Microenterprise, Microfinancing

INTRODUCTION

The development of small and micro industries has been accepted as one of the most significant and important features of industrial development in India. Entrepreneurship in small-scale sectors is the only solution to the problem of unemployment, proper utilization of both human and non-human resources, and improving the living conditions of the poor masses. The basic rationale behind developing these industries is that they provide

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immediate large-scale employment, ensure more equitable distribution of income, encourage decentralization of industries, and eradicate poverty and unemployment. In brief, a country which is rich in entrepreneurship can attain economic augmentation.

Microfinance

Microfinance is the provision of financial services to low-income poor and very poor self-employed people. These financial services generally include savings and credit but can also include other financial services such as insurance and payment. Microfinance is the attempt to improve access to small deposits and loans for poor households neglected by banks. Therefore, microfinance involves the provision of financial services such as savings, loans, and insurance to poor people living in both urban and rural settings who are unable to obtain such services from the formal financial sector.

Micro and Rural Entrepreneurship

Microenterprises are firms owned by the self-employed poor that use microfinance. Microenterprises are a proven way to strengthen viable small businesses, resulting in increased household income and savings, and thus alleviating the crunch of economic poverty. Microenterprise, the smallest type of entrepreneurial enterprise, comes in all shapes and forms, from subsistence business to firms that use relatively sophisticated production methods, display rapid growth, and are directly linked to larger firms in vendors, metal shops, tailors, and more.

Rural entrepreneurship means establishing industrial units in rural areas. It is an effective means of accelerating the process of rural development. Rural entrepreneurship can be defined as entrepreneurship emerging at the village level, which can take place in a variety of fields of endeavor such as business, industry, and agriculture, and acts as a potential factor for economic development. In short, rural entrepreneurship implies rural industrialization consisting mainly of agro-based industries, khadi and village industries, and cottage industries.

Areas of Microenterprise Development

Microenterprises are classified under three major heads.

1. *Microenterprise development related to agriculture and allied activities* like cultivating organic vegetables, flowers, oilseeds, seed

production, mushroom growing, and beekeeping. Some more areas can be dehydration of fruits and vegetables, canning or bottling of pickles, chutneys, jams, squashes, dairy and other products, which are ready-to-eat items.

2. *Microenterprise development related to livestock management activities* like dairy farming, poultry farming, livestock feed production, and vermicomposting using animal waste can be important areas in which women can utilize both their technical skills and raw materials from the farm and livestock to earn a substantial income.
3. *Microenterprise development related to household-based operations* like knitting, stitching, weaving, embroidery, bakery and flour milling, petty shops, and food preparation and preservation.

Self Help Groups (SHGs)

SHG is a small, economically homogenous affinity group of rural/urban poor, voluntarily formed to save and contribute to a common fund which may be lent to its members as per the group's decisions. The members of the group work together for the social and economic uplift of their families and community. Self Help Groups are usually informal groups whose members have a common perception of need and importance toward collective action. These groups promote savings among members and use the pooled resources to meet the emergent needs of their members; the number of members in SHGs normally ranges from 10 to 15. It is expected that, within the group, there should be true democracy in which all the members must participate actively in decision-making processes.

Progress of SHGs–Bank Linkage Program in Karnataka

The progress of SHGs–Bank linkage program in Karnataka is shown in Table 1.

Table 1: Progress of SHGs–Bank Linkage Program in Karnataka (1992-93 to 2007-08)

<i>Year</i>	<i>No. of SHGs Credit-linked</i>	<i>Bank Loan (Rs. Lakh)</i>	<i>Refinance to Members by SHGs (Rs. Lakh)</i>	<i>% of Refinance by SHGs</i>
1992-93	114	5.73	5.73	100
1993-94	51	5.51	5.51	100
1994-95	481	77.71	77.71	100
1995-96	1046	145.08	145.08	100

