

# “Micro Finance as an enabling factor for Micro Enterprises with reference to Shri KshetraDharmasthala Rural Development Project B.C. Trust®in Sagara Taluk”

Prof. Ramadasa Naik  
Sri Krishna and Jeevan

Students, Trisha Vidya College of Commerce & Management Katapadi, Udupi

## Abstract

As microfinance gains increasing attention and application as a financing mechanism for entrepreneurs at the base of the economic pyramid, this Special Issue of Study on micro finance under Self Help Groups aims to enhance scholarly understanding of how microfinance fosters entrepreneurial activity. Microfinance brings a range of financial services, including microcredit loans, savings, and insurance, within the reach of millions of poor households not served by traditional banks.

Poverty has given rise to emergence of the microfinance. Even in United States, one of the richest countries in the world, the poverty industry is worth about \$33 billion a year and in country like India two-thirds of people live in poverty where 68.8% of the Indian population lives on less than \$2 a day. Over 30% even have less than \$1.25 per day available – they are considered extremely poor. In order to make the economy strong, the credit has to be enhanced by this the social capital will become strong and this ultimately will make the economy strong.

Research is a systematic investigation on the study matter employed to increase or revise current knowledge. It helps in discovering new facts and drawing new conclusions. It involves searching for and gathering information, usually to answer a question or problem. The present project focuses on how micro-finance has contributed for the development of micro-enterprises with reference Shri KshetraDharmasthala Rural Development Project B.C. Trust® in SagaraTaluk.

Date of Submission: 07-09-2021

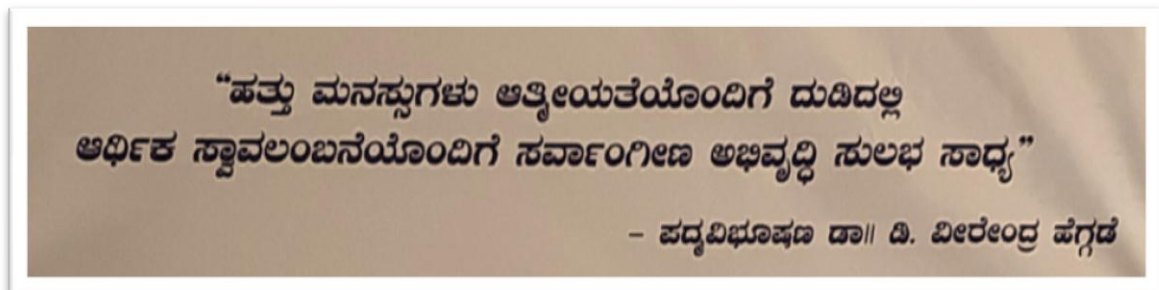
Date of Acceptance: 22-09-2021

## I. Introduction to Micro Finance

The most important finding in the last two decades in the world of finance did not come from the world of the rich or the relatively well-off. More important than the hedge fund or the liquid-yield option note was the finding that the poor can save, can borrow (can indeed decide on loans to fellow poor), and will certainly repay loans. This is the world of microfinance.

Microfinance acts as a source of finance for entrepreneurs and small businesses lacking access to banking and related activities. Micro finance is a type of loan which is take as a small amount below 2 lakh and which is utilised for the benefit of the people. The Micro credit provided by the Self-help Groups is not given with assurance but it's given with faith and courage of group members.

There is less formality for availing the micro credit from the Self-Help Group namely Shri KshetraDharmasthala Rural Development Project B.C. Trust® in SagaraTaluk and so on. The loan is given to the needy for their development and growth.



Microfinance is also known as microcredit; it is a kind of banking services that is offered to unemployed or low-income individuals or groups who would otherwise have no other access to finance.

*“The poor stay poor not because they are lazy but because they have no access to capital” – Kofi Annan (Secretary General of UN)*

### **“SHGs, SAVING FOR THE PRESENT, SECURING THE FUTURE” NABARD**

As told by Chanakya self-realisation and self-initiative are the two most powerful weapons to wash poverty out from the world map. Microfinance acts as aid for entrepreneurs and small businesses lacking access to banking and related services. The two main mechanisms for the delivery of financial services are:

- (1) Relationship based banking for individual, entrepreneurs and small businesses
- (2) Group based models, where several entrepreneurs come together to apply for loans and other services as a group.

In some places, for example Southern Africa, microfinance is used to describe the supply of financial services to low-income employees, which is closer to the retail finance model prevailing in the mainstream banking. For some, microfinance is a movement whose object is “a world in which as many poor and near-poor households as possible have permanent access to an appropriate range of high-quality financial services, including not just credit but also savings, insurance and fund transfers”.

