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ISSN (Online) : 2455 - 3662  
SJIF Impact Factor :3.395 (Morocco)

EPRA International Journal of  
**Multidisciplinary  
Research**

**Volume: 2 Issue: 7 July 2016**



**Published By :**  
**EPRA Journals**

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## **ROLE AND IMPACT OF MICRO FINANCE ON WOMEN SELF HELP GROUPS (With Special Reference to Tirupur District, Tamil Nadu)**

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### **ABSTRACT**

*Microfinance is a powerful tool to self empower the poor people especially women level and particularly in developing countries. The key objectives of microfinance are to reduce poverty and empower women. Empowerment through microfinance is identified and measured in various dimensions that are impacting on decision making, on self – confidence of women, on their status at home, on family relationships, on the incidence in the community and their political empowerment and rights.*

*Women development activities must be given importance to eradicate poverty, increase the economic growth and for a better standard of living. Traditionally, women have been unable to readily participate in economic activity. Microfinance provides women with the financial backing they need to start business ventures and actively participate in the economy. Microfinance through Self Help Groups (SHGs) has been recognized internationally as the modern tool of combating poverty and for women empowerment.*

*Women have been the most underprivileged and discriminated strata of the society not only in India but the world over. In spite of all Governments and Non-Governments efforts, they have been highly ignorant clients in the financial sector. In recent times, microfinance has been emerging as a powerful instrument for empowering women particularly, the rural women. Apart from the informal sector of finance the formal and semi formal sectors like commercial banks, NGOs, etc. are taking much interest in providing microfinance for women considering it to be a profitable commercial activity.*

**KEY WORDS:** SHGs-Self Help Groups, NGO-Non – Governmental Organization  
MF-Micro Finance, NABARD-National Bank For Agriculture and Rural Development

## 1.1 INTRODUCTION

Financial services are meant for everyone. In most western or developed countries, it's relatively easy to obtain credit through large banks or money lending institutions. But in the developing world, where many people lack steady employment, credit history or collateral, there's often no way for legitimate small business to receive loans.

In spite of this, only a few people are getting these financial services easily and the remaining lot (the economically weaker section) is unable to avail the financial services at an affordable cost. Hence the term "Microfinance" gained importance since the early 1970s.<sup>1</sup> Microfinance is an initiative to provide credit to weaker sections especially women in the society at an affordable cost.

## 1.2. OBJECTIVES OF THE STUDY

Based on the concept discussed above, the following objectives are constructed for the effective conduct of the study.

- To study the demographic and socio economic status of women SHGs in Tirupur District.
- To measure 'women SHGs members' level of awareness towards the functions of SHGs and micro-finance activities
- To evaluate the socio economic status of women SHGs members before and after joining SHGs
- To analyze the level of perception in the various special features of women SHGs.
- To measure the impact of micro-finance on the economic status of the women Self Help Groups (SHGs)

## 1.3 METHODOLOGY OF THE STUDY

The validity of any research depends on the systematic method of collecting the data and analyzing the same in a sequential order. Methodology presents the study area, sampling design, tools for data collection.

### 1.3.1 Study Area:-

The study area is Tirupur District. Tirupur district is one of the prominent districts in the state of Tamil Nadu. It is also known as India's Textile Hub and is famous for its economic growth.

### 1.3.2 Sampling Design:-

The sampling respondents were selected based on multi stage – random sampling method. The number of Self Help Groups formed in this

district is around 9,952 at the time of the study. In the first stage five blocks of Tirupur district were randomly selected from 13 blocks. The five blocks selected for the study are Tirupur, Palladam, Dharapuram, Pongalur and Mulanur. These five blocks consist of a total of 2599 SHGs in the period of the study. In the second stage out of 2599 SHGs, 10% were selected for the study, which was 260 SHGs. In the third stage, from each of the selected SHG 2 members were randomly selected based on the size of the group. When it comes to the size of the group consists of 12 or less than 12 members, then 1 member was selected as respondent and if the SHG has more than 12 members, 2 members were randomly selected for the study. The sample of the study totally consists of 498 members of SHGs. Approximately 525 questionnaires were issued and collected. Out of this, 498 questionnaires were used for analyses, in this study.

### 1.3.3 Statistical Design

- i. Percentage Analysis
- ii. Analysis of Variance
- iii. Measures of Dispersion
- iv. Z – test
- v. Chi – Square Analysis
- vi. Mean Analysis
- vii. Weighted Average Ranking Analysis
- viii. Multiple Regressions
- ix. Multi Co linearity Statistics
- x. Rotation Factor Analysis

## 1.4 REVIEW OF LITERATURE

Oladaayo Nathaniel Awojobi (2014) in his topic, "Empowering Women through Microfinance : Evidence from Nigeria". The study has found that the following points : most of the women who patronize the MFIs are traders, others are in the service business, the MFIs charged high interest rates to their clients the women's household well-being has improved as a result of taking part in MFIs project, micro-loans increase the women's income and generate employment for them, and more than half of the women testified that they have been empowered for being part of micro-finance projects. From the above findings, the study concluded that most women who approach the MFIs for loans are in the trading business. Furthermore, a large percentage of the women agreed that MFIs gave increase their income, standard of living and as a result of these they have been empowered. In addition, the study was based on a small scale with just 40 respondents.

