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Ngos as Building Blocks or Obstacles in the Growth of Self Help Groups.

Authors: Sudha* and Dr. V. Selvam**

Abstract

Poverty is multidimensional and by promoting access to financial services, micro finance plays an imperative role in fostering poverty. It is a noble approach of “banking with the poor”. In this, bank credit is extended to under privileged through SHGs, NGOs etc. The role of Micro finance can not be ignored in India where 74% of people live in rural areas and 80% depends on agriculture for their livelihood. India now occupies a significant place in global Micro finance through promotion of SHGs and home-grown SHG - Bank Linkage program (SBL). Analyzing the wide spread of Model-II of Micro financing with 72% coverage in India, NGOs are unanimously considered as the major catalysts of SHG promotion. World Bank defines NGOs as “Private Organizations” which pursue promotional activities in the interest of poor and community development. There are more than 35,000 NGOs in 612 districts of India with utmost concentration in southern Region, specially Andhra Pradesh and Tamil Nadu, which play a crucial role in formation and nurturing of SHGs. They also assist banks in monitoring the credit linked SHGs. Of the total 310 major NGOs in Tamil Nadu, 22 NGOs and more than 22,000 SHGs lounge in Vellore district. In spite of all this, still majority of SHGs are facing problems due to lack of both monetary and non-monetary support from NGOs.

Based on the above, this study aims at critically evaluating the role of NGOs in formation and promotion of SHGs in Vellore district, Tamil Nadu, India. Primary and secondary data forms the base of the study with employment of some statistical and econometric tools like, percentage, chi-square, multiple regression and panel data regression using random effects to analyze the relation between SHGs and NGOs. The study recommends that the NGOs have to adopt more persistent approach not only to formulate but also to promote the growth of SHGs.

Key Words: NGOs, SHGs and Micro finance

* Ph.D Research Scholar, VIT Business School, VIT University, Vellore, Tamil Nadu.

** Associate Professor, VIT Business School, VIT University, Vellore, Tamil Nadu.

1.1 Introduction

The microfinance sector in India has seen rapid growth during the last few years. The last five years have seen a monumental growth in the microfinance sector; this growth has been especially strong the last couple of years.

The Self Help Groups (SHG) Bank linkage programme initiated by National Bank for Agriculture and Rural Development (NABARD) in 1992 on a pilot basis in the country has emerged the largest microfinance program in the world for promoting peoples' empowerment predominantly women. It is reported that with 5, 52,992 new SHGs linked with banks in 2008 the cumulative SHGs linked with various banks reached to a number of 3.5 million and thus reaching to 60 million poor household [NABARD (2008)]. However the programme has been beset with the problem of uneven spread in various regions of country. The spread of the movement in the North – Eastern Region as compared to Southern and Western parts is far from satisfactory [K.Dinkar Rao (2003)]. The poor spread could be attributed to the lack of experienced and committed Non-Government Organizations (NGOs), law and order problem; poor penetration of the formal credit delivery system; inadequate infrastructure required for the promotion and nurturing of SHGs. Wherever present committed NGOs are incapacitated due to poor infrastructure, resource constraints, law and order problem etc. the weak management information system (MIS) at ground level together with absence of proper coordination among banks, Government officials, NGOs and other agencies has affected the progress. To reverse this adverse situation, the need of the hour is to create awareness and strength networking among stakeholders. Equally important is the capacity building of the personnel of the partners involved in the empowerment process such as bank, government, NGO.

1.2 Self Help Groups: Formation and Development

SHG is a self governed controlled small and informal association of the poor, usually from socio-economically homogeneous families who are organized around savings and credit activities [Planning Commission]. The universal consideration of SHGs as the catalysts of sustainable rural growth gives more stress on the development of the SHGs with NGOs playing a critical role with the assistance of banks and government. We can easily understand the enthusiasm of the banks for which the transaction cost and risk are greatly reduced, it is because the SHGs are “good clients” [Isabelle Guerin and Jane Palier (2005)]. NABARD estimated the reimbursement rate to be 95%. Even though the SHG lending is outside the purview of the individual credit risk rating framework

right now and only the portfolio approach is adopted, as the bank's exposure in SHG lending is on the increase day by day [N. Jayaseelan (2006)].

Table.1 Stages of SHG development: Role of NGOs

Stages of development	Time period	Role of NGOs	Focus of activities
Pre-Formation	1-2 months	Initiator/Promoter	Identifying the poor through rural appraisal methods.
Formation	2-6 months	Facilitator	Motivation to form groups, select leaders, issue and collection of small loans etc.
Stabilization Phase - I	7-12 months	Advisory/Managerial	Leadership stabilization, giving training, augment savings, handle group transactions, stabilizing the process of repaying the loans.
Phase - II	12-18 months	Advisory/Managerial	Income generation programmes, bank linkage etc.
Growth and Expansion	Above 18 months	Advisory/Managerial Consultative/Institution building	Strengthen bank linkages, creation of assets for groups and members, attempt at cluster development.

Source: Kalyan Mukherjee (2006)

Table 1 explains the growth of SHGs in five stages and the crucial role played by the NGOs and their activities at each stage of development.

1.3 NGOs: Concept

NGOs play an imperative role in bridging the gap between the government, its agency and the society. NGOs focus on one or more causes for one or more sections of society and try to uplift the wider section of the society [Deepak Kumar (2006)]. World Bank defines NGOs as “Private organizations that peruse activities to relieve sufferings, promote the interests of the poor, protect the environment, provide basic social services, or undertake community development”.

1.3.1 NGOs as intermediaries

As long as banks integrate NGOs activities in mainstreaming their SHG portfolios, they stand to gain. NGOs have to reorient their mission, vision and human resources towards the microfinance agenda. NGOs also have to move away from untainted financial intermediation to investing in human and social capital at the grass roots level and bankers have to tap this invaluable experience of NGOs in mobilizing, graduation and enabling rural communities to cross over the poverty line. This will also prepare ground for enhancing credit absorption capacity of SHGs and enhancing their credit worthiness.

The demand for financial services is soaring and as acknowledged by the high level task force on microfinance: “At least 25,000 bank branches, 4,000 NGOs and 2,000 federations of SHGs involving over 1,00,000 personnel of these institutions would have to be associated for scaling up and bank linkage of one million SHGs. Many of these NGOs will not transform themselves into MFIs and will not also facilitate

micro financing, but will also they do the necessary financial intermediation” [Kalyan Mukherjee (2006)].

Table 2 Types of NGOs: Global and Indian

Types	Examples	Focus Areas
Advocacy of chosen cause	Greenpeace	Environment
	Narmada Bachao Andolan	Rehabilitation of displaced people
	Asha kiran	Domestic servants
	THPI	Rehabilitation of challenged people
Grassroot	MV Foundation	Child labor
	MS Swamination Research Foundation	Livelihood generation
Mother NGOs	BVHA, Bihar	Health
	SASD, Hyderabad	Social arena
Corporate NGOs	Bill and Melinda Gates Foundation	Global health, education, public libraries, support for at - risk families
	Byrraju Foundation	Rural transformation
	Alpha Foundation(ICFAI)	Education
Opinion makers	Blue cross	Animal protection
	PCRA	Fuel preservation, pollution etc.
Global	UNICEF	Children’s rights, their survival and protection
	Red Cross	Disaster services, health and safety services

Source: Deepak Kumar (2006)

Table 2 gives different types of NGOs with some global and Indian players and their respective focus areas.

2. Role of Microfinance: India and Global: A review of literature

Sajjad Zohar (2004) traces the evolution of NGO sector in Bangladesh and evaluates its role in social development. Microfinance plays a major role in the development of many African, Asian and Latin American countries. This study overviews the concept and evolution of Microfinance schemes across the world (**Krishna Murthy, 2009**). **Morris & Barnes (2005)** reports positive results of an impact of three microfinance programmes in Uganda. **Moll (2005)** concludes that microfinance sector should be guided by “stability and expansion”: stability to withstand shocks and to maintain the relationship established between rural households and MFIs and expansion to include more people within the financial frontier. **Satish (2005), Ramesh (2008)**, assesses the extent to which Indian microfinance has been able to achieve the goal of poverty purge. **Yadagiri & Gangadhar (2008)** studied the trends in microfinance and analyzed model-wise SHG-Bank linkage.

2.1 Statement of problem

The review of literature shows how growth of SHGs are indispensable and many of the prior studies also illustrate that SHGs are the major instrument of sustainable rural development especially in developing nations and the NGOs are their building blocks

[R.H.Sharma¹ (1999), Sujit Kumar and Kakali (2003), N.S.Sisodia et.al.² (2005), Sheikh Mohammad et.al (2006)]. But some studies have also discovered the chaotic and inappropriate functioning of NGOs and various problems faced by NGOs in group promotion as well as SHGs in their development [Subhash C. Wadhawa (2002) and N. Jayaseelan (2006)]. In many villages, it is not uncommon to witness ferocious competition between “governmental” and “non-governmental” SHGs, the later accusing the former of benefiting from numerous privileges which the NGOs are not in a position to offer. Do we not incur the risk of promoting the creation of artificial and short-lived groups, motivated only by the lure of subsidies? The essence of the SHG, supposed to be a group giving aid on the basis of mutual reciprocity, is thus generally jeopardized. All the studies focus on sustainable rural development. With all said and done still many questions remains unanswered like, are the NGOs really working to their full potential? Are they actually working as non-profit organizations? Are they really taking solemn efforts to promote SHGs? Are they giving full support to SHGs? Are they really the building blocks or obstacles for SHG’s development? Keeping this in mind this study has made a modest attempt to study problems faced by SHGs through NGOs and sets its objectives.

2.2 Objectives of the study

To study the demographic profiles of the SHG members.

To identify the building blocks of SHGs through NGOs.

To find the obstacles faced by SHGs through NGOs.

2.3 Importance of the study

From Mohammad Yunus’ modest beginnings in the mid 70’s microfinance has changed the face of import and export capabilities for developing countries, bringing millions more into the world of viable commerce. Financial institutions are looking for a robust solution that will facilitate the provision of a broad range of door step financial services for rural communities. Today’s major challenge, however, is overcoming the number of fraudulent transactions and a lack of transparency. This requires the creation of a cost effective, scalable simple and secure solution to reach hundreds of millions of users and enable them, regardless of their literacy levels, to execute secure transactions. Many studies has attempted to study the phenomenon of Microfinance but none tried to study the problems faced by SHGs due to NGO, therefore this study gains its significance.

2.4 Data source and Methodology

Primary and secondary data forms the base of the study. Secondary data is collected from various publications of NABARD. For the primary survey convenient sampling was utilized and SHG members from four different NGOs from Vellore division namely

1 CEO, IIB, Mumbai, delivered the presidential address at the seminar organized by Madurai sub-centre of the IIB on 22nd August 1999.

2 This colloquium is based on the workshop on microfinance held on 4th September, 2004 at IIM-A

Organization for Rural Development (ORD), RHEEDS, Rural Social Welfare Society (RSWS) and PMD were interviewed. The sample size of the study is 100 SHGs. The respondents were either animator or member of SHGs. Only one member per SHG was interviewed. Questionnaire and interview method of data collection were used. 130 questionnaires were distributed and 120 were collected back and finally 100 were used for the analysis of the study. The questionnaire consisted of three parts: Personal factors with 12 questions, Building block factors with 9 questions and Critical evaluation factors with 13 questions. Likert's five point scales was also used, with 1 for Strongly Agree (SA), 2 for Agree, 3 for Neither Agree Nor Disagree (NAND), 4 for Disagree and 5 for Strongly Disagree (SD). For the analysis part Reliability test using Chronbach's Alpha (α) was utilized to measure the internal consistency of the variables. Chi-square test was employed to study the relation of Building Block factors and risk factors with the demographic factors. Percentage and graphical method was also used for analysis.

3. Analysis and Interpretation

This segment consists of the analysis part of the study. Various factors were used to study the demographic profile of the respondents like age and educational qualification, and some micro financing factors like types of loan, lending banks, amount of and purpose of loan are also analyzed here.

3.1 Reliability Test:

The Chronbach's Alpha (α) measuring the internal consistency of the variables is given by the formula:

$$\alpha = \frac{kr}{1 + (k-1)r}$$

Where;

k = Items in the scale

r = Average correlation between the pairs of items

The value obtained (**0.9512**) shows good internal consistency among the variables that all the items within the instrument measure the same thing.

3.2 Percentage and Graphical method:

Percentage and graphical method is used to study the demographic profile and some building block factors of the respondents.

Table.3. Table showing the distribution of respondents on basis of purpose of loan

Loan type	Frequency	Percent**
Subsidy loan only	32	35%
Direct loan only	13	14%
Both	46	51%
Not taken	9	-
Total	100	100%

Source: Primary survey

Note: ** Percent of total loan taken

The above table gives the percent distribution of the types of loans taken by the respondents. The figures reveals that 51% of the total respondents who have taken loan got both Direct and subsidy loan, whereas 35% of the borrowers got subsidy loan only and only 14% got direct loan. 9 respondents out of the 100 did not get any loan yet as their group was below 6 months old.

Table.4. Table showing the major lending Banks to SHGs in Vellore division

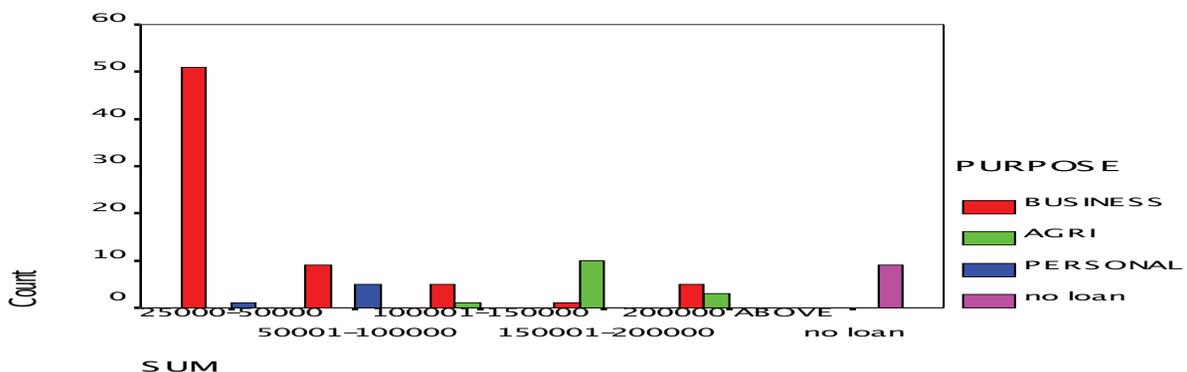
Bank	Frequency	Percent**
Commercial bank	68	75%
Private bank	0	0
RRBs	4	4%
Co-operative bank	19	21%
MFIs	0	0
Total loans taken	91	-
Not taken	9	-

Source: Primary survey

Note: ** Percent of total loan taken

Table.4 demonstrates that of the total borrowers 75% got loan from various commercial banks. Co-operative banks disbursed loans to 21% of the total borrowers, whereas only 4% received loan from RRBs. This clearly shows that commercial banks are much more active in Vellore division. Graph 1 shows the relation between the amount of loan borrowed and the purpose of loan. The figure shows that of the total loan borrowed in the range of Rs. 25,000 to 50,000, 51% was for business purpose and only 1% for personal purpose, whereas most of the personal loans (5% of the total loan borrowed) were granted in the range of Rs. 50,001-1,00,000. The figure also divulges that most of the agricultural loans were granted in the range of Rs.1,50,000- 2,00,000 (10%) and 2,00,000 above (3%).

Graph.1. Graph showing the relation between the amount and purpose of loan



Source: Primary Survey

3.4 Chi-Square Tests

The purpose of Chi-square test of independence / relatedness is to determine whether the observed values deviate significantly from corresponding expected values. It is computed by summing the squared deviations [observed value (f_o) minus expected value (f_e)] divided by the expected value for each cell:

$$\chi^2 = \text{Sum} [(f_o - f_e)^2 / f_e]$$

As we can see, if there is large discrepancy between the observed values and the expected values, the χ^2 static would be large, suggesting a significant difference between observed and expected values. Along with this probability value is also computed. With $p < 0.05$, it is commonly accepted that the observed values differ significantly from the expected values and that the two variables are **NOT** independent of each other [Darren George (2009)].

3.4.1 Relation between Amount and Purpose of loan Borrowed: Hypothesis testing

H_{01} = There is no significant relation between amount of loan and purpose of loan.

H_{11} = There is significant relation between amount of loan and purpose of loan.

Table.5. Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	193.240(a)	15	.000
Likelihood Ratio	129.963	15	.000
Linear-by-Linear Association	51.100	1	.000
N of Valid Cases	100		

Source: Output from SPSS

The high Pearson Chi-Square value (193.24) with significance (0.000) illustrate that null hypothesis (H_{01}) is not accepted and alternate hypothesis (H_{11}) is accepted, i.e. there is significant relation between the amount of loan borrowed and the purpose of loan and as we have already seen in the Graph 1 that maximum loan is borrowed for business purpose and minimum for personal.