<i>Year</i>	<i>No. of SHGs credit-linked</i>	<i>Bank Loan (Rs. Lakh)</i>	<i>Refinance to Members by SHGs (Rs. Lakh)</i>	<i>% of Refinance by SHGs</i>
1996-97	760	159.12	159.12	100
1997-98	1138	232.19	22810	98.23
1998-99	2002	429.86	422.28	98.23
1999-00	5018	1054.81	649.00	61.52
2000-01	8009	1714.00	1404.00	81.91
2001-02	18413	3475.39	2229.00	64.13
2002-03	25146	7249.50	4073.55	56.19
2003-04	41688	13960.37	6090.22	43.62
2004-05	59332	26653.00	9951.00	37.33
2005-06	61730	44260.02	6695.43	15.12
2006-07	92708	81638.87	15599.24	19.11
2007-08	317636	181073.71	47776.00	26.38

Source: Status of SHGs–BLP by (NABARD Regional Office, Bangalore-2008)

An analysis of Table 1 shows that in the year 1992-93, the number of SHGs credit-linked was 114 and loan provided by the banks was Rs. 5.73 lakh. The amount refinanced by the SHGs to their members was 5.73 lakh. It indicates that 100% of the loan amount received from the banks was refinanced by the SHGs to their members. In the year 2007-08, the number of SHGs credit-linked was 3,17,636 and loan provided by the banks was Rs. 1,81,073.71 lakhs. The amount refinanced by the SHGs to their members was Rs. 47,776 lakhs. It indicates that 26.38% of the loan amount received from the banks was refinanced by the SHGs to their members. There has been a rapid increase in the bank loan provided to SHGs over a period of time. Thus the study makes it clear that although the amount of bank loan provided to SHGs has increased, the amount of refinancing provided by the SHGs to the members has decreased over a period of time.

REVIEW OF LITERATURE

Manimegalai and Rajeswari (2001) investigated the problems of women entrepreneurs of SHGs in rural areas of the Trichy district in Tamilnadu, and found that a majority (53%) of women enterprises faced the a shortage of capital. This is because the members availed loan only from their SHGs and their own microfinance institutions. The study revealed that 21% of

the women entrepreneurs faced non-availability of quality raw materials and about 31% faced marketing problems.

Debnarayan Sarker (2001) made a study of the SHG-NGO model of rural microfinancing in West Bengal. The author examined the working of SHGs financed by the Tajmahal Grama Bikash Kendra (TGBK), a nodal agency of Rashtriya Mahila Kosh in the Howrah District of the state. The TGBK provides microfinance to women from poor families engaged in gold embroidery industry; it mobilizes savings, and promotes self-empowerment and microeconomic activities. The study revealed that due to widespread landlessness, the families of SHGs are fully engaged in the traditional craft of golden embroidery. In the SHG approach, the people with small savings form a credit group that collects small savings. The leader of each group is elected democratically and the activities of the SHGs are organized through group meetings at regular intervals. All members of the households saved regularly. With regard to saving-credit status of SHGs with NGO, about 90% of the total households were credit-linked with the NGOs and none of the sample households had access to formal credit. The recovery of credit was found to be over 65% of the total size of loan taken by the SHG households. Of the 96 households, 70% reported employment for 200 days and the rest for over 200 days each in a year. About 47% of the respondent households reported an increase in income. The study suggested the need to change the strategy of SHG-Non-NGO model of microfinancing to bridge the gap between saving-linked SHG and credit-linked SHG, and to increase the supply of credit substantially with increase in SHGs in the state.

Kumaran (2002) analyzed the role of SHGs in promoting MEs through microfinance in the Pune district of Maharashtra and found that 37.93% of members were in the age group of 25 to 30 years. The most common enterprises were tailoring and dairy. About 45.23% of the capital was raised from the SHGs and 29.39% was from banks as loans. The promotion of technical and backup services helped the MEs to achieve sustainability to a greater extent.