Microfinance is a broad category of services, which includes microcredit. Microcredit is provision of small loan to poor and financially weak clients. Micro credit is one of the aspects of microfinance and the two are often confused.

However, recently concerns have been raised about the real value and impact of microfinance. In the last few years ‘microfinance meltdowns’ have been reported in Morocco, Nicaragua, Pakistan, Bosnia, Mexico, and Lebanon, and most dramatically in Indian state of Andhra Pradesh when the entire microfinance industry collapsed in late 2010.

In Karnataka Dr. D VeerendraHeggade promoted charitable trust popularly known as Shri KshetraDharmasthala Rural Development Project B.C. Trust® in SagaraTaluk. Under this project self- help groups were established in the villages and the branches of these groups were almost spread across entire Karnataka state.

These self-help groups worked for eradicating poverty, women empowerment, savings and microfinance, agriculture development, health insurance, old age pension scheme and rehabilitation programme.

Due to the broad range of microfinance services, it is difficult to assess impact, and very few studies have tried to assess its full impact.

In this research an attempt is made to know and understand how the micro-finance has become an enabling factor in micro enterprise with reference to Shri KshetraDharmasthala Rural Development Project B.C. Trust® in Sagara Taluk.

## **II. Review Of Literature**

- **Ms. S. Malini, Dr S Sasikala**, in their work *“A study on sustainable growth of Microfinance in women self-help group bank linkage model in India during 2014-15 to 2018-19”* have examined the extent to which the loan amount is distributed and also the extent to which the amount of loan is outstanding. It is evident that in India from the previous five years (2014-15 to 2018-19) there is sustainable development in micro finance. There is also a considerable progress of women SHG’s in savings. The number of banks and financial institutions who help these SHG’s through their financial requirements have also increased in India. The microfinance has helped in increasing the standard of living of the SHG’s. NABARD plays a vital role in facilitating the needs of SHG’s in India.

- **Dr K.Vijayakumar, Mr. Jahangeer C(2020)** in their work *“Impact of Micro- Finance on the Development of Micro-enterprises and Rural Development – An Empirical Study”* mainly focused on the impact of Kudumbashree mission a microfinance system in the development micro enterprise thereby in the development of the rural environment. It is told that the main hindrance in the provision of loan to the micro enterprise is high transaction and operation costs and lack of collateral securities.

Further it is also found out that there is a increasing trend in the amount of loan that is provided year by year. The system of micro financing will exist because of its positive impact and its loan repayment rate of more than 99.5%. For the success of this mission it is essential to take up innovative changes in production and marketing process products and services and also implementation of well-organized network system of micro finance institutions is also essential.

- **Ms. S. Malini, Dr S Sasikala (2020)**, in their study *“A Study on Sustainable Growth of Microfinance in Women Self Help Group Bank Linkage Model in India during 2014-15 to 2018-19”* have stated that the main aim of National Bank of Agriculture and Rural Development (NABARD) is to promote Microfinance through SHG. The SHG bank linkage has got a wide range of bank network which have connects them with the rural poor and needy women group in India. The SHG’s and banks have few uniqueness and models which makes the linkage possible.

Every year there is a considerable increase in the number of families who are covered under the SHG schemes. The expenditure linked of the SHG's are comparatively high and also varies significantly across the regions in India.

- **Cheston and Kuhn (2004)** in their study concluded that micro-finance programmes have been very successful in reaching women. This gives micro-finance institutions an extraordinary opportunity to empower poor women and to minimize the potentially negative impacts that some women can experiences. Also, these programmes have helped women to get recognition both in the family as well as in the society as the whole. It has also helped the women to stand on their own feet by making them financially independent.

#### **Objectives of the study:**

1. To gauge the transformation of self-help group members from being a mere borrower of micro-finance to the micro-entrepreneurs.
2. To understand the performance of selected Shri KshetraDharmasthala Rural Development Project B.C. Trust® self-help group members inSagaraTaluk.
3. To know the procedures and policies that are adopted by the group, while mobilising deposits and dispersing loans.
4. To know the type of micro-enterprises run by the group members.
5. To evaluate the performance of micro-enterprises started by the group members availing micro-finance.
6. To enlist the problems if any encountered by the group members.