3.4.2 Relation between Age and Objectives of NGO: Hypothesis testing

H_{02} = There is no significant relation between age and objectives of NGO.

H_{12} = There is significant relation between age and objectives of NGO.

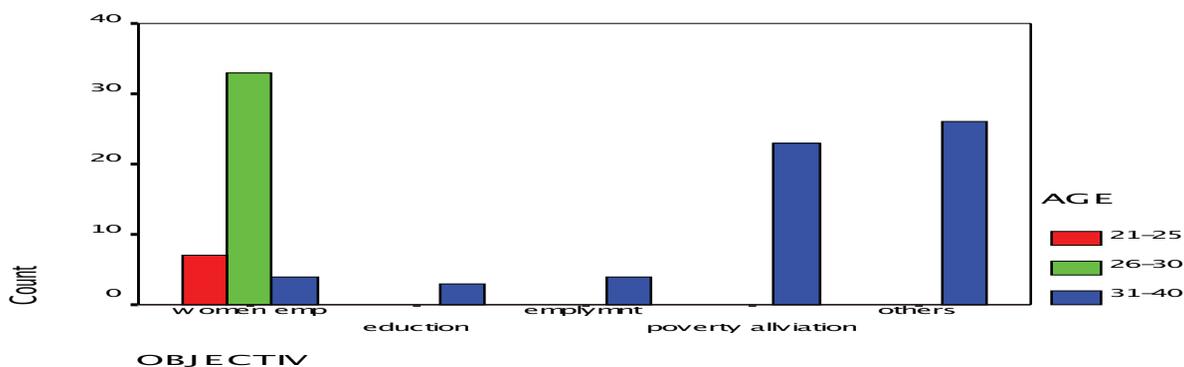
Table.6. Chi-Square Tests

Chi-Square	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	84.848(a)	8	.000
Likelihood Ratio	107.794	8	.000
Linear-by-Linear Association	63.737	1	.000
N of Valid Cases	100		

Source: Output from SPSS

The Pearson Chi-Square value (84.848) with significance (0.000) points up that null hypothesis (H_{02}) is not accepted and alternate hypothesis (H_{12}) is accepted, i.e. there is significant relation between the ages of the respondents and their response for the objectives of the NGOs. Graph 2 shows that people aging between 26- 30 agreed that NGOs major activities are concentrated on women empowerment (33%) and people in higher age group feel NGOs foremost activities are related to poverty alleviation (23%) and others (26%) like spreading awareness etc. very few respondents felt education (3%) and employment (4%) as major activities of the NGOs. None of the respondents felt that NGOs help in housing related activities

Graph.2. Graph showing the relation Age and the Objectives of NGO



Source: Primary survey

3.4.3 Relation between Age and NGOs giving all help to get loans: Hypothesis testing

H_{03} = There is no significant relation between age and all help from NGO to the members.

H_{13} = There is significant relation between age and all help from NGO to the members.

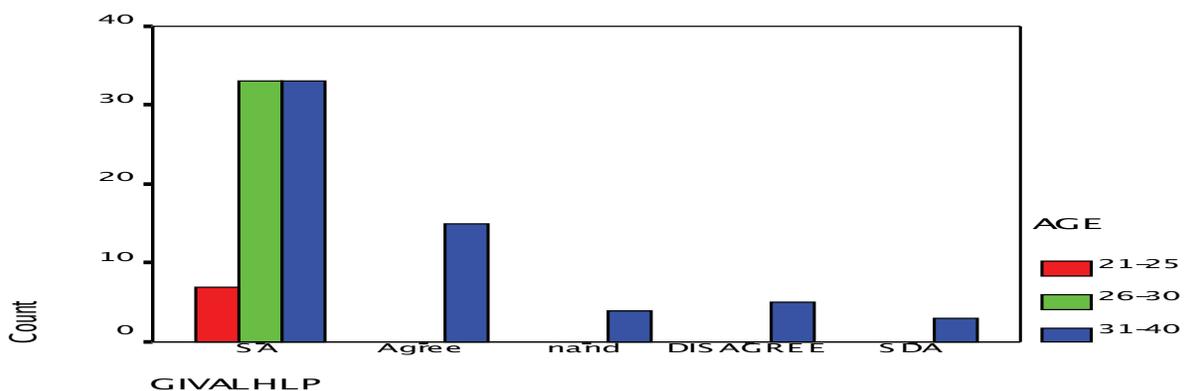
Table.7. Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	24.658(a)	8	.002
Likelihood Ratio	34.075	8	.000
Linear-by-Linear Association	14.193	1	.000
N of Valid Cases	100		

Source: Output from SPSS

The Pearson Chi-Square value (24.658) with significance (0.002) confirms that null hypothesis (H_{03}) is not accepted and alternate hypothesis (H_{13}) is accepted, i.e. there is significant relation between the ages of the respondents and NGOs giving all help to get loans. As we can see from the Graph 3, 73% strongly agreed that NGOs provide all help in getting loan and 15% jus agreed. Considering the age groups 26-30 and 31-40, 33% each from the age group strongly agreed, while only in the higher age group (31-40) people disagreed (5%), were neutral (4%) and strongly disagreed (3%) about the NGOs providing all help to get loan.

Graph.3. Graph showing the relation Age NGOs giving all help to get loan



Source: Primary survey

3.4.4 Relation between Education and NGOs giving all help to get loans: Hypothesis testing

H_{04} = There is no significant relation between Education and NGOs giving all help to get loans.

H_{14} = There is significant relation between Education NGOs giving all help to get loans.

Table.8. Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	91.532(a)	16	.000
Likelihood Ratio	89.352	16	.000
Linear-by-Linear Association	32.634	1	.000
N of Valid Cases	100		

Source: Output from SPSS

Table 8 with the Pearson Chi-Square value (91.532) with significance (0.000) alternate hypothesis (H_{14}) is not accepted, i.e. there is significant relation between the educational level of the respondents and NGOs giving all help to get loans to the members.

Table.9. Relation between educational qualification and all help for getting loan

		EDUQUAL					Total
		illiterate	4th-6th	7th - 9th	10 th -12th	any degree	
Give all help	SA	24	9	12	28	0	73
	Agree	0	0	0	11	4	15
	NAND	0	0	0	0	4	4
	Disagree	0	0	0	0	5	5
	SDA	0	0	0	0	3	3
Total		24	9	12	39	16	100

Source: Output from SPSS

Table 9 reveals that most of the illiterate people strongly agree (73%) that NGOs give all help to get loans, only people with degree believed that NGOs do not give all help (8%).

3.5. Critical Evaluation of NGOs

This section deals with the critical evaluation of the NGOs using specific risk factors:

Threatening from NGOs

Frequent switch over NGO staff

NGOs forming but not promoting the groups.

Some other factors like, frequency of supervision of SHGs by NGOs, quality of work force in NGO, transparency of book of accounts of SHGs etc. finally the above three factors were used for analysis. Chi-Square and cross tabulation were employed to study the risk factors.

3.5.1 Relation between Education and Threat: Hypothesis testing

H_{05} = There is no significant relation between Education and Threat.

Table.10. Chi-Square Tests

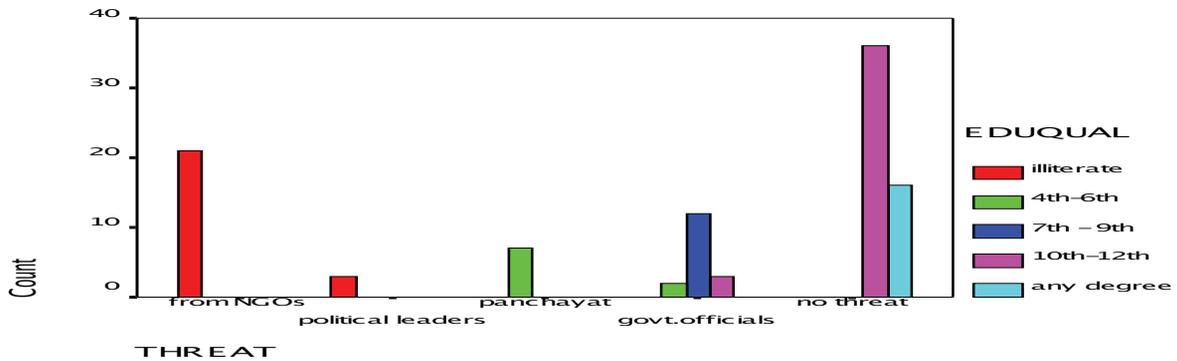
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	247.012(a)	16	.000
Likelihood Ratio	203.299	16	.000
Linear-by-Linear Association	88.470	1	.000
N of Valid Cases	100		

Source: Output from SPSS

The Pearson Chi-Square value (247.012) with significance (0.000) confirms that null hypothesis (H_{05}) not accepted, i.e. there is significant relation between Education and Threat.

Graph 4 shows that illiterates got maximum threatening from NGOs and Political leaders. Respondents with education level 10th to 12th and with degree got no threatening or very less threatening. Few people with middle education (4th to 6th) reported threatening from Panchayat leaders, and few with 7th to 9th education level reported threatening from government officials.

Graph.4. Graph showing the relation Education and Threat



Source: Primary survey

3.5.1 Relation between Education and Switch over of NGO staff: Hypothesis testing

H_{06} = There is no significant relation between Education and Switch over of NGO staff.

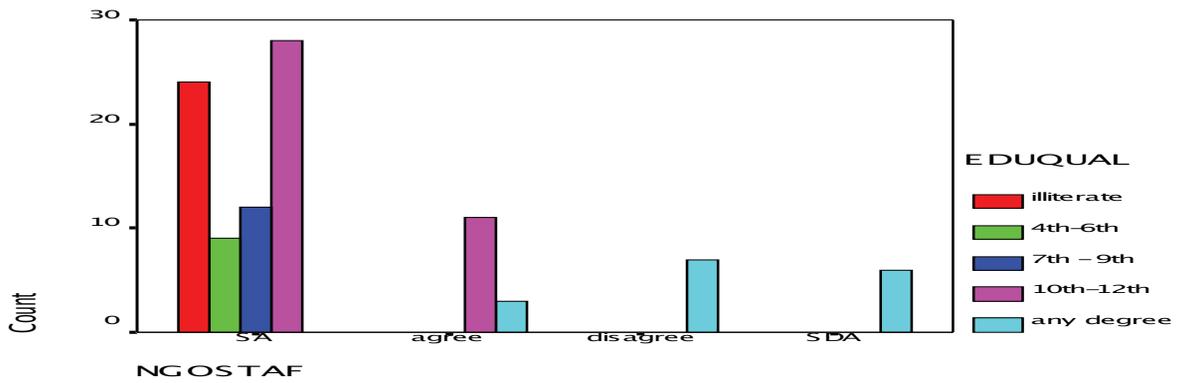
Table.11. Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	96.611(a)	12	.000
Likelihood Ratio	92.202	12	.000
Linear-by-Linear Association	33.899	1	.000
N of Valid Cases	100		

Source: Output from SPSS

The Pearson Chi-Square value (96.611) with significance (0.000) confirms that null hypothesis (H_{06}) not accepted i.e. there is significant relation between the Education and Switch over of NGO staff.

Graph.5. Graph showing the relation Education and Switch over of NGO staff



Source: Primary survey

Graph 5 shows majority of the people with all education level strongly agree that there is frequent switch over of NGO staff except people with degree (13%) who disagree.

3.5.1 Relation between Education and NGO's activities: Hypothesis testing

H_{07} = There is no significant relation between Education and NGO's activities.

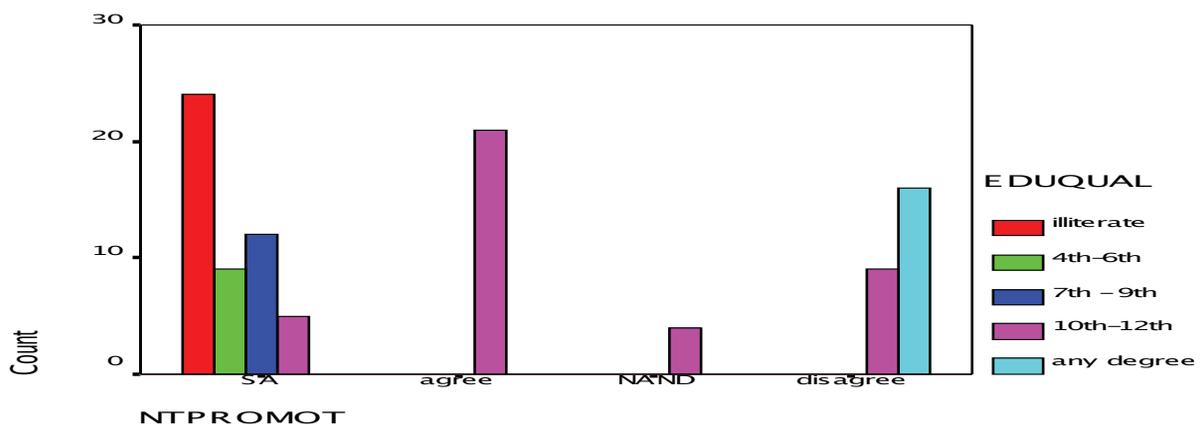
Table.11. Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	127.692(a)	12	.000
Likelihood Ratio	138.775	12	.000
Linear-by-Linear Association	58.998	1	.000
N of Valid Cases	100		

Source: Output from SPSS

The Pearson Chi-Square value (127.692) with significance (0.000) confirms that null hypothesis (H_{07}) not accepted i.e. there is significant relation between Education and NGO's activities.

Graph.6. Graph showing the relation Education and NGO's activities



Source: Primary survey

Graph 6 shows majority of the people with all education level except with degree strongly agree that NGOs only help in group formation and not promotion except people with degree who disagrees with this statement.

SUMMARY and CONCLUSION

This paper highlights the working of microfinance and various programmes for rural development at national and global level. Paper emphasizes on the activities of NGOs in Vellore division, India. Some major findings of the paper illustrates that majority of the respondents are in the age group 26-40 years (93%) and majority have got both types of loan (45%). The figures also reveal that commercial banks enjoy their monopoly in Vellore division and most of the loan is borrowed for business purpose (71%). All the interviewed SHGs were promoted by NGOs and major objective of NGOs were found to be women empowerment (44%). For the risk factors the chi-square results show that most of the illiterates got threatening from NGOs (21%), most of the respondents strongly agreed at frequent switch over of NGO staff (73%) and mostly less educated people believed that NGOs work only towards group formation rather group promotion. The paper concludes that though the NGOs are taking efforts to form SHGs but they lose interest after that. They help SHGs to get loan but mostly in paper work and they also threaten the members some times for various reasons. The study also concludes that there is frequent switch over of NGO staff which makes it less effective.

The study has its own limitations as it is based on primary data; the legitimacy of the results depends on the responses of the members.

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“Discriminant Analysis in the Prediction of Sickness in the Indian Textile Industries”.

Mrs. A.D. Mary Elizabeth Angelina, Lecturer, S.G, - Department of Economics,
Nirmala College for Women, Redfields, Coimbatore-641 045,
Tamil Nadu. ad.angelina@gmail.com

ABSTRACT

Industrial Sickness is a universal phenomenon that threatens the socio-economic conditions of any country and also challenges every management body. This has led to widespread research into the prediction of bankruptcy in advance, so as to combat before its onslaught.

In this paper the researcher tries to develop a model using a statistical tool - ‘Discriminant Analysis’ to investigate into the prediction of sickness in the textile industries in India, taking 70 textile industries, of which 39 being sick, 31 non-sick, using 25 financial ratios for isolated where the years prior to the year of the occurrence of sickness are treated independently and non-isolated data sets where the observation periods are considered interrelated. Based on this, the authenticity of the model is established. The bankruptcy model can serve as a forewarning signal to detect the likelihood of the ensuing sickness.

Key words: Industrial Sickness, prediction, bankruptcy model, Discriminant Analysis, forewarning signal.

1. INTRODUCTION

Industrial Sickness is a universal phenomenon, which affects the socio-economic conditions of any country. As industries are an integral part of an economy, there is an urgent call to detect sickness that leads to stoppage in production and the keeping of men, materials and machinery idle and accordingly leading to an adverse impact on the supply of goods, total production, prices, employment, exports and investments. This consequently has a tremendous negative impact on the growth and development of the whole economy. This has led to widespread studies and research into the prediction of financial crisis, which can serve as an important tool to analysts, stockholders and creditors, financial institutions, governments and as well as to the firm's managers in preventing sickness well in advance.

