

# The Sway of SHG Agripreneurs' Personal Characteristics on the Effectiveness of Microfinance Services for the Development of Agro Enterprises

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**Abstract:** The study was conducted during the year 2021 in the Kerala state by adopting ex-post facto research design. Thiruvananthapuram, Thrissur and Malappuram were the districts selected. Two blocks, from each of the selected districts, were identified through purposive sampling, the blocks with highest number of SHGs were identified. Vellanad and Perumkidavila blocks were selected from Thiruvananthapuram district, Mathilakam and Kodakara were selected from Thrissur district and Areacode and Wandoor were selected from Malappuram district. Seven SHGs were selected from seven panchayaths of the selected two blocks of each district, through proportionate random sampling forming 21 SHGs. Selection of SHGs was done by ensuring the representation of different agro enterprises. Ten respondents were randomly selected from each of these selected SHGs, constituting a sample size of 210 agripreneurs. The data from the respondents were collected using interview schedules and focus group discussion. SPSS was used to analyse the data and results are presented in tables to make findings meaningful and easily understandable. Personal characteristics of the group members influence the group activities and hence the effectiveness of microfinance services for agro enterprise development too. In this context, the present study aims to expose the relationship existing between the personal characteristics of SHG agripreneurs and effectiveness of microfinance services for agro enterprise development. The results revealed that among the personal characteristics, 'age' of the SHG agripreneurs was negatively and significantly correlated with the effectiveness of microfinance services. The variable 'training received' was positively and significantly correlated whereas 'annual income' and 'experience with microfinance services' were positively and significantly correlated with the effectiveness of microfinance services. The variables 'education' and 'indebtedness' had no significant correlation with the effectiveness of microfinance services.

**Key words:** Microfinance services, SHG agripreneur's, agro enterprise

## Introduction

Microfinance is the small-scale financial services provided to people who cannot access traditional banking services (ILO, 2005)[6]. Often, the term micro finance is restricted to the narrow definition of micro-credit assistance for micro-enterprise development. Still, microfinance, in theory and in practice, embraces a wider range of services. It also refers to savings product, insurance, pledge and remittances (IBEF, 2013)[5]. In the present scenario, there exist thousands of Micro Finance Institutions (MFIs) which provides financial services to an estimated 100 - 200 million of the poor in the world.

Microfinance and micro enterprise were regarded as ideal means of self-help poverty reduction (Hiatt and Woodworth, 2006)[4]. Due to the success of MFIs such as Grameen Bank in Bangladesh, a new paradigm for minimalist microfinance emerged.

An agro-enterprise refers to any entrepreneurship programme in the field of agriculture. It provide value-adding goods and services and take title to inputs and/or outputs within the agro-food system (Yoganandan and Vignesh, 2017)[16]. They make and sell inputs to farms, process crop and livestock products (Rajesha *et. al.*, 2016)[10], wholesale and retail fresh and processed products to consumers, and/or process and sell raw materials to other industries (Edinam & Joshua, 2015)[2].

A Self Help Group is a group which involves of 15 to 20 people in number, from a homogenous class, who come collected to form savings and credit organization (Anupam, 2012)[1]. RBI (2003)[11] mentioned that a SHG can be either registered or unregistered group of micro entrepreneurs formed voluntarily.

It was vital that the members of the SHGs must act together to accomplish any enhancement in the effectiveness of microfinance services since the lending for agro enterprise development is group based. Personal characteristics of the group members influence the group activities and hence the effectiveness of microfinance services for agro enterprise development too. In this context, the present study aims to expose the relationship existing between the personal characteristics of SHG agripreneurs and effectiveness of microfinance services for agro enterprise development.

## Materials and Methods

The investigation was carried out during the year 2021 in the Kerala state by adopting ex-post facto research design. Based on the geographical prominence, the Southern, the Central and the Northern zones were selected for the purpose of study. From each of the three zones, one district each with highest number of SHGs and SHG members were selected purposively. Thus Thiruvananthapuram from the Southern zone, Thrissur from the Central zone and Malappuram from the Northern zone were selected. Two blocks, from each of the selected districts, were identified through purposive sampling, the blocks with highest number of SHGs were identified. Vellanad and Perumkidavila blocks were selected from Thiruvananthapuram district,

Mathilakam and Kodakara were selected from Thrissur district and Areacode and Wandoor were selected from Malappuram district. Seven SHGs were selected from seven panchayaths of the selected two blocks of each district, through proportionate random sampling forming 21 SHGs. Selection of SHGs was done by ensuring the representation of different agro enterprises. Ten respondents were randomly selected from each of these selected SHGs, constituting a sample size of 210 agripreneurs. The data from the respondents were collected using interview schedules and focus group discussion. SPSS was used to analyse the data and results are presented in tables to make findings meaningful and easily understandable.