A study on impact of microfinancing on employment, income, and empowerment, carried out by Virender Kumar, Sharma and Sharma (2004), revealed that microfinance did make a significant first-round impact on income, employment, and poverty of the member households. However, credit alone is not enough to graduate rural households successfully from survival activities to more productive enterprises and realize larger second-round impact on income, employment, and poverty. Structural constraints

such as lack of skills, training, and market infrastructure have started emerging, which need to be addressed as a priority to make microfinance an effective instrument against the problem of unemployment and poverty.

Thingalaya, Moodithaya and Shetty (2004) have made a study on Microfinance and Rural Employment: An Appraisal of the Potentialities in Karnataka. The study concluded that SHG as a concept, methodology, and approach is found to be the most appropriate and cost-effective credit delivery system to reach the rural poor, particularly women. It has provided easy access and timely bank credit to the poor who were hitherto not reached by the banking system. With group lending, transaction costs have been reduced and recovery rate has improved. It has also proved to be a new development paradigm for alleviating poverty through social and economic empowerment of the poor, with special emphasis on women. For enabling the SHGs to play their assigned role effectively, there is an imperative need for avoiding target fixation, subsidy distribution, and political interference. There is also an urgent necessity to provide vocational training, general guidance, and organizational support for marketing.

Shaw (2004) finds evidence that undermines the claim that microenterprise credit is an effective solution for the alleviation of serious poverty. According to him, microfinance can work well for those who are near the poverty line and can engage in high-value enterprises. He further argued that rural microenterprises, relative to urban or semi-urban microenterprises, serve to protect current consumption levels but offer limited opportunity for exiting poverty.

Arul Kamaraj (2005) expressed that Self Help Groups undertake entrepreneurial activities at a smaller level with minimum capital requirements. In future, the inbuilt strength of the Self Help Groups will have the means to undertake bigger projects like projects performed by joint-stock companies, public sector enterprises, and so on. SHGs have the power to create a socio-economic revolution in the rural areas of the country.

In another empirical study done on 12 MFIs in four countries of West Africa by Roy and Wheeler (2006), it was found that poor access to credit, poor training, lack of trust and cooperation, and aversion to risk were the most common factors restricting the success of these microenterprises. They also stated that the availability of microfinance will inevitably be an important part of the story. But it must be accessible to those who need it most, and the supporting social capital may need to be nurtured.

OBJECTIVES

- To focus on the activities of SHGs in the study area.
- To analyze the performance of rural entrepreneurs before and after availing microcredit.

RESEARCH METHODOLOGY

The study is mainly based on primary and secondary data. The secondary data on microfinance and other related activities were collected from NABARD, government departments, non-governmental organizations of selected taluks, districts, and state-level officers, and also other research institutions, universities and panchayath offices. The primary data was collected from members of SHGs who are running microenterprises in rural areas. For collection of primary information from members of SHGs, disproportionate stratified random sampling techniques of statistical tools was used through structural questionnaire. The test for the relevance of the questionnaire method was done through a pilot study in the study area. After the pilot study, the primary information was collected by visiting the SHG's members and microenterprises in the study area.

Dakshina Kannada district consists of five taluks, namely Mangalore, Putur, Bantwal, Belthangady, and Sulia. All five taluks from Dakshina Kannada district are selected for the purpose of the study. Ten SHGs are selected from each of the five taluks of the study area. A typical SHG will have 15-20 members. The researcher has selected three members from each group. Therefore, the investigation covered 150 members. The researcher conducted extensive interviews with them and was involved in wide-ranging discussions with the group.

PROFILE OF GROUP ACTIVITY

Table 2 shows the activity details of SHGs in the study area. It is observed that after joining SHGs, the members had habitually been saving and depositing money. Around 44% of respondents had savings in the range of Rs. 51-100, followed by 21.33% saving up to Rs. 50. Around 16.67% were saving Rs. 101-150 and 10% were saving Rs. 201 and above. Only 8% of respondents had savings of Rs. 151-200.