1.1 Earlier Studies Over the past decades a number of studies have appeared on corporate bankruptcy. The first attempt, in the U.S., to use publicly available data with various statistical techniques in order to predict business failure was made by Beaver (1967) and Altman (1968). Since then a growing number of related studies have tested bankruptcy prediction models in several industrial countries such as Germany, England, Ireland, the Netherlands, France, Japan, Australia, Canada and Brazil. Researchers have conducted studies using advanced statistical techniques in order to predict corporate bankruptcy.

Some important studies made are Beaver (1966), Altman (1968), Marc Blum (1974), Frederikslust (1978), Ohlson (1980), Taffler, (1983), Back *et al*, 1995a & 1995b; Back *et al*, 1997; Spanos *et al*, (1999). For instance, Blum (1974) Taffler (1983) and Storey *et al* (1987) regard financial variables as the symptoms (not causes) of the firms' health. Shirata (1998), more recently, Voulgaris *et al* (2000) Carmem Leal and Carlos Santos (2007) continue to share this view by regarding financial ratios as unbiased quantitative representations of the firms' internal and external information and hence important predictors of bankruptcy.

Beaver (1967) was the first to identify the characteristics of failing firms in comparison to a matched paired sample of healthy firms. Using univariate discrimination test and found that financial ratios are proved to be useful predictors and found that certain financial ratios can be very useful predictors of failure even five years before it happens. This study can be thought of as the pioneering work which initiated a series of other works in the same area.

Following this first study two major statistical techniques, Multiple Discriminant Analysis (MDA) and Regression Analysis (RA), were applied by many authors to predict imminent bankruptcies. E. Altman (1968, 1978) was the first to apply the MDA method to the failure prediction problem and his model (known as Z Score analysis) was 90% accurate in classifying firms correctly one year prior to failure. MDA was also applied by Deakin (1972) who found that his models were at least 95% accurate for the first three years prior to bankruptcy. Regression Analysis was applied by Edmister (1971) who obtained high classification results. However, one major shortcoming was the fact that he did not use the variables in their raw form but, instead, he transformed each

variable into zero-one variables based on arbitrary cutoff points. The two techniques (MDA and RA) were compared in a study by Collins (1980) who concluded that both methods provided good predictive results. In Japan a number of studies (for example, Nikkei-Business, Takahashi and Ko) obtained high classification performances (85% or above). Von Stein (1981) in Germany, Weibel (1973) in Switzerland, Taffler et al and Tisaw (1977) and Marais (1979) in England, Bilderbeek (1977) in Netherlands and Altman and Lavalley (1981) in Canada used MDA. In all of these studies the estimated models had high success rates ranging from 70% to 90%. Similar studies by Altman (1973) in France and Castagna and Matolscy (1981) in Australia obtained average results.

Generalized linear models or multiple logistic regression models are also popular. Ohlson's O-Score (Ohlson, 1980) is based on generalized linear models with the logit link function, also referred to as logit analysis.

Neural network models are powerful and popular alternatives, with the ability to incorporate a very large number of features in an adaptive nonlinear model, Wilson and Sharda (1994).

In India prediction models have been developed by Gupta (1979), Kaveri (1980), Srivastava (1981), and Yadav (1986). Gupta (1979) has made an attempt to examine a variety of ratios and determined the best set of ratios. Yadav (1986) developed discriminant model by using financial ratios which covers the financial characteristics of the firm. Rekha Pai et al (2006) has made a comparison of PCA-MDA model and Neural networks techniques to predict industrial sickness and has proved that the traditional statistical model seem to perform as a better predictive technique than the soft computing model.

Regardless of the advantages or the disadvantages of the predictive model, the very idea of developing such models to predict financial distress and failure itself is welcome all over, for a model could help to detect the likelihood of forthcoming sickness and thus facilitate to prevent its onslaught in an early stage. The bankruptcy models can be used as early warning signals, such that, corrective action may be undertaken immediately by the management.

1.2 The present study has the following main objectives:

To analyse some financial ratios in the context of sickness prediction using statistical instruments of multivariate analysis, particularly the Discriminant analysis in the textile industries in India

To develop a model using Discriminant function Analysis using 25 financial ratios, for the prediction of sickness in the Indian Textile industries.

This would serve as an early warning signal of the ensuing sickness three years in advance.

To focus on the financial performance of the companies such that the predictive model based on financial ratios can help the management to undertake immediate corrective actions and overcome the impending danger.

II. METHODOLOGY

2.1 COLLECTION OF DATA

. The data for this research paper was collected from the financial information given in the Balance sheets, Income and Cash flow, and the Profit and Loss statements of the 70 Textile industries in India of which 39 industries were found to be sick and 31 non-sick between the years 1996 to 2006. Sick firms were taken on the basis of those who have made a request for sickness with the BIFR or those experiencing serious financial difficulties. 25 financial ratios were selected and calculated according to their use, relating to Liquidity; Turn over, Profitability and Solvency ratios. Using these 25 financial ratios a study has been conducted for an isolated and non-isolated data set. The *isolated* database considered financial ratios pertaining to one, two and three years prior to the year of the occurrence of industrial sickness taken independently and the *non-isolated* database included financial ratios over a period of time in three observation periods namely one year, one and two years taken together and one, two, and three years prior to the year of sickness taken together.

2.2. Research Design

Some financial ratios are analysed in the context of sickness prediction using statistical instruments of multivariate analysis, particularly the discriminant analysis in the textile industries in India

Discriminant function analysis (DA) is a Statistical technique used to determine which continuous variables discriminate between two or more naturally occurring groups.

It could then be used to determine which variables are the best predictors

Specifically, it shows whether or not two (or more) groups are significantly different from each other with respect to mean of a given variable(s). If the means for a variable are significantly different in different groups, then this variable discriminates between the groups.

The most common application of DA is to include many measures in order to determine the ones that discriminate between the groups. This leads to building a model of how best to predict to which group a given variable belongs to. This model is built step by step, where all variables are reviewed and evaluated at each step to determine which contribute the most to discriminating between groups. The DA attempts to work in 3 stages namely: 1. Construction of Discriminant Function, 2. Classification and 3. Interpretation of the results.

2.2.1 Construction of Discriminant Function (DF):

DA attempts to construct a function with the ratios so that the ratios to either of these two groups of industries Non- Sick and Sick are differentiated at the maximum. The linear combination of the variables is known as DF and its parameters are called Discriminant Function coefficients.

A typical Discriminant Function is of the form,

$$Z = a_0 + a_1 X_1 + a_2 X_2 + \dots + a_n X_n$$

Where, a_0 - constant; a_1, a_2, \dots, a_n - Discriminant Function coefficients
 X_1, X_2, \dots, X_n , the independent variables (ratios).

2.2.2 A Variable Selection Method:

In constructing the function all ratios which contribute to differentiate these two groups maximally are examined. The ‘Mahalanobis Minimum D Squared’ method was employed for this study. The Mahalanobis procedure is based on the generalised squared Euclidean distance that adjusts for unequal variances in the variables. The major advantage of this procedure is that it is computed in the original space of the predictor (independent) variables, and is the preferred procedure since the researcher is interested in the maximum use of available information.

2.2.3 B Stepwise Selection:

Next in the process of the constructing DA is the type of computation and here the stepwise method is taken which involves entering the independent variables in the DA one at a time on the basis of their discriminating power by choosing the single best discriminating variable. The initial variable is then paired with each of the other independent variables one at a time, and by subsequently paring all the variables one at a time, the one that is best able to improve the discriminating power of the Function in combination with the first variable is retained. By subsequently selecting the next best discriminating variable at each step, variables that are not useful in discriminating between the groups are eliminated and a reduced set of variables is identified. This reduced set typically is almost as good as, and sometimes better than, the complete set of variables.

III. Findings of the Study

3.1 Construction of Discriminant Function

The first stage of Discriminant Analysis begins by examining Table 1.

This table shows the group means and standard deviations and the test of Equality that contains the Oneway Anova /Wilks’ Lambda used to assess the significance between the means of the two groups Viz. (Non- Sick and Sick industries) for some of the independent selected variables (ratios) that differs significantly between Non-sick and sick industries for the years of study.

In the next stage the results of the step-wise DFA with the values of DF coefficients for each of the discriminating variables for the isolated and the non-isolated data sets are examined as shown in the table no. 2.

Using the values given in table 2, the Z score i.e. D F (Z) can be written as,

$$Z1 = -0.843 + 0.233 R_1 - 0.053 R_4 + 0.104 R_{10} - 0.243 R_{14} + 0.539 R_{15} \text{ ----- (A)}$$

$$Z2 = -1.012 + 1.410 R_3 + 0.100 R_6 + 0.056 R_9 \text{ ----- (A)}$$

$$Z3 = -1.775 + 0.328 R_1 + 0.071 R_7 + 0.057 R_{10} + 0.070 R_{16} + 0.094 R_{17} \text{ ----- (A)}$$

$$Z_4 = -0.858 + 0.993 R_3 + 0.059 R_{10} + 0.258 R_{15} \text{ ----- (A)}$$

$$Z_5 = -0.921 + 0.786 R_3 + 0.031 R_7 + 0.012 R_8 + 0.049 R_{10} + 0.064 R_{17} \text{ ----- (A)}$$

Where,

Z1, Z2, Z3, Z4, and Z5 represent the Discriminant Function for the isolated data set, and the non-isolated data set.

R₁, R₃, R₄, R₆, R₇, R₈, R₉, R₁₀, R₁₄, R₁₅, R₁₆ and R₁₇ are the ratios which were finally included in the DF.

Table 3 provides the multivariate aspect of the model given under the heading ‘Canonical Discriminant Function’. It can be noted here that the Discriminant Function is significant at 1% level (Wilks lambda and chi-square test values given in the table indicate that the model is significant at 1% level) and displays a correlation of 0.669. By squaring it we get (.669)² = 0.4475 for 1 year prior; and subsequently,

0.535, the square being (.535)² = 0.2865 for 2 year prior;

0.725, the square (.725)² = 0.5265; 3 year prior;

0.437, and the square (0.437)² = 0.191 for 1 and 2 years prior taken together; and 0.468, by squaring it we get (.468)² = 0.219 for 1, 2 and 3 years prior taken together.

This may be interpreted as, 44.75%, 28.6%; 52.6%; 19.1% and 21.9% of the variation in the dependent variable Industry Group (Non-sick /Sick) for the years taken for study and may be explained by the discriminating variables included in the model.

3.2 CLASSIFICATION:

Next the efficiency of the function as to, how accurately it predicts the industries in to the respective group’s viz. sick and non-sick is assessed through the Classification Matrix. This requires the group Centroids (means), the cutting score and prior probabilities of each group and by using them the Classification Matrix is formed which his is being examined as under.

3.2.1. Group Centroids: Using the Discriminant Function given as (A) the discriminant score for each industry is calculated by substituting the values for discriminating variables from the analysis data. Then means scores defaulters group (Z₀) and non-defaulters group (Z₁) are calculated, which are called Group Centroids that are given in Table 5.

3.2.2. Cutting Score: Using the sample industries and Centroids for these two groups the Cutting Score is calculated as follows:

$$Z_c = \frac{N_0 Z_0 + N_1 Z_1}{N_0 + N_1}$$

Where, Z_c = Cutting Score; Z₀ = Centroid for Non-sick

Z₁ = Centroid for Sick; N₀ = No. of observations in Non-sick industries;

N₁ = No. of observations sick industries

Hence substituting the respective values the cutting score is calculated for the years of study shown as follows:

$$1 \text{ year prior } Z_c = [39 \times (0.791) + 31 \times (-0.995)] / (39+31) = 0.00006$$

$$2 \text{ year prior } Z_c = [39 \times (0.556) + 31 \times (-0.700)] / (39+31) = -0.0002$$

$$3 \text{ year prior } Z_c = [39 \times (0.925) + 31 \times (-1.163)] / (39+31) = 0.0003$$

$$1 \text{ and } 2 \text{ year prior } Z_c = [78 \times (0.430) + 62 \times (-0.540)] / (78+62) = 0.0004$$

$$1, 2 \text{ and } 3 \text{ year prior } Z_c = [117 \times (0.470) + 93 \times (-0.591)] / (117+93) = 0.0001$$

Against this Cutting Score each industry's Discriminant score is examined. If this discriminant score is less than Z_c value, then it is classified in the Non-sick group, otherwise it is in the Sick group.

3.2.3. Prior Probabilities: In the Table 5 prior probabilities are calculated for each group based on the proportionate size of the sample in the respective groups.

3.3. The Results and the Interpretation of the DA

The prior probabilities, Centroids and the Cutting score the Classification Matrix formed, will now show how many of the observations of each industry group is correctly classified into the respective groups and the overall correct classification percentage.

3.3.1. Isolated Data sets:

Table 6 A displays the Classification Matrix of the isolated data base that shows the no. of the observations of each industry group that are correctly classified into the respective groups and the overall correct classification percentage.

The results can be summed up that in 1 year, 2 year and 3 year prior to sickness, the DF is able to predict and correctly classify 76.9%, 87.2% and 89.7% of the observations respectively in the Non-sick group and 83.9%, 80.6% and 83.9% respectively of the observations in the Sick group. On the whole 80% 84.3% and 87.1% of the observations respectively are correctly classified. The results are graphically represented in the graph No. 1

3.3.2 NON- ISOLATED DATA SET

Table 7A displays the Classification details of the non- isolated data base, giving how many of the observations of each industry group is correctly classified into the respective groups and the overall correct classification percentage.

3.3.2. (A) DISCRIMINANT FUNCTION ANALYSIS FOR 1 AND 2 YEARS PRIOR TO SICKNESS TAKEN TOGETHER

The discriminant function has predicted 73.1% of the observations correctly in the Non-sick group and 82.3% of the observations in the Sick group and on the whole classified 77.1% of the observations correctly.

3.3.2. (B) DISCRIMINANT FUNCTION ANALYSIS FOR 1, 2, AND 3 YEARS PRIOR TO SICKNESS TAKEN TOGETHER

The DF has predicted 78.6% of the observations correctly in the Non-sick group and 79.6% of the observations in the Sick group and on the whole classified 79.0% of the observations correctly. These results are depicted in the graph no. 2.

3.3.3 Overall results of the Discrimination Function Analysis

From the model analysis it is seen that the Discriminant Model correctly classifies and predicts industrial sickness three years prior to the occurrence of the problem. The classification result shows that the results are more prominent 3 years before the onslaught of sickness. The model seems to be more specific and correctly predicts the danger before 3 years which is a sure warning to the management to be alert with its working and its policies. The table 8 gives a clear picture of the results in the years of study.

3.3.4. INTERPRETATION:

Once the Discriminant Function and its classification efficiency are assessed, then the next question to be answered is how efficient are the discriminating variables (ratios) in the Discriminant Function in discriminating between the groups. Though not directly, however, the discriminating power or the contribution of each variable to the function can sufficiently answer this question by the Structure matrix that is shown in the table 9A and 9B. This gives the structural correlations which measures the simple linear correlations between each independent variable (ratios) and the Discriminant Function for the years of study. The R^2 % gives the percent contribution of each variable to Discriminant Function. It is seen from the structure matrix that R_{10} , R_9 and R_{16} are the maximum discriminating variables in the isolated data sets and the R^2 % = 26.6, 29.7 and 20.4 between Non-sick and Sick, followed by R_{14} , R_{15} , R_4 and R_1 one year prior, R_3 and R_6 two year prior and R_{10} , R_7 , R_1 and R_{17} three years prior to sickness in that order. It can be noted that the contribution of R_1 and R_4 and R_6 in discriminating between Non-sick and sick is less than 5%. The maximum discriminating variable in the isolated data base is R_{10} i.e. Earnings per Share (EPS), R_9 is Return on Capital Employed and R_{16} being Interest Coverage Ratio.

From table 9B that displays the Structure Matrix and the simple linear correlations between each independent variable (ratios) and the D F of the Non- isolated data base it is seen that R_{10} which is Earnings per Share (EPS) R^2 % = 52.6 and R^2 % = 50.8 is again the maximum discriminating variable in both the years of study between Non-sick

and Sick, followed by R_{15} (38.3%) and R_3 (24.8%) and R_8 (30.7%), R_7 (21.4%), R_{17} (18.8%), and R_3 (14.7%) in that order.

4.1 CONCLUSION

From the above study it is drawn that a fore-warning model when applied like the Discriminant Analysis would be able to predict corporate failure three years prior to the onslaught of sickness and hence appropriate remedial measures could be effectively applied that could prevent the onslaught of failure in advance, there by averting a major Catastrophe in the Textile industry in India. Here the model so developed serves as an early warning signal, to the management, such that corrective action may be undertaken without delay. If managers, auditors and regulators, paid the necessary attention to the instability exhibited by such indicators such as Earnings per Share, Return on Capital Employed and Interest Coverage Ratio it might be possible to prevent the onslaught of the problem of sickness before it leads to the closure of the textile industries in India.