Kulkarni D.D. and Dr.A.S.Shiralshetti (2014) in their study title “Self Help Groups and Empowerment – A Fighter against Social Cause”. The study highlighted the problems of women SHG members and analyse the socio-economic impact of SHGs on group members. It concluded that members have to concentrate on income generation activities instead of only agriculture. Members need training in order to undertake entrepreneurial activities. NGOs and GOs should be made on quarterly so that every

member is enabled to acquire leadership qualities. Whether the member is literate or not, she should be encouraged and motivated to lead the group.

**1.5 RESULTS**

H1: It is hypothetically believed that micro finance have significantly improved the economic status of SHG women in Tirupur district.

**Table: 1 Independent Z-Test  
Micro Finance and Its Influence on Improvement of the Economic Status of SHG Women**

Particulars	Credit Availability				Z	DF	Sig
	Avail		Do Not Avail				
	Mean	SD	Mean	SD			
Possibilities for having improved standard of living	1.31	.792	1.16	.371	8.941	496	<b>.003</b>
Possibilities for availing new loans to settle old debts	1.63	.686	1.39	.493	11.602	496	<b>.001</b>
Possibilities for fulfillment of the basic needs living	2.63	.701	2.38	.489	6.819	496	<b>.009</b>
Possibilities for attainment of ambition	2.93	.846	2.70	.464	11.242	496	<b>.001</b>
Possibilities for getting sustained support for livelihood	3.40	1.050	3.07	.628	20.504	496	<b>.000</b>
Possibilities for having small investment	2.59	.922	2.59	.496	27.727	496	<b>.000</b>
Possibilities for solving the problem of raising prices	2.47	.888	2.14	.353	76.143	496	<b>.000</b>
Possibilities to take part in the affairs of the SHGs	1.24	.482	1.30	.464	1.265	496	.261
Possibilities for having domestic appliance	1.35	.599	1.54	.503	.000	496	.989
Possibilities for having considerable savings	1.97	.936	2.34	.859	.011	496	.915
Possibilities for meeting the expenses of children education	2.02	1.033	3.21	.706	23.076	496	<b>.000</b>
Possibilities for improving managerial and personal skills	1.55	.877	1.75	.437	29.437	496	<b>.000</b>
Possibilities to buy goods and services on credit	3.19	1.240	2.48	1.027	1.280	496	.258
Possibilities for procuring insurance policies	3.61	.792	2.48	1.027	15.830	496	<b>.000</b>
Possibilities for establishing and promoting business	2.32	1.038	2.61	.493	47.078	496	<b>.000</b>
Possibilities for participating in economic decision	1.97	.825	2.39	.493	7.085	496	<b>.008</b>
Possibilities for adjustment to urban environment	3.35	.833	2.84	.371	33.224	496	<b>.000</b>

*Level of Significance: 5 per cent*

From the above it has been inferred that the probability value of  $z$  is observed to be significant at the five per cent level. Therefore the hypothesis framed stands accepted and it is concluded that micro finance have significantly improved the economic status of SHG women in Tirupur district. However, it is exceptional in the case of Possibilities to take part in the affairs of the SHGs, for having domestic appliance, for having considerable savings and to buy goods and services on credit.

### **FINDINGS OF WOMEN MEMBERS' OPINION TOWARDS THE SOCIO ECONOMIC EMPOWERMENT THROUGH SHGs**

The level of impact of microfinance on social and economic empowerment through SHGs has been analyzed with the help of scaling techniques. For analyzing each category of impact, the opinion of the members on given statements has been extracted on a five – point scale.

The majority of the women members' has said that the SHGs enables them to manage their needs as well as to help others, it ranks in first place with the mean score of 4.98.

The result of multiple regression indicated that out of 14 variables tested seven variables: self-helped and mutual help, increase communication skills, equal access and control over resources, significant increase in social status, significant increase in political status, significant increase in economic status and decision making of women in community and village were found to be statistically significant. Therefore the hypothesis framed stands accepted and it has been concluded that there exists close association between the role of women in SHG and their perception towards socio empowerment of women in Tirupur district.

The result of KMO and Bartlett's test indicated that, the value of KMO for overall matrix was found to be excellent (0.627) and Bartlett's test of sphericity was effective, as the chi-square value draws significant at five per cent level. The result thus indicated that the sample taken was appropriate to proceed with a factor analysis procedure.