Table 2: Activity Details

<i>Amount of Monthly Savings (Rs.)</i>	<i>No. of Respondents</i>	<i>Percentage</i>
Up to 50	32	21.33
51-100	66	44
101-150	25	16.67
151-200	12	8
201 & Above	15	10
Total	150	100
<i>Loan Amount (Rs.)</i>	<i>No. of Respondents</i>	<i>Percentage</i>
Up to 1,000	11	7.33
1,001-2,000	15	10
2,001-3,000	10	6.67
3,001-4,000	24	16
4,001-5,000	35	23.33
5,001 & Above	55	36.67
Total	150	100
<i>Regularity in Repayment</i>	<i>No. of Respondents</i>	<i>Percentage</i>
Regular	127	84.67
Irregular	23	15.33
Total	150	100
<i>Experience in SHG (Years)</i>	<i>No. of Respondents</i>	<i>Percentage</i>
Less than 1	15	10
1-3	48	32
4-6	76	50.67
7 & Above	11	7.33
Total	150	100

Source: Primary data

From Table 2, it can be seen that all members had availed small loans. Out of 150 respondents, 55 had availed a loan of Rs. 5,001 and above, whereas 35 had availed between Rs. 4,001 and Rs. 5,000. Of the total respondents, 24 respondents had availed a loan ranging from Rs. 3,001 to Rs. 4,000, and 10 respondents had availed loan ranging between Rs. 2,001 and Rs. 3,000. 15 respondents had availed loan from Rs. 1,001 to Rs. 2,000, and only 11 respondents had availed a loan up to Rs. 1,000.

During the survey it was observed that the older groups were more capable of lending loan than new groups. As far as repayment of loan

is concerned, 84.67% of respondents were regular in their repayment, whereas 15.33% were irregular. The major reason for irregular repayment was uncertain and inadequate income of the respondents. SHGs are proved to generate group consciousness, peer pressure, create awareness, and arouse desire and interest in enhancing the income level of the poor. In this context it is necessary to present the extent of experience of the respondents in SHG initiation. Of the total sample, 50.67% of respondents had four to six years' experience and 32% had one to three years. Around 10% of respondents had less than one year of experience. The least percentage (7.33) of respondents had experience of seven years and above.

The Performance of Rural Entrepreneurs Before and After Availing Credit

Production is an important indicator in determining the performance of a business. In the study, production was measured in terms of units produced per month. As the products vary in nature, size, time, and so on, 50 units was taken as the common measure for all forms of income-generating activities to determine the production performance of rural entrepreneurs.

Table 3: Monthly Production (In Units)

<i>Production (Units)</i>	<i>Pre-Linkage Period</i>		<i>Post-Linkage Period</i>	
	<i>No. of Respondents</i>	<i>Percentage</i>	<i>No. of Respondents</i>	<i>Percentage</i>
<i>Below 50</i>	<i>54</i>	<i>36</i>	<i>12</i>	<i>8</i>
50-100	86	57.33	47	31.33
Above 100	10	6.67	91	60.67
Total	150	100	150	100

Source: Primary data

It was found from Table 3 that 36% of entrepreneurs produced below 50 units from their entrepreneurial activities during pre-linkage period. Around 57.33% of respondents were producing between 50-100 units per month and only 6.67% were producing above 100 units per month during pre-linkage period. Microcredit enabled the respondents to produce more number of units from their entrepreneurial activities during post-linkage period. It was clear that around 60.67% of total respondents produced more than 100 units from their income-generating activities during post-linkage period. Around 31.33% were able to produce above 50 units but not able to produce more than 100 units, and 8% produced bellow 50 units during post-linkage period.

Table 4: Monthly Sales (In Rs.)