4.2. LIMITATIONS

Authenticity of the information given in the balance sheets of the firms would definitely speak of the sickness problem.

Applying the models to time periods and industries other than those used to develop the models may result in a significant decline in the models' accuracies.

Although some bankruptcy prediction models may be suitable for evaluating various forms of financial distress, whilst care should be taken to understand the uses of prediction models and its limitations to avoid erroneous applications.

Tables

Table1. Group Statistics and Tests of Equality of Group Means

Years of Study	Group					Test of Equality of Group means				
	Ratios	Non-Sick industries		Sick industries		Wilks' Lambda	F	df1	df2	Sig.
1Year Prior (Isolated data sets)	R3	0.48	1.00	0.06	0.08	0.925	5.495	1	68	*
	R8	13.09	25.56	-6.97	49.48	0.925	5.495	1	68	*
	R9	13.53	12.72	3.68	13.76	0.925	5.495	1	68	*
	R10	6.45	7.95	0.71	2.77	0.925	5.495	1	68	*
	R14	0.85	0.60	1.91	2.16	0.888	8.606	1	68	**
	R15	1.55	1.46	0.75	1.03	0.911	6.654	1	68	**
2Year Prior (Isolated data sets)	R7	14.56	16.72	7.09	10.92	0.937	4.611	1	68	*
	R8	18.23	27.73	-6.98	49.48	0.903	7.269	1	68	**
	R9	17.47	30.90	1.48	5.20	0.894	8.103	1	68	*
	R10	8.26	15.10	1.05	3.31	0.909	6.781	1	68	*
	R15	2.27	3.17	0.68	1.16	0.906	7.015	1	68	**
	R16	2.89	3.32	-3.91	14.52	0.894	8.030	1	68	**
3Year Prior (Isolated data sets)	R1	2.47	2.14	1.23	1.25	0.893	8.114	1	68	**
	R4	8.14	12.97	2.70	3.36	0.893	8.114	1	68	**
	R7	13.80	12.54	5.28	8.16	0.864	10.696	1	68	**
	R8	11.02	22.28	-1.39	6.79	0.884	8.940	1	68	**
	R9	13.14	20.08	-0.20	5.60	0.841	12.853	1	68	**
	R10	8.19	11.97	0.49	1.50	0.844	12.613	1	68	**
	R16	2.10	3.07	-3.63	8.45	0.815	15.399	1	68	**
1 & 2 Years Prior (non Isolated data sets)	R3	0.37	0.78	0.08	0.16	0.998	0.306	1	138	Ns
	R7	12.38	13.26	7.71	12.08	0.998	0.306	1	138	Ns
	R8	15.66	26.62	-6.97	49.07	0.998	0.306	1	138	Ns
	R9	15.50	23.56	2.58	10.38	0.998	0.306	1	138	Ns
	R10	7.35	12.02	0.88	3.03	0.998	0.306	1	138	Ns
	R15	1.91	2.48	0.72	1.09	0.917	12.450	1	138	**
	R17	3.12	5.41	1.06	4.22	0.958	6.071	1	138	*
1,2 & 3 Years Prior (non Isolated data sets)	R3	0.31	0.66	0.1	0.19	0.960	8.578	1	208	**
	R5	2.73	1.74	12.68	48.17	0.977	4.990	1	208	*
	R7	12.85	12.99	6.9	10.94	0.943	12.482	1	208	**
	R8	14.11	25.26	-5.11	40.23	0.921	17.869	1	208	**
	R9	14.72	22.4	1.65	9.13	0.882	27.920	1	208	**
	R10	7.63	11.96	0.75	2.62	0.875	29.608	1	208	**
	R17	3.14	5.7	0.91	3.48	0.950	10.961	1	208	**

Table2. Canonical Discriminant Function Coefficients

Canonical Discriminant Function Coefficients									
1 year prior		2 year prior		3 year prior		1 & 2 years prior		1,2 & 3 year prior	
Ratios	Function	Ratios	Function	Ratios	Function	Ratios	Function	Ratios	Function
R1	0.233	R3	1.410	R1	0.328	R3	0.993	R3	0.786
R4	-0.053	R6	0.100	R7	0.071	R10	0.059	R7	0.031
R10	0.104	R9	0.056	R10	0.057	R15	0.258	R8	0.012
R14	-0.243			R16	0.070			R10	0.049
R15	0.539			R17	0.094			R17	0.064
Constant	-0.843		-1.012		-1.775		-0.858		-0.921

Table3. Canonical discriminant function Eigen values

	Years of Study	Canonical Correlation	Wilks' Lambda	Chi-square	df	Sig.
Isolated data sets	1Year Prior	0.669	0.553	38.838	5	**
	2Year Prior	0.535	0.714	22.412	3	**
	3Year Prior	0.725	0.474	48.831	5	**
Non Isolated data sets	1 & 2 Years Prior	0.437	0.809	28.872	3	**
	1,2 & 3 Years	0.468	0.781	50.789	5	**

Table 4 Canonical discriminant Function evaluated at group means

Industry group	Canonical DF				
	Years of Study (Isolated data sets)			Years of Study (non Isolated data sets)	
	1 Year Prior	2 Year Prior	3 Year Prior	1 & 2 Years Prior	1,2 & 3 Years Prior
Non-sick	0.791	0.556	0.925	0.430	0.470
Sick	- 0.995	- 0.700	- 1.163	- 0.540	- 0.591

Table 5 Prior possibilities for the group

Industry group	Prior possibilities							
	Isolated data sets				Non Isolated data sets			
	1Year Prior	2Year Prior	3Year Prior	Total No. of industries	1 & 2 Years Prior	No. of observations	1,2 & 3 Years Prior	Total No. of observations
Non-Sick	0.557	0.557	0.557	39	0.557	78	0.557	117
Sick	0.443	0.443	0.443	31	0.443	62	0.443	93
Total	1.000	1.000	1.000	70	1.000	140	1.000	210

Table 6 A. Classification details of the isolated data sets

		Predicted Group Membership							Total No. of industries
		Isolated data sets						Total No. of industries	
		1Year Prior		2Year Prior		3Year Prior			
Group		Non-Sick	Sick	Non-Sick	Sick	Non-Sick	Sick		
Original	No.	Non-Sick	30	9	34	5	35	4	39
		Sick	5	26	6	25	5	26	31
	%	Non-Sick	76.9	23.1	87.2	12.8	89.7	10.3	100.0
		Sick	16.1	83.9	19.4	80.6	16.1	83.9	100.0
% Of original grouped cases correctly classified.		80		84.3		87.1			

Table 6 B Percentages of cases correctly classified in the isolated data sets.

	Isolated Data sets		
% of cases Correctly classified	1 year prior	2 year prior	3 year prior
Non-sick	76.9	87.2	89.7
Sick	83.9	80.6	83.9
% On the whole	80.0	84.3	87.1

Table 7 A. Classification details of the Non- Isolated data sets

		Predicted Group Membership						Total No. of industries
		Non - Isolated data sets					Total No. of industries	
		1 & 2 Year Prior			Total No. of industries	1, 2 & 3 Year Prior		
Group		Non-Sick	Sick			Non-Sick	Sick	
Original	No.	Non-Sick	57	21	78	92	25	117
		Sick	11	51	62	19	74	93
	%	Non-Sick	73.1	26.9	100.0	78.6	21.4	100.0
		Sick	17.7	82.3	100.0	20.4	79.6	100.0
% of original grouped cases correctly classified.		77.1				79.0		

Table 7 B. Percentage of cases correctly classified in the non-isolated data sets.

	Non- Isolated Data sets	
% of cases Correctly classified	1&2 year prior taken together	1, 2 & 3 year prior taken together
Non-sick	73.1	78.6
Sick	82.3	79.6
% On the whole	77.1	79.0

Table 8 Results of the Discriminant Analysis

Results of the Discriminant Analysis					
% of cases Correctly classified	Isolated data sets			Non- Isolated data sets	
	1 year prior	2 years prior	3 years prior	1 and 2 years prior taken together	1, 2 and 3 years prior taken together
Non-sick	76.9	87.2	89.7	73.1	78.6
Sick	83.9	80.6	83.9	82.3	79.6
Total	80.0	84.3	87.1	77.1	79.0

Table 9B Structure Matrix for the Non- Isolated data Sets

Structure Matrix for the non-isolated data sets					
1 and 2 years taken together			1, 2 and 3 years taken together		
Discriminating variable	Function (R)	R ² %	Discriminating variable	Function (R)	R ² %
R10	0.725	52.6	R10	0.713	50.8
R15	0.619	38.3	R8	0.554	30.7
R3	0.498	24.8	R7	0.463	21.4
			R17	0.434	18.8
			R3	0.384	14.7

Table 9A Structure Matrix for the isolated data sets

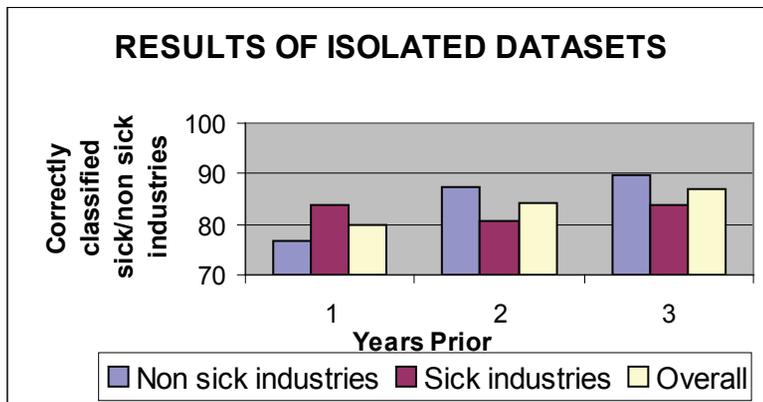
Structure Matrix for the isolated data sets								
1 year prior to sickness			2 year prior to sickness			3 year prior to sickness		
Discriminating Variable	Function (R)	R ² %	Discriminating Variable	Function (R)	R ² %	Discriminating Variable	Function (R)	R ² %
R10	0.516	26.6	R9	0.545	29.7	R16	0.452	20.4
R14	-0.395	15.6	R3	0.324	10.5	R10	0.409	16.7
R15	0.348	12.1	R6	0.125	1.6	R7	0.377	14.2
R4	-0.141	2.0				R1	0.328	10.8
R1	0.107	1.1				R17	0.258	6.7

Table 10 Summary of the Results of both isolated and non-isolated data sets

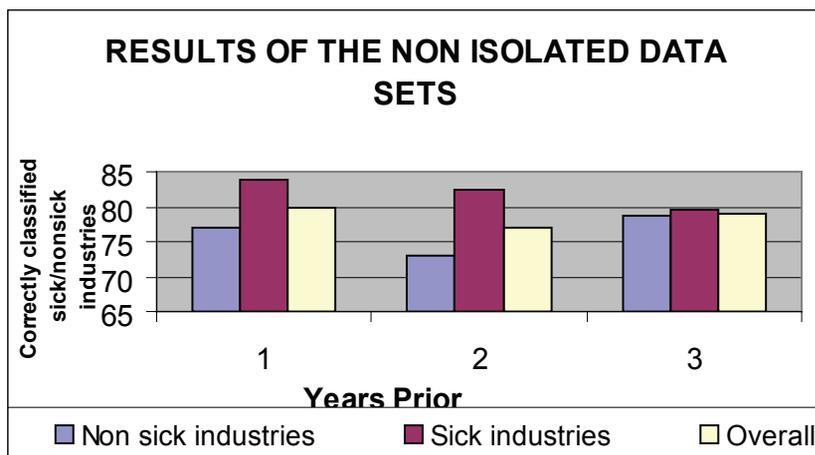
Ratios	DA model coefficients evolved for the ratios					% Contribution of each ratio in the model				
	Isolated set			Non-isolated set		Isolated set			Non-isolated set	
	1 year Prior	2 year Prior	3 year Prior	1 & 2 year Prior	1,2 & 3 years Prior	1 year Prior	2 year Prior	3 year Prior	1 & 2 year Prior	1, 2 & 3 years Prior
R1	0.233		0.328			1.1		10.8		
R3		1.410		0.993	0.786		10.5		24.8	14.7
R4	-0.053					2.0				
R6		0.100					1.6			
R7			0.071		0.031			14.2		21.4
R8					0.012					30.7
R9		0.056					29.7			
R10	0.104		0.057	0.059	0.049	26.6		16.7	52.6	50.8

R14	-0.243					15.6				
R15	0.539			0.258		12.1			38.3	
R16			0.070					20.4		
R17			0.094		0.064			6.7		18.8
(Constant)	-0.843	-1.012	-1.775	-0.858	-0.921	Discriminant Function Analysis is able to correctly classify and predict the ensuing sickness in an isolated data set 80%, 84.3%, and 87.1%, in 1 year, 2 years, and 3 years prior to the occurrence of sickness respectively. In a non-isolated data set of 1 and 2 years taken together and 1, 2, and 3 years taken together it classifies 77.1% and 79% respectively correctly. In both the cases the results are more pronounced 3 years prior.				
Canonical Correlation	0.669	0.535	0.725	0.437	0.468					
Wilk's Lambda	0.553	0.714	0.474	0.809	0.781					
Sig.	**	**	**	**	**					
% of cases										
Correctly classified										
Non-sick	76.9	87.2	89.7	73.1	78.6					
Sick	83.9	80.6	83.9	82.3	79.6					
Total	80.0	84.3	87.1	77.1	79.0					

Graph No.1 Results of the isolated data sets



Graph No.2 Results of the Non-isolated data sets



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Annexure I

25 Financial Ratios used in the present study

I SHORT – TERM SOLVENCY RATIOS:

(a). Liquidity Ratio:-

Current Ratio = Current Assets / Current Liabilities

Current Assets = Inventories + Sundry Debtors + Cash and Bank balances

Current Liabilities = Current Liabilities + Provisions.

Liquid Ratio = Liquid assets / Current Liabilities

Liquid assets = Sundry Debtors + Cash and Bank.

Absolute Liquid ratio = Absolute Liquid Assets / Current Liabilities

Absolute Liquid Assets = Cash and Bank Balances.

(b). Inventory Turn over ratios:-

Inventory Turn Over ratio (Given) = Cost of Goods Sold / Average Stock.

Inventory Conversion Period = No. of days or months in a year / Inventory Turn Over ratio (12 Months are taken).

Working capital Turn over Ratio = Cost of goods sold / Net Working Capital

Cost of goods sold = Raw Materials + Power + Fuel + Other Manufacturing Expenses + Excise Duty

Net Working Capital = Net Current Assets.

Debtors Turn Over Ratio (Given).

II PROFITABILITY RATIO:

Overall Profitability Ratio:

Return on Net Worth (Given).

Return on Capital Employed (Given).

Earnings per Share (EPS) (Given) PAT / No. Shares.

III LONG TERM SOLVENCY RATIO:

Debt Equity Ratio = External Equity / Internal Equity (Given).

Long Term Debt Equity Ratio (Given).

Fixed Asset to Net Worth Ratio

Fixed Asset = Gross Block

Net Worth = Share Holders Funds = (Share Capital + Reserves and Surplus).

Fixed Assets to Total Long Term Funds = Fixed Assets / Total Long Term funds

Total Long Term funds = Total Share Holders Funds + Secured Loans + Un-Secured Loans.

IV TURNOVER RATIOS:

Total Asset Turn Over Ratio (Given).

Interest Coverage Ratio = Net Profit before interest and Tax (NPBIT) / Fixed Interest Charges (given) (PBDIT - Depreciation = PBIT).

Fixed asset turnover ratio (given).

V GENERAL PROFITABILITY RATIOS:

18 Operating profit Margin % (given).

19 Profit Before Interest and Tax margin % (PBIT).

20 Gross profit Margin % (given).

21 Cash profit Margin % (given).

22 Adjusted net profit Margin % (given).

LONG TERM SOLVENCY RATIO (Cont.)

23 Equity ratio = Share holders funds / Total assets.

24 Solvency ratio = Total debt / Total assets.

25 Net working capital Ratio = Net current assets / Total share holders funds.

Net current assets = Net working capital.

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Small Scale Industries' and it's Financial Problems in Srilanka.

Name : Mrs. Janaki Samuel Thevaruban
Affiliation : Head Department of Accountancy & Finance (Senior Lecture)
Address : Faculty of Business Studies, Vavuniya Campus,
Park Road, Vavuniya, Sri Lanka.
E-mail : janakisamul@yahoo.com

Abstract

Srilanka is a third world developing country which has a mixed economy. In the Economic development process Srilanka has to face some challenges namely financial, employment problems and poverty. To overcome these problems most of the people are engaged in self employment. Entrepreneurs in the small – scale industries find it to satisfy there short term and long term capital requirements due to lack of income and saving. Because of that the Banking and non Banking sectors are not enough interest to development of small- scale industries. Therefore in this researcher has identified that nowadays small- scale industries participation is growing but credit facilities for this industries are not favorably distributed. In this research has identified major financial problems faced by these small- scale industries and recommended remedial actions such as proper credit program and multiple orientations programmers to overcome small- scale industries financial problems.