### **III. Research Methodology**

#### **Data Source:**

##### **Primary Data:**

Primary data is data observed or collected directly from first-hand experience. It will be collected from questionnaires and the data is collected through questionnaire from the members of Shri KshetraDharmasthala Rural Development Project B.C. Trust® who reside in Sagaraand data will be collected from personal interactions and observations. Data also collected from consulting well known people in this fields, many Sevaniratharu and supervisors of Shri KshetraDharmasthalaRural Development Project B.C. Trust® in SagaraTaluk. Information on geographic, and psychological perspectives of the study area has been collected for preparing this questionnaire.

##### **Secondary Data:**

Secondary data is data collected by someone other than the user. The clear benefit of using this data is that much of the background work needed has already been carried out. It will be obtained from books, internet, newspapers, literature reviews and journals.

#### **Micro Finance and Shri KshetraDharmasthala Rural Development Project B.C. Trust® in Sagara Taluk.**

The SKDRDP borrows loan from other banking institutions at 12% and it then lends it to the members at 18% interest rate. And the collection of the loan is at the own risk of Shri KshetraDharmasthala Rural Development Project B.C. Trust® and with the repayment rate of more than 90% the Micro Finance is repaid by the members regularly.

There are over 3.9 Lakh self-help groups through continuous innovation and is also revolutionizing rural banking, handing out small loans at a much lower interest rate than what micro finance institutions are charging

**II OM SHRI MANJUNATHAYA NAMAHA II**

**SHRI KSHETHRA DHARMASTHALA RURAL DEVELOPMENT PROJECT (R.)**  
Leading NGO in the Country

Full time and part time employees	:	19,000
Client base	:	42,00,000
Annual finance handled	:	Rs. 10,000 crore
Managed credit portfolio as on date	:	Rs. 9,650 crore

**SKDRDP leading Self Help Group (SHG)promoting institution**

1. No. of women SHGs	:	3,80,000
2. No. farmer SHGs	:	80,000
3. No. of young people SHGs	:	9,500
4. No. of ultra poor SHGs	:	8,000

**SKDRDP leading BC/BF of the country**

1. No. of banks represented	:	8
2. No. of villages and towns operational	:	30,000
3. No. of banks customer service points operated	:	10,000
4. Daily cash handled	:	Rs. 100 crore
5. Revenue generated	:	Rs. 500 crore

**SKDRDP leading insurance and pension facilitator**

1. No. of JeevanMadhur LIC policies	:	20,00,000
2. No. of Health insurance policies	:	9,50,000
3. No. of loan insurance	:	26,00,000
4. No. of Atal Pension Yojana	:	3,50,000

**SKDRDP positive partner of the government**

1. Implemented special SGSY programme worth	:	Rs. 15 crore
2. Implemented Custom Hire Service Center (CHSC)	:	Rs. 132 crore
3. Implemented tank rejuvenation programme	:	Rs. 11 crore

**SKDRDP digital savvy**

1. All SHG bank level transactions completely digitized.
2. All employee field activities completely digitized.
3. All SHGs transactions smart card based.
4. All SHG member level database completely digitized.
5. All SHG member level financial inclusion data completely digitized.







**DATA ANALYSIS AND INTERPRETATIONS:**

Responses from Shri KshetraDharmasthala Rural Development Project B.C. Trust® in Sagara Taluk (SKDRDP)

**Table 1: Table showing the gender of respondents**

Gender	Number of respondents	Percentage of Respondents
Male	39	35%
Female	73	65%
Total	112	100%

From the above table it is clear that 65% of the respondents are female. Thus, the above table is clear in stating that the majority of the members of SKDRDP are female. So, it won't be wrong in stating that SKDRDP is constantly working on empowering women in rural areas.

**Table 2: Table showing the age of respondents**

Age	Number of Respondents	Percentage of Respondents
21 - 30	16	14%
31 - 40	45	40%
41 - 50	32	29%
51 - 60	15	13%
Above 60	4	4%
Total	112	100%

From the above table, it is clear that 69% of the respondents fall under the age group of 31-50. So, it is clear that the middle-aged members are interested in joining the group.

**Table 3: Table showing the Educational Qualification of respondents**

Educational Qualification	Number of Respondents	Percentage of Respondents
Illiterate	11	10%
Primary	42	38%
High School	39	35%
PUC	12	11%
Under Graduate	6	5%
Post Graduate	2	2%
Total	112	100%

From the above data, it is proven that the group consists of members who have educated between the class of 1 to 10 i.e., almost 73%. It shows that less educated people are coming together for the growth of organization and development of their own skills.

**Table 4: Table showing the Households of respondents**

Household	Number of Respondents	Percentage of Respondents
1 -5	93	83%
6 -10	19	17%
Total	112	100%

From the above data, it is clear that the majority of the respondents stay in nuclear family and in our study about 83% of respondents have responded that, there are below 5 members in their house. So, from the above table we can state that to meet their demands the members join group.