The variables X5, X6, X7 and X12 are grouped as factor I and it accounts for 25.67 per cent of the total variance. The variables X1, X2, X8, X10 per cent and X13 constitute the factor II and it accounts for 23.869 per cent of total

variance. The variables X3, X4, X11 and X14 are grouped as factor III and it accounts for 21.000 per cent of the total variance.

Summary of Rotation factor analysis and Cronbach's Alpha test indicated that, factor analysis was used to find out the role of women in SHGs and their perception towards socio empowerment of women in Tirupur district and the cronbach's reliability values.867.791 and.765 indicate a significant correlation on the role of women in SHG. The cross sectional data analysis indicated that there exists a significant relationship between the role of women in SHGs and their perception towards socio empowerment of women.

The result of independent Z test has been concluded that micro-fiancé have significantly improved the social status of SHGs women in Tirupur district.

The empirical data analysis, it has been clearly observed that the most of the women members have an opportunity to participate in the social events, it ranks in first place with the mean score of 4.75.

The result of multiple regressions, it has been observed that, econometric analysis that F value (27.461) is statistically significant at 5 per cent level. This indicates the entire regression is significant, it establishes 70.30 per cent relationship the variables tested. It's indicated out of 17 variables tested eight variables were found to be statistically significant. Therefore the hypothesis framed stands accepted and it is concluded that there exists close association between the role of women in SHGs and their perception towards economic empowerment of women in Tirupur district.

The result of KMO and Bartlett's test indicated that, the value of KMO for overall matrix was found to be excellent (0.668) and Bartlett's test of sphericity was effective, as the chi-square value draws significant at the five per cent level. The result thus indicated that the sample taken was appropriate to proceed with a factor analysis procedure.

The variables X3, X4, X6, X7, X13, X14 and X17 are grouped as factor I and it accounts for 28.801 per cent of the total variance. The variables X2, X10, X15, and X16 constitute the factor II and it accounts for 21.071 per cent of the total variance. The variables X8 and X9 are grouped as factor III and it accounts for 16.524 per cent of the total variance.

Summary of Rotation factor analysis and Cronbach's Alpha test indicated that, factor



analysis was used to find out the role of women in SHGs and their perception towards socio empowerment of women in Tirupur district and the cronbach's reliability values.864.809 and.777 indicate a significant correlation on the role of women in SHG. The cross sectional data analysis indicated that there exists a significant relationship between the role of women in SHGs and their perception towards economic empowerment of women.

The result of independent 'Z' test has been concluded that microfinance have significantly improved the economic status of SHG women.

## 1.6 SUGGESTION

### Suggestions to the Government:-

The Government should come forward to provide the basic entrepreneurship program through the District Industries Center. This may pave way for practical and technical training in new areas. Natural talents, aptitudes, capabilities can be multiplied through training programs to develop self-confidence, self-esteem, assertiveness, courage and risk taking.

### Suggestions to the Bankers:-

Individual loan and Housing loan should be provided to the members of Self- Help Groups.

SHGs are faced a major problem of delay in sanctioning of loan. The bank official should visit the SHGs and give a grade to them based their quality. The grading system and format is already approved by the NABARD.

### Suggestions to the Groups:-

Annual plans for the SHGs activities should be done by the group in consultation with the NGOs. The group leaders from different villages can meet once in a month and present the progress of their groups. Such review by all the groups will promote mutual learning.

### Suggestions to the NGOs:-

The members suffer from lack of finance for the expansion of their operations. This needs to be attended by banks and other financial institutions. The NGOs may help them in getting loan from the Government.

## 1.7 CONCLUSION

Micro finance is accepted as a key mantra for attaining and maintaining the sustained and long term economic growth in all over the world. Microfinance is playing a vital role in the socio, psychological as well as economic empowerment of women in India. Impact of microfinance is appreciable in bringing confidence, courage, skill development

and empowerment. Women's empowerment is not a one- time affair, but a continuous process.

Pandit Jawaharlal Nehru said " To awaken the people, it is women who must be awakened; once she is on the move, the family moves, the village moves and the nation moves".

Now the women are awakened by the Self Help Groups.

## 1.8 SCOPE FOR FUTURE RESEARCH

The following areas are suggested for further research in Self Help Groups

- The scope of the present research can be extended to all districts in Tamil Nadu.
- A comparative study on beneficiaries and non beneficiaries of microfinance may be conducted in near future.
- A Comparison of performance and satisfaction of members of women SHGs with men SHGs can be undertaken.
- A Study of micro credit extended by public sector banks through the SHGs.
- A Comparative study of the performance of the SHGs on the basis of different models of the SHG.
- The problems and prospectus in micro financing may be studied in future research work.
- The study on microenterprises for empowerment may be focused in future study.
- A study on impact of microfinance institutions in SHGs.

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