Introduction

Industrial sector is one of the important segments of economic growth. It is a suitable industry for the developing countries such as Sri Lanka. But when compared with other development economics, part of industry in the economy is in very low. But Sri Lanka has diverted its available financial resources towards industrialization. Sri Lanka is a third world developing country, which has a mixed economy. In the economy development process Sri Lanka has to face some challenges namely financial problem, employment problem and poverty. To overcome these problems most of the people are engaged in self-employment.

There is no clear state policy for the development of small – scale industries in the country, neither is an authority with statutory power to assume responsibility to co-ordinate the development of this sector. However the Government “New Industrialization Strategy for Sri Lanka “ set out by the Ministry of industrial Development in November 1995 recognizes that small and Medium industries need development. Some of the areas that have been identified for attention are facilitation expansion, access to funds, infusion of new technology improving products, skills training, local and export marketing, promoting, linkages with large firms and improving productivity.

Small – scale industries in Sri Lanka have access to long term financial facilities in the form of direct loans equity participation from The National Development Bank (NDB) and the Development Finance Corporation of Ceylon (DFCC). Short-term facilities as working capital are provided mostly by commercial banks. However no concessionary rates or simplified procedure are available to small – scale industries with respect to this facility. The long term financial scheme for small – scale industries has been in operation since 1979 when the World Bank/Asian Development Bank sponsored small and scale Industry (SMI) lending scheme operational in Sri Lanka. Fore lines of credit assisted 15,700 projects during the period 1979 to 1996. On the completion of these 04 small – scale industries schemes the National Development Bank succeeded in raising two other credit facilities amounting to a total of a total of US \$ 96mn enabling the continuation of the support to the small – scale industries sector.

This facility is now channeled through two schemes. Under these schemes the bank lends directly as well as through several Participating Credit Institutions and also plays the role of refinance and provides assistance to almost all sectors of small – scale industries operation. Both start up projects and expansions are considered under the scheme. The small – scale industries have to provide 75% of the cost of the project subject to a maximum. The basic for granting the assistance is the economic and commercial viability of the project, experience, integrity and managerial capability, market competitiveness of the product, technical feasibility and the profitability. The two schemes in operation are as follows: as Sri Lanka is a developing economy, which takes lack of capital, unemployment problems and it must select an industry that uses local resources and develop it. Move over it is a way to provide employment opportunity for rise labour force. The Government of Sri Lanka has established and labour force to

use the inland local resource effectively and efficiently for development purpose.

Anyway the entrepreneurs find it difficult to satisfy their short term and long-term capital requirements due to the lack of income and saving. Because of these financial difficulties the government and international aiding institution implemented a number of credit facilities for the benefit of the entrepreneurs such as loan facilities, training programmed, technical etc problems although various credit facilities have been launched in Sri Lanka to develop entrepreneurs. Small – scale industries credit scheme has become the chief among these schemes.

Objectives of the research

To identify major financial problem faced by small-scale industries in Sri Lanka

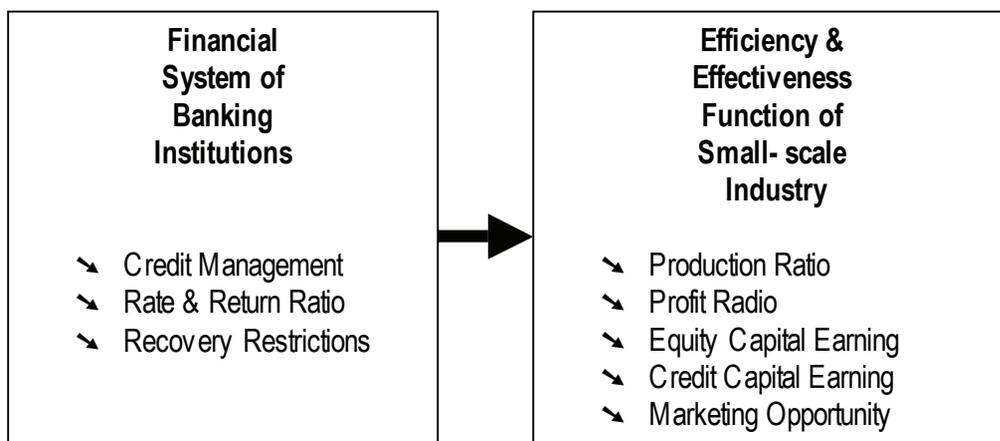
To identify whether existing credit facility is enough. If it is not enough what are the remedies action can be taken to overcome that problem.

To understand the problem confronted by the state banks & private banks regarding the credit facilities.

Significance of the study

Small-scale industries entrepreneurs around the country are providing good contribution to the economy and large number of opportunities to the people. Entrepreneurs play a crucial wealth and jobs credit supports which plays very important role for any productive activity must be available to the entrepreneurs. This study will analyze to what extend credit facilities are contributing their development.

Conceptual model



Variables of banking sector

The analysis based on banking system in the three aspects as credit management, rate of

return and recovery restriction. Reveals the following factors are illustrated. The credit management unit function under the guidance of "A" class officer course responsibility is to see to a management in wholesome manner, a system prevailing state banks as well as in private banks. In the overall management of the affairs concerned in the A class officer is assisted by an executive officer, the typist and the clerk. The aim of the credit unit entitles the implementation of certain policies to administer its acquisitions of vehicles and machineries. The implementation of these funds is targeted towards the development of the country to effect this policy the Bank of Ceylon which has been granting loan of Rs.50000 as maximize its fund to one lack the manager is invested with is power of granting loan of. One lacks. The guarantor is required in case if they amount exceed one lack. An entrepreneur who is privileged to obtain the loan should be a customer of the bank from which he is going to obtain the loan list. He should be of a new customer's funding will be released on inspection at intervals of the work carried out and how far it is heading towards progress. In the field of the agriculture implementation of these policies are carried out under the direct management of the World Bank though the center bank which manipulates its takes in collaboration with the bank of the particular areas in which the project is to take place. In case of a crop failure where agriculture project are concerned due to unexpected natural disasters the central bank whole responsibility of settling the unpaid fund to the bank both state and private. Where by the bank of the areas concerned are kept stay for service. In case the entrepreneur is capable of running a profitable project an if the bank finds it to be show, leasing of fund to further their project the sum granted as loan is a released the amount going up to 35 lack. To this case the progress made is calculated and the lease of fund sanctioned with half the sum in investment or equity. Advantages met both by the bank and entrepreneur can be stated as follows. A frequently inspection of the credit unit on the progress of the customer `s projects facilitates the recovery of the defined sum as a part of the loan granted satiates the banking management at the same time the customer too find its feasible to pay of sum of loan as a part payment both a parties are facilitated towards their aim. The responsibility of central bank to settle the debt granted as loans in case of failure especially in agriculture project enable the banks to run their affairs smoothly. The Insistence of a guarantor in getting loans enables the banks to recovery the loans, in Case of failure on the part of the entrepreneur as a part - payment or whole sum. However implementation of these policies does not include other projects as Production of confectionary items, running of grinding mills and garments industries other than agriculture. In granting loans the banks adopt crucial measures to determine the entrepreneur assigned for a grand of a loan is worthy enough to payback the expected on the loan granted deciding all inconsistencies that could occur on its projects the bank defines the amount of the loan to be granted. The payback due on the part of the entrepreneur is calculated to 60% of the request taking into consideration all inconsistencies that may occur to him in its enterprise. In the recovery of returns the banks insist on the payment of rates ranging from 9.5% to 11.5% to 11.5%. The rate of return as a part payment increase the profit on the banks side while, lessening the burden of payment on the entrepreneur. The implementation

of these policies, recovery of return payment aimed to towards in brining about to the profitable again to the banks. The customer is prevented from being driven into a state of despondency by the central bank taking of the responsibility of paying back the loan to the banks of the area in case entrepreneur is at a loss to payback the dues. Thus maintaining the bank and the customer in an equilibrium state, here the customer never loose the scope of paying back as well as going for another loan. By utilizing this method of recovery of return enable the staff of the bank too enjoys the benefits drive in granting loan-the gain made on the customer `s payment of interest on loan granted Normally this determine by the head of the banks. And the staff of the private banks receives better sum than those of the state banks. The progress of the project attaining a higher level of production may vary of internal of payment due on the loan if the age of the customer exceeds fifty another individual as s business partner is enlisted for paying back the due after the grant of loan. The co- partner should take of the responsibility in case of ailment or demise of the customer to whom loan is granted. The granting of the loan is aimed towards recovering the same together with the interest without the lost of the banks.

Variables of small scale industries

The analysis based on industries in the Variables as production ratio, profit ratio return on equity, credit and marking opportunities. Reveals the following factors are illustrated.

Production ratio

These products are being on utilized all the area to satisfy their day to day requirement. These industries modify their product to suit the demands of a poor as well as rich. As these industries work both an equity and debt it was the rather difficult for them to obtain loan to meet the demand to the people as their were restriction in granting of loans but at present due to the relaxing of the loaning system the grand of loans industries too Endeavour to increase the production rate. The increase in inflation arising the cost of the ingredients imported for be utilize in productively in the increase of the cost of the production. The entrepreneurs who are sound automatically can manage their task rebut going in for loans. There are some to whom the prevailing restriction in the banks with regard to the grand of loans are forced to seek financial aid from no banking sectors in order to run their industries some are forced to run their industrial seeking infancies aid from no banking sectors in spit of interest as delay may occur in the grand's of loan as bank have to scrutinize and check the standard of the production incase of sanction in the loan. Where as industries those are highly reputed is able to one million as and it deems that they possess the capability paying it balk. Banks also helping industries to increase the manufacture product as a grand loans helping in the availability of vehicle will which the industries manages to the distribution on their manufacturer product to the fullest.

Profit ratio

Though gross profit emerges to a higher level due to the increase of production the high cost of imports ingredients seem to affect the gross profit. People in the rural areas going for manufacturer products to a higher extent in the warmer season but it lessens during the trainee season their income to is bit effected due to seasonal changes. Selling distribution expenses all affect the net profit as the vehicles utilize for the purpose of delivery consumes the higher rate of expense for its maintainable but the industries have to feel sati shed is the same vehicle will become an affects in future after using it purpose. The strategy adopted by new entrepreneur to capture the market in the long run result in a loss while those of the other's remain content and they have the change of utilize of this opportunity to increase the production rate to his or her level with price kept constant. One's loss saves as a means of gain for another. Maintaining the constant rate in all aspect as production marketing and even in the area of obtaining loans and curtaining them serve for a better advancement in the trade of industries for those entrepreneurs who keep an eye on everything so as to enhance the production and sales.

Equity capital Earning

The new entrant to an area with the enterprising capacity to fund his own establishment runs his business with out being provided fund from any banks. If it progresses toward a better state, the blanks volunteer to production and sale. Till then the entrepreneur is at a risk of managing his affairs with his own equity capital and the gain he make of its production. The entrepreneur running his establishment at his own fund is liable to get the whole gain where as it provided with fund from banks he is legitimately bound to pay interest on the fund graded to him as loan.

Credit Capital Earning

An entrepreneur running his own establishment with his own equity capital is liable to approach the non banking sectors for financial and to lead his business toward progress. In the progress of time it attains a greater state of production and sale the banks aggress to length the fund in order to further their production and sale the loan helping them for the purchase of vehicles and machineries which an able the entrepreneur to pay of this interest payment duty and also to expend his establishment in diverse areas. This development stage unless it is to the fullest the banks will never come forward to be of and in funding the enterprise.

Marketing opportunities

In considering the manufacturer the production rate the delivery and the disposal the taste foods and other establishment of same categories cover of wide range to run their business in Sri Lanka. The branch establishments too yearn and try to dispose their items by luring to customers in order to maximize the profits earned on the increase of the sales of the products to the producer. In contrast the rice mills have their sales in the outer districts as in Colombo, Kandy than in Vavuniya. The vehicle for transporting

rice to various areas are obtained on funds provided by the banks as loans the banks too help these establishment as a profit ascertained on the definite sale of rice.

In Vavuniya not only industries produce items on a larger scale, there are small industries as red bricks, frame fitting, and mixture product. Who run their business in this district? Depending on the market value and the sales of these items the banks too sometimes funds these institution to a lesser extend which will help them to manage their affairs smoothly. The survey of this sector is targeted forwards achieving efficiency and in this functioning of small scale industries utilizing the variables on the part of the industries in accordance with the variables that exist in the banking sectors. The banking system functions; this functional system being governed under certain rules and regulations under which they operate. In running of these banks thus exist variables as credit management, rate of return, recovery restriction, which is made of by the entrepreneurs of the small scale industries so as to increase the production ratio, profit ratio, equity capital earning, credit capital earning, and marketing opportunity to attain efficiency and effectiveness in the functioning of small scale industries.

Data Analysis

Data presentation is the main part of the research work. Basically, 'FRONTIER' Analyst is preformed in order to evaluate the collected data and graph is to present the data. In this process, data collected from banks and entrepreneurs and samples have been categorized and analyzed on the following basic. 'FRONTIER' Analyst generates efficiency scores for all units being analyzed. It shows how much inefficient units need to reduce their inputs or increase their outputs in order to become efficient. The utmost higher rate in performance or functioning is considered as 100% which does not exist in the actual state of its performance. The Efficiency scores tables is displayed which shows the efficiency of the banks in descending order of efficiency. It can be seen that Seylan bank found to be 100% efficient with the other banks having efficiency scores of less then 100%. Such as Commercial bank 90.38%, BOC 88.68%, and people's bank 85.45%.

Unit Details

Potential improvement

The percentage the change in each input variable (output) that the unit would have to make in order to become efficient. According to the Table-03 the potential improvement shows what percentage a unit needs to either decrease its inputs or increase its outputs in order to become 100% efficient. However the Seylan bank is functioned in a 100% efficient position. According to the Table-04 the potential improvement graph shows what percentage a unit needs to either decrease its inputs or increase its outputs in order to become 100% efficient. But under the Commercial bank is achieved efficient at 90.4%. There are three inputs variable such as credit management rate of return recovery restriction consist more actual value than the target respectively -9, -28, and -21. According to the Table-05 the potential improvement graph shows what percentage

a unit needs to either decrease its inputs or increase its outputs in order to become 100% efficient. But under the Bank of Ceylon is achieved efficient at 88.7%. There are three inputs variable such as credit management, rate of return recovery restriction consist more actual value than the target respectively -11, -19, and -19. According to the Table-06 the potential improvement graph shows what percentage a unit needs to either decrease its inputs or increase its outputs in order to become 100% efficient. But under the People's bank is achieved efficient at 85.5 %. There are three inputs variable such as credit management, rate of return recovery restriction consist more actual value than the target respectively -14, -16, and -29. The Efficiency scores tables 07 and 08 are

Displayed which shows the efficiency of the banks in descending order of efficiency. It can be seen that Private Banks found to be 100% efficient with the other State banks having efficiency scores of 98.39%. According to the Table-09 the potential improvement graph shows what percentage a unit needs to either decrease its inputs or increase its outputs in order to become 100% efficient. However the private bank is functioned in a 100% efficient position. According to the Table-10 the potential improvement shows what percentage a unit needs to either decrease its inputs or increase its outputs in order to become 100% efficient. But under the State banks are achieved efficient at 98.4 %. There are three inputs variable such as credit management, rate of return recovery restriction consist more actual value than the target respectively -8, -1, and -15.

Total potential Improvement

In order to recovery restriction has to improve by 60.13%, credit management has to improve by 33.41% and rate of return has to improve by 6.47%. The recovery restriction which has a large slice of the pic is the primary ones to target.

Findings and Conclusion

Nowadays small-scale 'industries' participation is growing. But credit facilities for small-scale industries are not favorably distributed. In Sri Lanka, the people earn poor income and they are unable to pay the loan amount on dead date. Due to these reasons banks hesitate to maintain the proper system to deliver and recover the loan. This mind has to be broken out and should conduct a credit programmed for poor income group. And also it has to be adopted and encouraged cultivation through multiple orientations programmed.