**Table 5: Table showing the Year of joining of respondents**

Year of Joining	Number of Respondents	Percentage of Respondents
2005 -10	46	41%
2011 - 15	31	28%
2016 - 21	35	31%
Total	112	100%

From the above table it is clear that about 41% of the respondents have join the group between 2005-10 and we can state that the members who join the group will stay in a group for long duration.

**Table 6: Table showing the Source of respondents**

Source	Number of Respondents	Percentage of Respondents
Sevaniratharu	30	27%



Sevaprathinidhi	75	67%
Family and Friends	7	6%
Total	112	100%

From the above table, we can state that about 94% of the respondents say that Sevaniratharu which is now Sevaprathinidhi where the ones who guided and encouraged them to join the group.

**Table 7: Table showing the Time period of respondents**

Time period	Number of Respondents	Percentage of Respondents
Weekly	112	100%
Monthly	0	0%
15 Days	0	0%
Total	112	100%

From the above figures, it is clear that all the respondents pay the amount weekly. From this we can state that the weekly payment helped in recovery, savings and tracing of the members.

**Table 8: Table showing the Savings of respondents**

Savings amount	Number of respondents	Percentage of Respondents
10	26	23%
20	65	58%
30	8	7%
50	13	12%
Total	112	100%

From the above data, we can say that people save small amount such as 10 to 20 rupees, but they save continuously in long term. It helps the members to create emergency fund.

**Table 9: Table showing the Total savings of respondents**

Total Savings	Number of Respondents	Percentage of Respondents
1 - 10,000	69	62%
10,000 - 20,000	39	35%
20,000 - 30,000	2	2%
30,000 and above	2	2%
Total	112	100%

From the above figures, it is clear that the maximum amount of savings made by the respondents is 1-10000RS that is about 62%. Thus, the major goal of SKDRDP in promoting savings is been met clearly.

**Table 10: Table showing the Loan received of respondents**

Loan Received	Number of Respondents	Percentage of Respondents
Consumption	62	55%
Production	44	39%
Both	6	5%
Total	112	100%

From the above figures, it is clear that the group has not only lent money for consumption purpose but also for productive purpose that is to start their own enterprise.

**Table 11: Table showing Loan received of respondents**

Loan Received	Number of Respondents	Percentage of Respondents
1 - 1,00,000	83	74%
1,00,000 - 2,00,000	24	21%
2,00,000 & above	5	4%
Total	112	100%

From the above figures, it is clear that the members have opted for the easy loan given by the group. In a group there is maximum 11 members and with their approval the member would be easily given the loan.

**Table 12: Table showing the Default of respondents**

Default	Number of Respondents	Percentage of Respondents
Yes	0	0%
No	112	100%
Total	112	100%

From the above figures, it is clear that there is 0% default and all have promptly paid the loan amount.

#### **IV. Findings, Future area of research and Conclusions.**

##### **Findings: -**

- In line with the objective of the study it has been established that 39% of the self-help group members have become entrepreneurs with the help of the borrowing made through self-help groups.
- The group not only consists of female members, but also has male members in it (Joint Groups).
- The group has motivated many of the habitual drinkers in fully stopping the consumption of alcohol and make them a bread earner to the family.
- All the members are regular to the meeting conducted by each group in the respective regions and they are very punctual in attending the meeting. In case of any genuine reason the member would inform it well in advance to the head in charge for that group.
- The members who joined the group would stay in the group for many years and in the study, it is evident that about 41% of the people who have joined the group between 2005 to 2010 and are still continuing in the group which is for more than 10 year.
- Mainly the work of Sevaniratharu is incredible they find out the needy and poor people from each and every corner of Sagara Taluk and make them benefitted from the group and also be a part in making a new member join the group.
- The respondents have confirmed that the payment of deposits and repayment of loans are being done on weekly basis. As many of the member are daily wage workers and are poor, they feel comfortable in paying the amount weekly.
- Some groups in the Sagara Taluk still follow a very minimal amount of savings that is Rs.10 and Rs.20 per week whereas the members are capable of paying more than 50rs as savings. In such cases the members of the group can be convinced to save more. This issue must be discussed with the concerned officials of SKDRDP BC Trust® so that the full savings potential of the members can be unleashed.
- It is found that there is no group productive activity and only individuals do the productive activity. There is no group productive activity like Tailoring, Agriculture, Papad and Pickle making and so on. But the individuals with their self-interest and training given by the groups start their own enterprise and get improved.
- The members of certain group have found a unique solution for avoiding default. The group members find out the persons who are in a situation of less employment or under employment, they provide such people a daily wage job in their group members house who are having self-occupation or consult other people, they provide them a standard paid work and recover the loan amount and also help them to save a small amount which in turn provide the family's Bread and Butter.
- SKDRDP BC Trust® Sagara Taluk under the ambit Jnanavikasa a club exclusively formed for the female members takes initiative in imbibing confidence amongst its members by regularly conducting talks from the experts in the field of medicines, health and hygiene, accounting and law etc.