<i>Monthly Sales (In Rs.)</i>	<i>Pre-Linkage Period</i>		<i>Post-Linkage Period</i>	
	<i>No. of Respondents</i>	<i>Percentage</i>	<i>No. of Respondents</i>	<i>Percentage</i>
Below 5,000	85	56.67	12	8
5,001-10,000	45	30	32	21.33
Above 10,001	20	13.33	106	70.67
Total	150	100	150	100

Source: Primary data

It is clear from Table 4 that around 56.67% of the sample rural entrepreneurs sold their product for Rs. 5,000 and below from their enterprise during pre-linkage period. About 30% of respondents were able to sell their product for between Rs. 5,001 and Rs. 10,000, and only 13.33% were able to make a monthly sale of Rs. 10,001 and above. Microcredit has enabled the respondents to sell or market their products for Rs. 5,001 and above from their income-generating activities during post-linkage period. It was found that 70.67% marketed their product for Rs. 10,001 and above. Around 21.33% of respondents were able to make a monthly sale of Rs. 10,000 and only 8% made a monthly sale of Rs. 5,000 and below during post-linkage period.

Table 5: Monthly Returns (In Rs.)

<i>Monthly Returns (In Rs.)</i>	<i>Pre-Linkage Period</i>		<i>Post-Linkage Period</i>	
	<i>No. of Respondents</i>	<i>Percentage</i>	<i>No. of Respondents</i>	<i>Percentage</i>
Below 10,000	104	69.33	8	5.33
10,001-20,000	35	23.33	25	16.67
Above 20,001	11	7.34	117	78
Total	150	100	150	100

Source: Primary data

A return from microenterprises constitutes a very small amount. Monthly turnover is one of the few important determinants to measure the performance of rural enterprises. It is evident from Table 5 that of the total sample, around 69.33% of rural entrepreneurs had a turnover from the sale of products of Rs. 10,000 and below from their entrepreneurial activities. About 23.33% of respondents were able to make between Rs. 10,001 and Rs. 20,000 from their income-generating activities. A

minimum percentage (7.34%) of respondents were in a position to earn above Rs. 20,001 as their monthly returns during pre-linkage period.

Microcredit has enabled the respondents to make a turnover from the sale of products of Rs. 20,001 and above from their entrepreneurial activities during post-linkage period. It was shown in Table 5 that, of the total sample, 78% of respondents earned monthly returns of Rs. 20,001 and above, and 16.67% were able to make between Rs. 10,001 and Rs. 20,000. Only 5.33% of respondents were earning less than Rs. 10,000 as monthly income during post-linkage period. It was clear that the capacity for earning monthly returns has increased during post-linkage period.

FINDINGS

- The study found that around 44% of respondents had savings in the range of Rs. 51-100 followed by 21.33% saving up to Rs. 50.
- It was found that 55 respondents received a loan amount of Rs. 5001 and above, whereas 35 had availed a loan ranging between Rs. 4001-5000.
- The study discloses that 76 respondents have 4-6 years of experience. It is also found that new faces enter SHGs rapidly and new members motivate the non-members to join the group for the upliftment of status and to improve the standard of living.
- It is found that microcredit has enabled the respondents to produce more units of products, and increase monthly sales and returns during post-linkage period compared to pre-linkage period.

SUGGESTIONS

- Monitoring of credit after its disbursement by the banks; office bearers of NGOs and other members of the SHGs can solve the problem of miss application of funds. This will go a long way in bringing about proper utilization of the funds sanctioned.
- Banks should lend to SHGs at a subsidized interest rate.
- Thriftiness should be developed to ensure the flow of funds to SHGs.
- Workshops related to income-generating activities should be organized by agencies such as DIC, banks, and so on, for SHG members.

CONCLUSION

Rural entrepreneurship is one of the most practical alternatives for integrating rural people, especially women, in tackling the survival needs of the family. SHGs reduced the inequality of the status of women as participants, decision-makers, and beneficiaries. The SHG empower and train rural entrepreneurs to take action in the socio-economic progress of the nation and make them sensitized, self-made, and self-disciplined.

Research findings in the region highlight that microfinance activities in rural areas with the SHG approach created a new wave of empowerment that made rural people become involved in various investment activities, and hence, inculcated confidence in engaging in economic activities. A process has been set up in which rural entrepreneurs experience all aspects of running a venture, such as decision-making, production, marketing, group actions, and finance and risk management.

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