In Seylan bank all performance of recovery restriction rate of return and credit management are in 100% efficient. Even it is in top performance not appropriate for real situation. But it seems better performance than others. In Commercial bank, rate of return is the lowest performance than other recovery restriction credit. Rate of return's management potential improvement is -28. So this bank is unable to achieve efficiency due to some reason. Such as it maintains high amount of current assets than fixed assets or investment. Therefore they can't earn more rate of return. Then recovery restriction poor performance of -21 due to higher recovery amount of loan because bank provides loan to small industrial sector but small industrial sector is

mainly facing the financial tight. So this sector is difficult to repay the loan amount. Then credit management is also low performance but computer with others; it seems better than others. In case of Bank of Ceylon rate of return and recovery restriction are the same and lowest performance then the credit management. Rate of return and recovery restriction's potential improvement are respectively -19 & -19. So this bank is difficult to achieve efficiency due to some reasons. Such as, it maintains higher amount of current assets than fixed investment. And also more rules and regulations in their loans System, so entrepreneurs have to face problems to get the loan. it will reduce the return capacity to bank. There fore they can't earn more rate of return. Then recovery restriction also is in poor performance of -19, due to higher recovery amount of loan. Because bank provides loan to small industrial sector, but small industrial sector is mainly facing the financial tight. And also it is a state bank; in order to most of the entrepreneurs avoid their response to resettlement. So this sector is difficult to repay the loan amount. Then credit management is also low performance but compare with other state bank, it seems better than other, because bank has both unit under the credit management such as credit unit as well as recovery unit. However bank is not keen in the credit management activities. In people's bank, recovery restriction is the very lowest performance than the other rate of return and credit management. The recovery restriction's potential improvement is -29. So this bank is unable to achieve efficiency due to some reason. Such as, this bank functions with traditional method or on systematically recovery procedures and also higher recovery amount of loan, because bank provides loan to small- scale entrepreneurs but their sector is mainly facing the financial tight. Then rate of return also is in poor performance of -16 in orders to rate of return, bank maintain higher amount of current assets than the fixed investment. Then credit management control, and activities. And also they not give more weight to credit management regard with small scale entrepreneurs. The banking sector as Commercial bank Ltd in comparison with bank of Ceylon and People's bank; ranks in priority in rendering its maximum service in a higher degree to the entrepreneurs who too, maximize their production out put where else, the bank of Ceylon in a lesser degree than that of Commercial bank Ltd and people's bank ranking in the lowest level in the grant of loans to the entrepreneurs. The encouragements given in the guide of loans to the entrepreneurs of small-scale industries serve as a catalyst in running up their industries effectively.

State Banks and private Banks

In private Banks, all performance of recovery restriction, rate of return, and credit management are in 100% of efficient, even it is in top performance than State Banks

In State Banks (Bank of Ceylon and people's bank), recovery restriction is the very lowest performance than the others rate of return credit management. The recovery restriction's potential improvement is -14 So these banks are unable to achieve efficiency due to some reason. Such as these banks are functioned with traditional method or not systematically of recovery procedures and also higher recovery amount of loan because bank provides loan to small-scale entrepreneurs. But their sector is

mainly facing the financial tight. So this sector is very difficult to repay the loan amount and most of the small-scale entrepreneurs are avoiding their response the resettlement, to State Banks then the private Banks because some type of loan such as agriculture, development industries, these type of loans are sponsored by Central Bank and World Bank regard to entrepreneurs. The credit management also lowest performance .The credit management's potential improvement is -8. So these banks are difficult to achieve efficiency due to the reasons. Such as inadequate the managerial function in credit management. Then rate of return also is in poor performance-1, but compare with others it seems better then others. State banks have more rules and regulation in their loan procedure. Therefore entrepreneurs have to face problems to go get the loan and also it's reducing the capacity to bank though the amount of loans.

Recommendation

Commercial bank Ltd should convert their current assets to fixed investment as it will earn more return to their industrialist. And a proper step has to be taken to recover the loans and in future, proper sureties should be asked to provide loan. In Bank of Ceylon they have higher restriction about their deposits. So if they want to enhance the rate of return, have to be reduced their regulation as private banks. Then this bank dose not keen in credit management, because credit management is directly dealt by Central Bank and World Bank. There fore even others are dealt with credit management bank should take necessary attention to recoup their objectives. People's bank is a state bank; it should enhance the rate of rate of return thought diversity the portfolio. Normally risk averse investor wants to maintain optimum level of portfolio and increase the earnings. Then they have to develop recovery restriction. Because they do not have systematic system to recover loan and adopt traditional technique for recovery. So it has to immediately change and adopts sophisticated methods to breakout and enhances the performance. In order to reduce the lack of capital problems in small-industries, all banks can makes some activities. Such as providing capital assistance to extend the small industry, providing seminars and advice the bank and banking procedure though conduct the blanker, providing loans to small entrepreneurs to start the new business plan, solving the financial liquidity problems by introduce the short-term loan, Issues Guarantors services, providing loan to small industry at lower industry at lower interest rate and maximum installment period.

Appendix 01

Table 01-Data viewer

Unit Name	Credit mgt	Rate of return	Recovery restriction	Effective & Efficient
BOC	53	63	56	35.5
People's	55	61	64	35.5
Commercial	52	71	57	35.5
Seylan	47	51	45	35.5

Source: Survey data

Table 02-Efficiency Score

Unit	Score
Seylan	100.00
Commercial	90.38
BOC	88.68
People's	85.45

Source: Survey data

Table-03

Input/Output	Actual	Target	Potential Improvement
Recovery restriction	45	45	0
Rate of return	51	51	0
Credit mgt	47	47	0
Effective & Efficient	35.3	35.3	0

Source: Survey data

Table-04

Input/Output	Actual	Target	Potential Improvement
Recovery restriction	57	45	-21.05
Rate of return	71	51	-28.17
Credit mgt	52	47	-9.62
Effective & Efficient	35.3	35.3	0

Source: Survey data

Table-05

Input/Output	Actual	Target	Potential Improvement
Recovery restriction	56	45	-19.64
Rate of return	63	51	-19.05
Credit mgt	53	47	-11.32
Effective & Efficient	35.3	35.3	0

Source: Survey data

Table-06

Input/Output	Actual	Target	Potential Improvement
Recovery restriction	64	45	-29.69
Rate of return	61	51	-16.39
Credit mgt	55	47	-14.55
Effective & Efficient	35.3	35.3	0

Source: Survey data

Table-07 State Bank & Private Bank

Data viewer

Unit Name	Credit mgt	Rate of return	Recovery restriction	Effective & Efficient
State Bank	54	62	60	35.5
Private Bank	49.5	61	51	35.5

Source: Survey data

Table-08 Score

Unit	Score
State Bank	98.39
Private Bank	100.00

Source: Survey data

Potential Improvement

Table-09

Input/Output	Actual	Target	Potential Improvement
Recovery restriction	51	51	0
Rate of return	61	61	0
Credit mgt	49.5	49.5	0
Effective & Efficient	35.3	35.3	0

Source: Survey data

Table-10

Input/Output	Actual	Target	Potential Improvement
Recovery restriction	60	51	-15.0
Rate of return	62	61	-1.61
Credit mgt	54	49.5	-8.33
Effective & Efficient	35.3	35.3	0

Source: Survey data

Appendix 02

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A Literature Review on the Benefits of Ethnic and Minority Entrepreneurship

Dr. Duraipandi Mavoothu

Reader, School of Management Studies, Cochin University of Sc. & Tech (CUSAT) & Director, Dept. of Students Welfare, CUSAT, Kochi-682 022, Kerala, India.

E-mail: mavoothu@rediffmail.com;

Abstract

Ethnic/Minority entrepreneur is a business owner who does not represent the majority population of a country. Ethnic/Minority entrepreneurship can bring benefits to individual, society, region, economy, and globe too. So, understanding the importance of ethnic/minority entrepreneurship will really be useful to all the stakeholders. The unique culture and value system of ethnic minorities are the most wanted characteristics for any successful entrepreneur in general. Many industrial nations like U.S, U.K., Germany, etc. have utilised the ethnic minorities to build their economy. The future of the minority businesses looks bright as the world economy is booming, availability of experienced and already successful minority entrepreneurs as role models, and institutional support services. In this paper, literature relating to the benefits of ethnic and minority entrepreneurship is reviewed to understand its magnitude of benefits.

Key Words: Ethnic and Minority Entrepreneurship, Characteristics and Values, Individual Benefits, Socio-Economic Benefits, International Benefits, Regional Benefits

Introduction

The origins of *minority* enterprises in the business literature can be traced to a pioneering effort by Pierce (1947)¹. Bates (1987) says that studies show that *minority* groups tend to prosper in self-employment by moving away from traditional fields

such as personal services and small-scale retailing². Many contemporary sociologists say that disadvantages in the general labour market lead *minorities* to turn to self-employment in small business. When it comes to a career decision whether to enter self-employment or wage employment (with all the required resources), the existing market opportunities and the current labor market circumstances matter³. It is supported by Moore (1983) who says that wage and employment discrimination represent disadvantages in the labor market causing some groups to favour self-employment⁴. That means, some groups like minorities prefer self-employment or entrepreneurial activities not by choice rather by compulsion. For example, in U.S. the Whites may prefer entrepreneurship to make wealth; where as the African–Americans and other minorities may prefer entrepreneurship as an alternative for discrimination in the job market.

Entrepreneurship is not only an alternative to salaried employment, but also a better option for a sustainable wealth creation for minorities. Labor market discrimination can reduce the incentive for minorities to enter self-employment⁵. Through entrepreneurship ethnic minorities try to achieve a higher social mobility⁶. Ultimately, it is business ownership that will provide better living and wealth⁷.

According to a report to the European Commission (2000 July) minority businesses have been the subject of growing interest from a variety of sources in recent years for a number of reasons. From an economic standpoint, it can be argued that the ability of European economies to be enterprise based depends on their ability to encourage and support entrepreneurship in all sections of society, including ethnic minorities⁸.

What is Ethnic and Minority Entrepreneurship?

According to U.S. Department of Commerce (1997) ‘Minority Entrepreneur’ means “business ownership by any individual who is not of the majority population”. For example, in U.S., any business owner from Hispanic, Latinos, Asians, Pacific Islander, American Indian, or Alaska Native is categorised as minority entrepreneur. This is very simple and straight definition of Minority Entrepreneurship⁹. But, the definition by Thomas M. Cooney is very broad-based who defines ‘Minority Entrepreneurship’ as follows:

“Minority Entrepreneurs are not just ethnic; they are any group of entrepreneurs who are considered to be outside mainstream society. Minorities not only include ethnic groups but also the travelling community, the gay community, socio-economically disadvantaged, and the disabled. In entrepreneurship terms, minorities also include females, greys (over 50s), and home-based entrepreneurs”.

Cooney’s definition shows that minority entrepreneurship is quite different to the general understanding that the majority of people possess.

Characteristics and Values of Ethnic and **Minority** Entrepreneurs

Research suggests that, in terms of Hofstede's dimensions of culture, entrepreneurial activity is associated with low Uncertainty Avoidance (UA), high Power Distance (PD), Individualism (IND), Masculinity (MAS), and Long-term Orientation (LTO)¹⁰. Social capital in the form of norms, values and a variety of networks can influence development outcomes¹¹. Values play an important role in venture formation and entrepreneurial activity¹². Light and Bonacich (1988) cited resources such as values, knowledge, etc. as drivers of ethnic entrepreneurship¹³. Achievement, opportunity, and job satisfaction are the strongest motivations for starting a business by minority entrepreneurs¹⁴. It is supported by Feldman et. al. (1991) who say that minority business owners have strong personality types. They believe they can control their own lives, have a high need for achievement and power, and are extremely self-confident in their ability to do their jobs¹⁵. A study by Enz et. al. (1990) show that *minority* business owners attach greater importance to organization-based values such as collectivism, duty, rationality, novelty, materialism, and power than do their non-minority counterparts¹⁶.

A survey examining the organizational value orientations of *minority* and non-minority small business owners indicates significant differences between the two groups. Overall, findings show that *minority* business owners attach greater importance to organization-based values (such as collectivism, duty, rationality, novelty, materialism, and power) than do their non-minority counterparts. Moreover, the research suggests that *minority* owners, even when differing from each other in education and birth location, more strongly identify with those values of white corporate America than do non-minority entrepreneurs¹⁷.

Certain social groups, normally small minorities, have been so successful at business in developing countries due to the liberating or stimulating effect of minority status and the 'ethos' of the group that encourage the kinds of behaviour believed to hold the key to business success: striving, deferred consumption, a drive to achieve, and calculating or rationalistic attitude to business and to social relationships generally¹⁸. It is seen that generally the minority entrepreneurs have an edge over the non-minority entrepreneurs in terms of motivation, values, etc.

Benefits of Ethnic and Minority Entrepreneurship

The importance of minority entrepreneurship can be seen from the individual, social, economic, regional and international stand points. The following are the benefits of Ethnic and Minority Entrepreneurship:

Individual benefits

Theodore (1995) says that minority-owned firms hire minorities in high proportions¹⁹. Due to the utilization of a peculiar co-ethnic recruitment network by ethnic minorities' enterprises, the economic growth accompanied by the creation of new jobs entails first of all an increase of employment among ethnic minorities themselves; say Golik and Teder (2006)²⁰. Over one million Filipinos have emigrated from the Philippines in the past 20 years. Crane (2004) pointed out that

emigration has been socially accepted in society and has been viewed as a means towards the attainment of economic prosperity²¹. All these evidences drive home the point that minority entrepreneurship brings many benefits at individual level. Co-ethnic members stimulate self-employment, work flexibility, and training²².

Socio-economic benefits

Entrepreneurial aspect of human action is the prime catalyst for economic growth²³. Entrepreneurship provides a route out of poverty and an alternative to unemployment²⁴. Recent times, minority entrepreneurship has emerged as a topic of growing interest among social scientist. Golik and Teder say that there are both social and economic reasons that make ethnic minorities entrepreneurship highly important. Minority businesses are an essential part of a society in which personal initiative is encouraged and in which opportunity is within the reach all citizens. Significant increases in minority business ownership are providing an engine for economic growth and helping more of other citizens succeed. Minority business owners have made U.S. economy stronger²⁵. Zhou (2002) pointed out that ethnic entrepreneurship facilitates community building and information flow, and enhances relationships²⁶.

In several industrial countries like USA, UK, The Netherlands, the ethnic minority entrepreneurship has proved itself to be an efficient means of socio-economic integration contributing at the same time to the overall economic growth and development of these countries.

International benefits

Entrepreneurial activities pursued by ethnic minorities pave the way for domestic and international trade expansion²⁷. Golik and Teder (2006) say that minority entrepreneurship has an international impact²⁸. For example the Muslim communities in India, apart from focused on business activity in India, a strong Indian Muslim merchant diaspora exists, usually owning businesses on a small to medium scale across the globe.

There is a good example how the minority entrepreneurs can help the countries of their origin. Recently, Indians living abroad adopted a village in rural Punjab (a northern state in India) or building houses for the impoverished in the hinterlands of India. Harinder Takhar, the first Indian origin minister in Canada's biggest province Ontario, says that this is a new philanthropic mantra which has fired the imagination of Indians living abroad. Takhar is the Minister of Small Business and Entrepreneurship in Ontario. He is a 50-something businessman who migrated to Canada from Punjab, India in the early 1970s. He further says that "Indians abroad can bring their skills and expertise to benefit India²⁹". This reflects the point made by Basch et al. (1994) who said that immigrants build upon multi-faceted social networks between their country of origin and country of residence³⁰.

Regional benefits

Galster et al. (1999) pointed out that ethnic entrepreneurs have the ability to prosper in their host countries by capturing local market niches³¹. Ethnic entrepreneurship can be practiced in “enclaves” consisting of co-ethnic members that serve as avenues for economic improvement³². Ethnic minority businesses can benefit from niche markets within concentrations of ethnic minority population, such as in large urban areas in The Netherlands or the UK, for specialty products and services demanded by co-ethnic customers. In such cases, selling may be mainly by word of mouth, although the development potential of such businesses may be very limited. Clearly, if ‘breakout’ into majority markets is to be achieved, more proactive marketing may be required as part of a broader preparation for growth or development. Hence, whilst marketing is a weakness of many small firms, it can present particular challenges to ethnic minority firms as part of a strategy for breaking out into mainstream markets³³.

Moreover, because of a tendency for ethnic minorities to concentrate in particular localities, the development of some local economies, and the standard of living within them, may be heavily influenced by the nature and extent of ethnic minority business development³⁴.

Conclusion

Ethnic/Minority businesses are becoming the subject of growing interest because business ownership is the main alternative to wage/salary employment for making a living and wealth for them. We have seen that the impact the minority entrepreneurs and their ventures have on themselves and on society at large, both in quantitative as well as qualitative terms, is so significant. The importance of minority entrepreneurship should be seen from the individual, social, economic, regional and international stand points. Regarding the future of minority entrepreneurship, we can positively note that the economic growth and institutional factors such as governance can motivate minorities and immigrants to strive towards new directions. It is predicted that the fastest growing population segment in many industrialised nations will be ethnic minorities. Accordingly, these countries must put in place strategic business policies and an infrastructure that fosters an environment where minority entrepreneurs can realise their hopes and dreams of business ownership and prosperity. Like in all business development programmes, assistance extended to promote ethnic entrepreneurship needs to embrace the aspects like awareness raising, creating a conducive policy environment, building up institutions and developing appropriate services. There is no doubt that striving to increase business ownership among minorities will ensure a competitive nation and a prosperous future for minority businesses. It may ultimately lead to the inclusive growth which is the ultimate aim of the economic growth of a country.