##### **Future Area of Research:**

- The research is basically made on Sagara Taluk and it can be moved to other areas
- The study can be made on the training programme and its implication.

### 5.3 Conclusion

Thus, Shri KshetraDharmasthala Rural Development Project B.C. Trust® in Sagara Taluk is not just an institution but it's a movement of uplifting the poor and needy. The group concentrates on all round development of an individual. It is a best model for eradicating poverty and empowering women.

The movement has also been addressing the social stigma like alcoholism and the menace of dowry system. The prime finding of the study shown us that the Self-Help Group movement has been instrumental in creating new enterprises and employment. With the government giving emphasis to the start-ups by giving the priority sector lending status for financing by the banks, the importance of micro-finance has once again been acknowledged by the top most banking authority in India. The group concentrates on solving each and every problem of its members in each and every area through its unique programmes. The time management by the members is very appreciable and also in creating awareness regarding different social issues.

The organisation does not see this as a business model rather the organisation looks at this movement as an instrument of uplifting the needy and the vulnerable in the rural and urban areas. The wholistic development of individual members is the ultimate motto of this revolution.



### References:

- [1]. **Ms. S. Malini, Dr S Sasikala**, in their work *“A study on sustainable growth of Microfinance in women self-help group bank linkage model in India during 2014-15 to 2018-19”*
- [2]. **Dr K.Vijayakumar, Mr. Jahangeer C(2020)** in their work *“Impact of Micro- Finance on the Development of Micro-enterprises and Rural Development – An Empirical Study”*
- [3]. **Dr. Manpreet Arora and Swati Singh (2017)** in their research paper *“Role of Financial Institutions in promoting Microfinance through SHG Bank Linkage Programme in India”*
- [4]. **Ms. S. Malini, Dr S Sasikala (2020)**, in their study *“A Study on Sustainable Growth of Microfinance in Women Self Help Group Bank Linkage Model in India during 2014-15 to 2018-19”*
- [5]. **Eswar Kumar Belli. S, Dr T.S Raghvendra (2014)**, in their work, *“Role of Shri KshetraDharmasthala Rural Development Project (SKDRDP) in Micro Finance Through SHGs –A Study in Shimoga District of Karnataka”*
- [6]. **Cheston and Kuhn (2004)** in their study concluded that micro-finance programmes have been very successful in reaching women.
- [7]. **DR Ajay Sharma, MS. Sapna Dua, Mr Vinod Hatwal (2012)**, in their study *“Micro Enterprise Development and Rural Women Entrepreneurship: Way for Economic Empowerment”*
- [8]. **Sidhu and Kaur (2006)** revealed that entrepreneurship is the only solution for the growing employment among rural youth
- [9]. <https://www.investopedia.com/terms/m/microfinance.asp>.
- [10]. <https://www.livemint.com/Opinion/OZBaJobpedJxONs0TLR6vM/How-small-loans-can-be-made-cheaper.html>
- [11]. <https://www.ashden.org/winners/shri-kshethra-dharmasthala-rural-development-project-skdrdp>
- [12]. <https://www.franchiseindia.com/entrepreneur/article/managing-a-business/finance/Micro-Finance-for-Micro-Entrepreneurs-11>
- [13]. <https://skdrdpindia.org/about-skdrdp/>
- [14]. Referred a book U. Kiran, Third Edition:2017, “SELF HELP GROUP DIFFERENT FACES”, Mahima Publishers.
- [15]. Shri KshetraDharmasthala Rural Development Project “PragathiyaPakshinota” 2012 edition, Manjushri Printres,Ujire.
- [16]. Shri KshetraDharmasthala Rural Development Project “KaryakramagalaParichaya”
- [17]. 2010 edition, Manjushri Printres, Ujire.

Prof. Ramadasa Naik, et. al. “Micro Finance as an enabling factor for Micro Enterprises with reference to Shri KshetraDharmasthala Rural Development Project B.C. Trust®in Sagara Taluk.” *IOSR Journal of Business and Management (IOSR-JBM)*, 23(9), 2021, pp. 11-18.