### **Results and discussion**

#### ***Correlation between personal characteristics and effectiveness of microfinance services for agro enterprise development***

The results in the table 1 revealed that among the personal characteristics, 'age' of the SHG agripreneurs was negatively and significantly correlated with the effectiveness of microfinance services at five per cent level of significance. The variable 'training received' was positively and significantly correlated with the effectiveness of microfinance services at one per cent level of significance whereas 'annual income' and 'experience with microfinance services' were positively and significantly correlated with the effectiveness of microfinance services at five per cent level of significance. The variables 'education' and 'indebtedness' had no significant correlation with the effectiveness of microfinance services.

**Table 1. Correlation between personal characteristics and effectiveness of microfinance services for agro enterprise development**

| Sl. No. | Personal socio psychological & entrepreneurial characteristics | 'r' value |
|---------|--|-----------|
| 1       | Age  | -.224*    |
| 2       | Education  | .086NS    |
| 3       | Annual income  | .510*     |
| 4       | Training received  | .584**    |
| 5       | Experience with microfinance                                   | .346*     |
| 6       | Indebtedness   | .019NS    |

#### ***Age of SHG agripreneurs and effectiveness of microfinance services***

A perusal of table 1 revealed that the 'age' of the SHG agripreneurs was negatively and significantly correlated with the effectiveness of microfinance services at five per cent level of significance. The young people were energetic and interested in taking risk to raise their standards, pursue their dreams and whole heartily welcome new enterprising areas. The young and middle aged people are enthusiastic to learn new skills. Moreover better education of less aged people hold inculcate a scientific orientation in them and also the co-operation they exhibited within the group would be better, which might be the reason for a significant negative relation of the age with the effectiveness of microfinance services. Somanath (2009) [14] reported that there existed a negative correlation between the age of agripreneurs and their entrepreneurial effectiveness. Yoganandan *et al.* (2022)[17] noticed that major chunk of the agriculture entrepreneurs (44.6%) were young farmers (age group below 35 years), while the middle-aged and old-aged farmers groups constitute the remaining.

#### ***Education of SHG agripreneurs and effectiveness of microfinance services***

A perusal of table 1 exposed that 'education' of the SHG agripreneurs had no significant correlation with the effectiveness of microfinance services, even though better educational background improve the SHG activities and effectiveness of microfinance services. Since Kerala is a highly literate state, most of the SHG members acquired a decent education status, which is of high school level. It is hard to find the extreme levels like illiterate or a skilled worker/ higher qualified person among SHG groups. Since most of the entrepreneurial activities run by SHGs require less skill, the education level which majority possess is found suitable. The results are in line with the findings of Laurence and Ganguly (2012)[7], Nendakulola (2015)[8], Singh and Hansra (2021)[12] and Yoganandan *et al.* (2022)[17].

#### ***Annual income of SHG agripreneurs and effectiveness of microfinance services***

A perusal of table 1 disclosed that the 'annual income' of the SHG agripreneurs was positively and significantly correlated with the effectiveness of microfinance services at five per cent level of significance. Better income was definitely a sign of better employment and earnings through microfinance services and entrepreneurship development. Sreeram (2013)[15] based on his study on entrepreneurial behavior of members of "Kudumbasree" pointed that there exist a positive and significant relationship between the annual income and entrepreneurial behavior of members.

#### ***Training received by SHG agripreneurs and effectiveness of microfinance services***

A perusal of table 1 revealed that the 'training received' by the SHG agripreneurs was negatively and significantly correlated with the effectiveness of microfinance services at one per cent level of significance. Most of the enterprises required the introduction and practice of certain skills to the SHG members. Better training would help in the up gradation of entrepreneurial idea and reduce the chance of risk or loss by human errors etc. and hence the expenditure incurred would be transformed into output/outcome intended. Ojong and Simba (2019)[9] said that the training improved the social capital as well as the entrepreneurial activity of the small micro enterprises. Gyimah and Boachie (2018)[3] pointed out that training is a very significant activity which helps in entrepreneurial development.

### **Experience with microfinance and effectiveness of microfinance services**

A perusal of table 1 revealed that the 'experience with microfinance' of the SHG agripreneurs was negatively and significantly correlated with the effectiveness of microfinance services at five per cent level of significance. The services when known well, the members can plan their activities accordingly, known the credit limit they can fix their budget for further establishments etc. this makes the microfinance services to be effective in the enterprise development of SHG members.

### **Indebtedness and effectiveness of microfinance services**

A perusal of table 1 disclosed that the 'indebtedness' of the SHG agripreneurs had no significant correlation with the effectiveness of microfinance services. The indebtedness of the SHG agripreneurs were due to the unanticipated needs such as major diseases for family members and occasions like higher education of children, marriage of children, etc. Also the indebtedness can be the due of asset creation too.

### **Conclusion**

Personal characteristics of the SHG agripreneurs do influence the effectiveness of microfinance services. Strengthening the human capital often escalate the entrepreneurship capacity. Government should introduce more schemes and programmes for attracting and retaining youth in agripreneurship. Trainings on various entrepreneurial activities, managerial aspects and group dynamics improvement should be offered to SHG agripreneurs by NGOs, Micro Financial Officials and Government.

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