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Poverty Alleviation through Self – Help Group: Need of the Hour-A Comparative Analysis of Himachal Pradesh and Punjab.

Dr. Pawan Kumar Dhiman

Assistant Professor- EDP, dhimanpawan63@yahoo.co.in

Sant Longowal Institute of Engineering & Technology, Lonowal.

Abstract:

Developing countries such as India are in a state of transition. They are striving to be outward looking global economies rather than inward looking local economies, which will be possible only if tiny /cottage; small or medium scale enterprises (SMEs) are encouraged. A wider population base with capability of entrepreneurial behavior is to be developed on priority basis. There is not denying that India has to live with the problem of unemployment for many years to come. The immediate crisis can not be solved by any measures taken either to curb population growth or to reorient the education system in general and entrepreneurship in particular. Those already born and who are at school will contribute a lot to the government economy; country's position will be strengthened and can compete at the global level. The main task ahead is to ensure creation of maximum opportunities in the country to encounter the growing unemployment problem within available resources. Therefore need arises to make all over development among all sections of the society especially women in the rural sectors. In the present study data from two states one from Himachal Pradesh, a hilly states and the other from advanced state, Punjab have been undertaken and it has been found that some work is being done by the SHGs in Himachal where as in Punjab SHGs groups are not doing as per expectations.

Introduction:

The world has been undergoing at a rapid pace and drastic changes are taking place, therefore none of the management theory and practice but entrepreneurship is the only solution to address the problem of unemployment worldwide. At present world is considered as 'Global village' with strong network and information system. In the present scenario industrialization is the only hope of the third world especially the developing countries. But the process of becoming an entrepreneur involves learning, unlearning and re-learning many things relating to role, function, responsibilities and problems especially of rural entrepreneurs. The phenomenon of sponsoring entrepreneurship development has resulted in increased occupational movement but still many sections of these programmes and facilities are deprived and are not producing fruitful results. Therefore concerted efforts are required for promoting and inculcating entrepreneurial skill among rural masses especially women entrepreneurs'. As per the 2001 census, there were 496.4 million women representing 48 percent of India's total population in the country. Hence it is very important that women are to be empowered, entrepreneurial culture to be inculcated and in addition to it their capacities are to be enhanced through a process of imparting literacy to them, educating them in the areas of legal rights, health, poverty, etc.

Three major strategies have been worked out for empowerment, which are essentially multi pronged. One is capacity building, second legislative and the third organizational strategies, which enable women to come out of their isolation, use their collective strength to gain control over self, economic and socio-political resources. One such out come of these strategies is the formation of Self-Help Groups (SHGs)

The SHG is the brainchild of Grameen Bank of Bangladesh which was founded by Prof. Mohammad Yunus of chittagong university in the year 1975. The concept of SHG services to

Underline the principle "for the people, by the people and of the people." Similarly in India The Reserve Bank of India issued a circular dated July 24,1991 to commercial banks advising them to participate actively in the pilot project for linking Self-Help Groups (SHGs) with banks. And NABARD after consultation with few banks issued a set of guidelines on Feb, 26, 1992. And when the pilot project was initiated by NABARD, the Self-Help Group model was adopted and was called as Indian model and later NABARD called it the SHG –Bank linkage model.

SHGs are voluntary associations of women created for enabling members to reap the benefits out of mutual help, solidarity and joint responsibility. Benefits include mobilization of savings, access to formal credit facilities, capacity building and marketing.

The self-help group membership should be in the range of 12-20. The age group for the membership is 18-60. It is worthy to note that all the members should be married women and below poverty line; preference is given for the poorest women amongst the

target group, with focus on widows, divorcees, deserted and handicapped women. The SHGs are also required to maintain certain books of accounts like Attendance register, Minutes book, Saving ledger, Loan ledger, General ledger, cash book and individual pass book etc.

In some of the states these groups are doing wonderful jobs whereas others are not doing as per expectations. In India, the number of SHGs has increased from 2122 in 1994-95 to 21.01 lacs in 2005-06. Meanwhile the number of SHGs having bank loans increased from 1502 to 4.83 lacs; the total amount of bank loans increased from Rs 179 lacs to Rs 3096.13 crores and the number of families loan available increased from 25534 to 7238835. There is uneven geographical distribution of SHGs in the country. Andhra Pradesh alone has 30.5 percent of the total SHGs in the country. The lowest percentage i.e. 0.19 is in Punjab. Keeping in view a need arises to find out the causes of lowest activities in SHGs. The present paper is an attempt to study the role of SHG in a tiny state Himachal Pradesh and Punjab.

Need of rural entrepreneurship:

In India, more than 70 percent of population lives in villages and dependent up on agriculture. In agricultural sector labour finds work for a period of only 4 or 5 months in a year. It is experienced that during sowing and harvesting time, agriculture labour is found to be fully employed and in rest period, it remains either underemployed or unemployed.

In order to get employment, in off season agriculture labour is supposed to migrate to urban areas. Such State of affairs is unhealthy and creates a number of problems both in rural and urban areas. In order to check the problem of unemployment especially in rural areas to strengthen entrepreneurial culture is need of the hour by Self-Help Groups (SHGs).

The importance of rural entrepreneurship can be explained as:

Rural industries being labour intensive have high potential in employment generation. Thus they serve as an antidote for the widespread problems of disguised unemployment or under employment staking the rural territory.

By providing employment, these industries have also potential for income generation in the rural areas. These, thus, help in reducing disparities in income between rural and urban areas.

Rural industrialization fosters economic development in rural areas. This curbs rural-urban migration, on the one hand, and also lessens the disproportionate growth in the cities, reduces growth of slums, social tension; and atmospheric pollution; on the other.

Last but not least, rural industries being environmental friendly lead to development with out distinction i.e. the most desideration of the time.

Objective, Sample Selection, Methodology and findings:-

In the present study data from two districts one (Kangra)from Himacahl Pradesh and another sangrur from punjab have been undertaken to find out the activities of SHGs in district kangra (Himachal Pradesh) and district Sangrur (Punjab) to analyse the various other causes which are responsible for growth of SHGs in Himachal Pradesh and Punjab. Himachal Pradesh which is having its boundaries with Punjab, Haryana, U.P., J&K and Tibet was carried on the map of India on 15th April, 1948, as a centrally administered 'C' category state after the merger of 30 princely states. Later Bilaspur, another princely Hill state was merged with it.Himachal Pradesh became a full-fleged state on 25th January, 1971. Now, this state comprises 12 districts namely Kangra, Una, Mandi, Kullu, Lahual and Spiti, Bilaspur, Solan, Shimla, Sirmour, Chamba and Kinnuar with total area of 55,673 sq. kms and population of 60, 77,248 (2001 census). Himachal Pradesh is wholly mountainous and due to topography of the state much emphasis has been given by the Himachal Pradesh Government for establishing the small scale units. Whereas Punjab is concerned, it is situated in the northwest of India. It is bordeded by Pakistan on the west, the Indian states of Jammu & Kashmir on the north, Himachal Pradesh on its northest and Haryana and Rajsthan to its south. The total population of the state is 2,42, 89000 (2001 Census) out of which 29.55 population live in urban areas and 70.45 percent in villages . And it has 19 districts namely-Amritsar, Fatehgarhsahib, Gurdaspur, Forozpur, Ludhiana, Jallandhar, Kapurthala, Hosiarpur, Mansa, Moga, Muktsar, Nawanshar, Rupnagar, Faridkot Patiala, Bhatinda, Mohali , Barnala and Sangrur. The Sangrur is one of the backward district in Punjab. The literacy rate of district Sangrur is 45.99 percent only out of which 41.25 percent rural and 60.42 urban people are literate. The self –help group scheme has also been started here like other parts of the countries and states .From both the districts secondary data has been undertaken and analyzed. This can be depicted from the following tables.

Table-01

PHYSICAL AND FINANCIAL ACHIEVEMENTS UNDER SGSY FOR THE YEAR 2008-09

***Source DRDA Kangra at Dharamshala (Himachal Pradesh)**

Sr. No.	Block	Targets	Financial Achievements			Subsidy			Families assisted							No. of SHGs Formed		No. of SGTs up Eco. Activities	
			Gro up	Indy idial	Total	Gro ups	Indi vidial	Total	Groups	Ind	Total	SC ST	Dis abled	Wo men	Mino rities	Total Since 1.4.99	During The Current Year	Total Since 1.4.99	During Current Year up to the Month
1	Bainnath	36.16	33.135	0.725	33.86	12.465	0.075	12.54	152	1	153	109	0	149	0	200	16	147	15
2	Bhawarna	30.69	28.153	1.053	29.206	5.427	0.25	5.677	81	3	84	34	2	68	0	91	6	82	8
3	Dehra	39.57	29.65	3.765	33.415	10.7	0.6	11.3	135	7	142	36	0	133	11	117	10	114	11
4	Fatehpur	30.94	48.617	3.658	52.275	8.919	0.55	9.469	207	6	213	123	7	187	8	89	16	81	14
5	Indora	22.06	44.15	1.1	45.25	9.17	0.7	9.87	114	1	115	44	2	101	3	79	6	63	6
6	Kangra	29.48	31.655	0	31.655	10.5	0	10.5	115	0	115	20	0	101	0	190	12	128	4
7	Lambagaon	31.4	16.6	1.595	18.195	6.6	0.4	7	66	5	71	33	0	64	0	83	5	70	7
8	Nageria Bag.	26.46	25.127	9.11	34.237	9.277	1.38	10.657	123	20	143	15	3	84	0	138	16	125	16
9	Nae. Surian	30.4	20.23	12.77	33	5.632	1.31	6.942	71	16	87	31	4	65	0	99	10	88	7
10	Nurpur	20.65	27.9	5.334	33.234	8	1.075	9.075	93	14	107	41	5	95	9	120	9	80	9
11	Panchrukhi	25.24	28.394	8.046	36.44	8.045	1.185	9.23	106	13	119	90	1	91	0	149	10	96	10
12	Pragpur	30.42	36.6	5.76	42.36	12.55	1.1	13.65	183	14	197	65	4	155	0	204	15	115	5
13	Rait	37.26	34.602	5.045	39.647	8.113	0.76	8.873	115	9	124	43	1	111	1	114	12	106	11
14	Sullah	21.51	16.215	18.441	34.656	4.725	3.995	8.72	86	49	135	65	0	62	0	66	12	60	9
15	Dharamshala	18.73	17.095	3.33	20.425	5.789	0.625	6.414	69	6	75	28	0	65	0	32	32	7	7
	Total	430.97	438.123	79.732	517.855	125.912	14.005	139.917	1716	164	1880	777	29	1531	32	1771	187	1362	139

Total Allocation: 295.710 Lacs
 Funds Received: 282.586 Lacs
 Expenditure: 181028 Lacs
 Total Families Assisted: 1880
 Credit Mobilized: 517.86
 Subsidy Provided: 139.917

Table no.01 depicts that as on Feb, 2009 there are 15 blocks in the Kangra district. And in the district there was total target of Rs 430.97 lacs and it had been achieved to tune of Rs 517.855. out of which Rs 79.732 lacs as individual contribution and Rs 438.123 Lacs as Groups basis was achieved. This shows a healthy sign. It is also clear from the above figures that maximum financial achievements were made by the Fatehpur block to the tune of Rs 52.275 lac whereas minimum achievements were made by the Lambagaon block. It is also clear from the above table that total 1880 families were assisted out of which 1716 were assisted as on group basis and 164 individual's beneficiaries. It is also clear from the above table that maximum numbers of SC/ST groups were formed in Fatehpur block and only 15 groups was found in Nagrota block being a OBC dominated block in the district. As regards disabled beneficiaries and minorities groups are concerned 2 families in Bhawarna block,7 in Fatehpur block,2 in Indora block,3 in NagrotaBhagwan block,4 in Nagrota Surian ,5 in Nurpur,1 in Panchrukhi,4 in Pragpur, 1 in sullah block, were assisted respectively. Whereas in case of minorities beneficiaries are concerned 11 families in Dehra block,8 in fatehpur,3 in Indora, 9 in Nurpur,1 in rait block were assisted respectively The data indicates that out of total beneficiaries maximum beneficiaries were found in Fatehpur block followed by 153 in Baijnath,84 in Bhawarna,142 in Dehra, 115 in Indora,,115 in kangra,71 in Lambagaon,143 in Nagrota bhagwan,87 in Nagrota Surian, 107 in Nurpur , 119 in Panchruki , 124 i rail ,135 in sullah and 75 families were assisted in Dharamsala block respectively As regards subsidy is concerned total subsidy was given in all the blocks at the tune of Rs. 139.917 out of which Rs.125.912 lac to groups and Rs 14.005 lac was given to the individuals beneficiaries. It has been analysed that some blocks are leading where as in some other blocks some more efforts are to be put in for better results.

Table.011

Table.011
SHG financing in District Sangrur as on November 2008

Sr. No	Block	Number of SHG	Loan amount Rs in lacs	Subsidy amount in lacs
1	Sangur	63	82.64 lac	33.99 lac
2	Bhawanigarh	62	11.70 lac	4.40 lac
3	Sunam	55	12.50 lac	4.65 lac
4	Lehragaga	64	6.20 lac	2.20 Lac
5	Andana & Moonak	37	Zero	Zero
6	Malerkotla 01	58	6.25 lac	3.40 lac
7	Malerkotla 02	63	Zero	Zero
8	Dhuri	44	18.10 lac	9.00 lac
9	Sherpur	41	2.40 lac	1.20 lac
	Total	487	57.75 crore	24.85 lac

SOURCE: Official record DRDA Sangrur

SHG financing in District Sangrur as on November 2008

The table number 011 depicts that there are 9 blocks in the district sangrur(punjab) Out of these 9 blocks maximum amount of loan to the tune of Rs 82.64 lac as loan and Rs 33.99 lac as subsidy has been given to sangrur block . Where as in other blocks Rs.11.70 lac as loan in Bhawanigarh and Rs 4.40 lac as subsidy, in Sunam 12.50 lac as loan and Rs 4.40 lac as subsidy, in Lehragaga Rs 6.20 lac as loan and Rs 2.20 Lac as subsidy, in Malerkotla 01 Rs 6.25 lac as loan and Rs3.40 lac as subsidy, in Dhuri Rs 18.10 lac as loan and Rs 9.00 lac as subsidy, in Sherpur Rs 2.40 lac and Rs 1.20 lac as subsidy has been disbursed. It is pertinent to mention here that in two blocks none of the amount in the shape of loan and subsidy has been disbursed which shows a poor implementation by the SHGs and government. It has been observed that in district sangrur the activities of SHG are minimal and people have very less interested in SHGs. In addition to it there are other factors as; ego problem, good land holding, good income and good agriculture returns, are reasons which are influencing the activities of the SHGs.

Suggestions:

People's problems are to be identified before the implementation of the development programme. It is observed that the real benefit does not percolate to the needy people because of lack of proper planning and identification of problem. So it is suggested that problematic areas and problems of the people should be identified and accordingly, development programme should be initiated.

Awareness among the members and Pradhans of the group be created and entrepreneurial training be imparted by the TCO s, DIC and other agencies.

Periodically follow-up to be taken up of the SHGs relating to its difficulties and accordingly problems to be sorted out immediately.

It is suggested that the state agencies should formulates SHGs and finance them on strict criteria basis of income generation and poverty alleviation and overall rural development and proper scrutiny of members of SHGs is a prerequisite for financial support and economic development.

Basic knowledge of accounts and marketing should be provided by the government to these Groups on priority basis.

Conclusion:

It has been found that some SHGs activities are being done in Himachal Pradesh and whereas in Punjab government has to take more proactive steps to educate the rural masses especially women in this direction. And at this juncture rural entrepreneurial development is a complex and important sector which can be tackled by the social, political economical sectors and institutions of the government. The sooner they are established, the better it would be for the entrepreneurial development in the rural sector and economic growth of the country.

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Making Success and others learn using entrepreneurial traits

Abstract:

Emotional Intelligence (EQ) has been identified as a crucial predictor for workplace success. Entrepreneurs are those that shine and excel in the workplace beyond the norm. The present study aimed to provide a preliminary insight into this area of entrepreneurship research. EQ was examined via in-depth structured interviews. This paper explores the association of Emotional Intelligence variables with the entrepreneurial traits. The main objective of the paper is to find the relationships between the demographical variables and the entrepreneurial traits, and emotional intelligence traits among the entrepreneurs.

Keywords: Entrepreneurship, Emotional intelligence, demographic

****S.Sowmiya** (*Lecturer (SS), Dept of Business Administration, Annamalai University*)

***Dr.A.Rajamohan** (*Professor, Dept of Business Administration, Annamalai University*)

Introduction

Emotional Intelligence usually known as EI is the ability of a person to control, perceive and influence your emotions and the emotions of other people around you. However, the first definition of EI was given in Salovey and Mayer in 1990, as the ability to monitor our own and others feelings and emotions.

Emotional Competency

The measure of emotional intelligence is called emotional competency or emotional ability. Meyers (1996) defined emotional intelligence in terms of being able to monitor and regulate one's own and others feelings, and to use feelings to guide thought and action. Emotional intelligence is further defined as the ability to motivate oneself and permits in the face frustration; to control impulse and delay gratification, to regulate one's moods and keep distress from swamping the ability to think; to empathies and to hope (Daniel Goleman, 1995). Emotional intelligence, on the other hand, is a type of social intelligence that involves the ability monitor one's own and others emotion, to discriminate among these and to use the information to guide one's thinking and actions. Regulating emotion can be possible for self-awareness. According to the American psychologists, the intangible, qualities of emotional intelligence are (i) understanding one's own feelings and (ii) regulation of emotions like self-awareness, empathy, existence and social differences in the way that enhances living. The measure of emotional competency is otherwise called equanimity. Emotional competence in short is the balance between the rational mind and emotional mind (Gopikrishnan, 1998).

Emotional are caused due to distress, which highly affect the quality of life of an individual. This is clearly expressed by Paula (1998) as the emotional imbalance arise when an individual carrying his/her positive or negative emotions and attitudes from his/her work life into his/her home life and vice versa. In the leadership area, the change in emotion of a leader affects the participant's behavior rather than the neutral emotional display of leader (Lewis Kristi, 2000). Those who have developed high emotional quotient know how to regulate one's emotions such as anger or anxiety in such a way that enhances success in job and life. Therefore, it is argued that emotional quotient is a significant dimension for effective leadership. As per quantitative evidence, 70 per cent to 80 per cent of the people suffer from major depression and it could highly reduce the productivity in shop floor. Therefore, the current need in work place is to manage emotional imbalance due to stress and depression (Steven, E.Hyman, 2002).

A divided mind cannot achieve perfection. Normally in the work place the mind is divided by Stress (Narayana, 1995). About 30 per cent of the potential mind is further reduced by emotional stress due to anger, fear, jealousy, passion and other such strong feelings (Palhan, 1999). Psychological stresses are more significantly correlated to emotional responses (Srivastava, 1999). Therefore, the life style gets disturbed because of long standing uncontrolled surges of stressful reactions like intense desire, anger, fear, jealousy etc. This emotional imbalance also affects the physiological health which is clearly expressed as "Every change in the mental – emotional state, conscious, is

accompanied by an appropriate change in the physiological state” (Green and Green, 1986). Hence, mind-body discipline is highly important for emotional balance. In addition to that, Daniel Goleman (2000) has suggested the following four fundamental capabilities for developing emotional quotient (EQ). There are self-awareness, self-management, social awareness and social skills.

Related Studies on emotional Intelligence

Lacke and Associates (1998) have found that leaders who are emotionally unstable are more likely to derail, that is handle pressure poorly and give into moodiness, outbursts of anger and inconsistent behavior. Such inconsistencies undermine manager’s relationship with group members, peers and superiors.

Daniel Goleman (2002) is of the opinion that the resonant leaders excel not just through industry say but also by leveraging EI competencies. Betty Nina (2002) has stated that mental alertness and emotional stability helps the executives at the time of selecting leadership styles in a particular stimulation.

From the findings of Goleman et al, (2002) it is hypothesized that leaders who have strong self-management skills are able to control their own disruptive emotional and impulses, display honesty and integrity and to be adaptable and flexible in situations that call for change. They are drivers to improve their performance in order to meet on inner standard of excellence, ready to raise opportunities and are able to see the positive side of difficult situations.

Caruso et al. (2002) believed that the ability model comprising of 4 branches, viz, identifying emotions, using emotions, understanding emotions and managing emotions, facilitates new understanding of the relationship between emotional intelligence and leadership. Hence understanding the emotions that drive group members is essential for a leader to facilitate a cohesive and motivated group of followers. He also stresses that effective leaders need to be able to manage their emotions. So that decisions can be informed by emotional responses rather than be dictated by them.

About 30% of the potential mind is further reduced by emotional stress due to anger, fear, jealousy, passion and other such strong feelings (Palban 1999). Psychological stresses are more significantly correlated to emotional stress (Srivastava 1999). Therefore the life style gets distributed because of long standing uncontrolled urges of stressful reactions like intensive desire, anger, fear, jealousy, etc. (HMCS, 2000). The emotional imbalance also affects the psychological health, which is clearly expressed as “Every change in the mental Emotional state conscious or unconscious is accompanied by an appropriate change in the psychological state” by (Green and Green 1986).

Kiran and Lakshmi (1999) conducted a study on emotional competencies among Bhang and Herione users, revealed that normal person have greater adequate depth of feeling, adequate control and expression of emotions, ability of function with emotions and encouragement with positive emotions in comparison in Bhang and Heroine uses.

Chouban and Tithi0 (2002) conducted a study for assessing emotional maturity, emotional expression and emotional quotient of Adolescent male and female students. The samples consisted of 120 male and female adolescents who were randomly assigned. Emotional Maturity Scale and a self prepared emotional expression scale were administered to the samples. The results indicated that post adolescent males have higher emotional maturity than female and the stage of adolescents play a significant role upon emotional maturity. With regard to the emotional expression, it was found that post adolescents have greater skill for emotional expression than their male counterparts and both the stages of adolescents and gender play a significant role in determining the skill of emotional quotient than others and that females have a higher degree of emotional quotient than male.

Vorbach, et al (2003) studied on the relationship between emotional competence and social competence in early adolescence. 114 adolescents of 12 to 15 years of age are taken. The Adolescent Multifactor Emotional Intelligence Scale (AMESIS) was used to assess emotional skills and knowledge findings indicated that the ability to identify other's emotions could be measured in a relatively straight forward and highly reliable way, but that the AMESIS demonstrated mixed effectiveness.

Methodology

The study is mainly based on primary data which were collected from the 600 businessmen who are doing business in Chennai. The entrepreneurs were chosen according to the convenience of the researcher. The study areas were selected randomly and respondents were chosen conveniently from Chennai and second line cities and towns in and around Chennai. The sample distribution is made equally between urban and semi urban areas. Of the total respondents, 545 samples were taken for the final study. The remaining questionnaires were rejected due to insufficiency of data filled in by the entrepreneurs.

Objectives

The present study was undertaken with the following objectives.

To find out the influence of various demographical variables on entrepreneurial traits among the businessmen in Chennai, Tamilnadu.

To explore the relationship between the emotional intelligence and the entrepreneurial traits among the businessmen.

To provide suggestions to improve the entrepreneurial spirit among the businessmen through enhancing entrepreneurial traits and emotional intelligence.

Analysis and Discussions

Hypothesis-I:

Null Hypothesis: There is no significant difference between genders with regard to the

dimension of entrepreneurial traits

TABLE 1: SHOWING T-TEST VALUES

Dimension of Entrepreneurial traits	Gender				t-value	P-value
	Male		Female			
	Mean	SD	Mean	SD		
Initiative	14.06	3.67	15.41	3.44	4.31	.000**
Opportunity seeking	14.21	4.35	15.88	4.51	4.32	.000**
Information seeking	15.80	5.02	15.43	4.94	0.83	.407
Self confidence	16.41	4.69	15.72	4.60	1.70	.090
Use of influence strategy	15.99	5.50	16.36	5.00	0.79	.428
Adaptability	17.44	3.40	18.06	3.56	2.04	.042
Perseverance	15.98	3.82	17.13	3.62	3.51	.000**
Goal Orientation	17.02	3.42	17.96	3.34	3.17	.002**
Risk taking	19.56	3.43	20.47	3.17	3.12	.002**
Ambiguity	24.41	4.31	24.98	3.77	1.61	.109
Overall Entrepreneurial Traits	170.90	24.83	177.42	22.69	3.11	.002**

Source: Primary data

Note:

* *- Indicates Significant at 1% Level.

* - Indicates Significant at 5% Level.

Interpretation:

Since P- Value is less than 0.01, the null hypothesis is rejected at 1% level of significance. The difference between the gender with regard to the dimension of Initiative traits, opportunity seeking traits, perseverance traits, goal orientation traits, risk taking traits and overall entrepreneurial traits are exists among the businessmen.

Based on the mean value the initiative traits, opportunity seeking traits, perseverance traits, goal orientation traits, risk taking traits and overall entrepreneurial traits are high among the women when compare to men in the sample. It is due to inherited nature of women to have high level of commitment in their selected endeavors. In additional the change in the business environment in favor of women entrepreneurs is encouraging women to take up risky assignments and to prove themselves as successful in business.

As the p-value is greater than 0.05, the null hypothesis is accepted at 5% level of significance. There is a significant difference between gender with regard to the dimension of information seeking, self confidence, use of influence strategy, adaptability, and ambiguity traits among the businessmen. Based on the mean value the information seeking traits and self confidence traits are high among the male when compare to female among the sample respondents. It is due to the contacts and the going to different places frequently gives lot of general and business information. Where as adaptability, use of influence strategy and ambiguity traits are high among the female when compare to male among the sample respondents. It is due to shift of family and new culture adaptation due to marriage gives some amount of confidence in dealing with new people and tactics to handle different situations in the regular family life.

Hypothesis-II

Null Hypothesis: There is no significant difference between genders with regard to the overall dimension of emotional intelligence among the businessmen.

TABLE 2: SHOWING T-TEST VALUES

Dimension of Emotional intelligence	Gender				t-value	P-value
	Male		Female			
	Mean	SD	Mean	SD		
Overall Emotional intelligence	257.51	29.41	256.82	26.49	0.28	.778

From the above table it is inferred that the p value is greater than 0.05, the null hypothesis is accepted at 5% level of significance. Hence, there is a significant difference between genders with regard to the dimension of emotional intelligence among the businessmen. Based on the mean value emotional intelligence is high among the male entrepreneurs when compare to the female among the sample respondents. It is due to the long years of experience of business gives practical exposure to entrepreneurs.

Women entry in to business is a recent scenario in the sample area or to the country parse. The growth rate achieved by the women with in a short span of time is highly appreciable. Emotional intelligence is a subject matter of individual psychology and attitude. It also varies from one geographical area to other, nature of business, type of products deal etc. In general emotional intelligence is quite important to the business, because different customers may have different levels of emotional intelligence, to handle them a business men requires lot of patience, situational and emotional intelligence. It also helps to manage day to day activities in the regular course of business.

Hypothesis-III:

Null Hypothesis: There is no significant difference between the individuals help seeking from family with regard to the dimension of Entrepreneurial traits among the businessmen.

TABLE 3: SHOWING T-TEST VALUES

Dimension of Entrepreneurial traits	Getting help from family				t-value	P-value
	Yes		No			
	Mean	SD	Mean	SD		
Initiative	14.37	3.96	14.70	3.50	0.96	.336
Opportunity seeking	14.60	3.75	14.99	4.76	0.91	.363
Information seeking	14.96	4.82	15.93	5.03	2.07	.039*
Self confidence	15.70	5.17	16.32	4.43	1.42	.156
Use of influence strategy	15.97	5.28	16.20	5.32	0.46	.647
Adaptability	17.19	3.78	17.89	3.33	2.14	.033
Perseverance	15.61	3.90	16.78	3.68	3.32	.001**
Goal Orientation	16.63	3.06	17.71	3.50	3.37	.001**
Risk taking	20.20	3.13	19.82	3.45	1.20	.232
Ambiguity	24.69	4.37	24.61	4.00	0.20	.842
Overall Entrepreneurial Traits	169.92	23.45	174.96	24.36	2.21	.027*

Note:

1* *- Indicates Significant at 1% Level.

2* - Indicates Significant at 5% Level.

The p- Value is less than 0.01, the null hypothesis, is rejected at 1% level of significance. The difference between the individuals getting help from family with regard to the dimension of perseverance traits and goal orientation traits are exists among the businessmen. Based on the mean value perseverance traits and goal orientation traits are high among the individuals who are not getting help from the family in managing business. It is due to individuals with great vision may not look for any sort of assistance from family.

Such entrepreneurs do things in a professional way with the principle of unity of command. These entrepreneurs may feel family entry in to business leads to dilution of control and unity of command. It is a good principle for visionary and large scale businesses. In case of small businesses, family help can able to keep the costs under control and shared team work may yield good returns. It also gives some relaxed time to an entrepreneur to think on the new dimensions to develop business in the long run.

As p- value is less than 0.05, the null hypothesis, is rejected at 5% level of significance. The difference between the individuals getting help from family with regard to the dimension of information seeking and overall entrepreneurial traits are exists among the businessmen. Based on the mean value information seeking traits and overall entrepreneurial traits are high among the entrepreneurs not getting any help from the family in managing the business. It may is due to the individual attitude towards getting help from family or the nature of business.

If the nature of business is technical or procedural, family members help may not be suitable to handle such. In some cases the family members may be engaged in other types of businesses, where no such possibilities to seek help from family. Getting help from family to manage business gives some booster energy to run the business in a smooth way. But the degree of involvement is important and the style of operation is further more important. Involvement with full pledged manner and with lot of commitment and sincerity may help the entrepreneurs to go further heights in their selected field of business.

Since P - value is greater than 0.05, the null hypothesis is accepted at 5% level of significance. Hence, there is a significant difference between the individuals getting help from family with regard to the dimension of initiative, opportunity seeking, and self confidence, use of influence strategy, adaptability, risk taking and ambiguity traits among the businessmen. Based on the mean value, initiative ,opportunity seeking, self confidence, use of influence strategy, adoptability, skills are high among the individual entrepreneurs not getting help from the family in managing the business when compare to the individuals getting help from the family among the sample respondents. Risk taking and ambiguity skills are high among the individuals getting help from the family in managing the business. It is due to sharing of ideas and issues in a family may boost the synergy of valued decisions.

The success achieved through these decisions may encourage and build the confidence among the entrepreneurs to go further in the development of business. Sharing business activities with the family members is a good strategy to control cost and to develop second line management to manage business in the years to come.

Hypothesis-IV:

Null Hypothesis: There is no significant difference between the individuals help seeking from family with regard to the overall dimension of Emotional intelligence among the businessmen.

TABLE 4: SHOWING T-TEST VALUES

Dimension of Emotional intelligence	Getting help from family				t-value	P-value
	Yes		No			
	Mean	SD	Mean	SD		
Overall Emotional intelligence	256.22	27.12	257.65	28.74	0.54	0.591

Note:

1* *- Indicates Significant at 1% Level.

2* - Indicates Significant at 5% Level.

Since P - value is greater than 0.05, the null hypothesis is accepted at 5% level of significance. Hence, there is a significant difference between the individuals getting help from family with regard to the dimension of overall emotional intelligence among the businessmen. Based on the mean value, emotional intelligence is high among the individual entrepreneurs not getting help from the family in managing the business when compare to the individuals getting help from the family among the sample respondents.

Hypothesis-V:

Null Hypothesis: There is no significant difference between the age group with regard to the dimension of Entrepreneurial traits among the businessmen.

TABLE 5: SHOWING ANOVA VALUES

Dimension of Entrepreneurial traits	F - value	p- value	Age Group in Years			
			21 – 30Yrs	31 – 40	41 – 50	> 50
Initiative	1.061	0.364	15.08	14.51	14.72	14.14
Opportunity seeking	1.062	0.364	14.53	15.36	14.78	14.51
Information seeking	1.370	0.250	16.24	15.45	15.94	14.93
Self confidence	3.272	0.020*	17.03	15.45	16.62	15.66
Use of influence strategy	4.180	0.006**	17.53	15.73	16.52	14.95
Adaptability	1.232	0.297	18.32	17.56	17.71	17.36
Perseverance	1.197	0.310	16.99	16.60	16.10	16.43
Goal Orientation	2.532	0.056	17.51	17.55	16.92	18.02
Risk taking	0.197	0.898	19.66	19.96	19.98	19.97
Ambiguity	0.675	0.567	25.06	24.81	24.44	24.37
Overall Entrepreneurial Traits	1.474	0.220	177.94	172.97	173.72	170.34

Note:

1* *- Indicates Significant at 1% Level.

2* - Indicates Significant at 5% Level.

From the above table it is inferred that the p- value is less than 0.01, the null hypothesis, is rejected at 1% level of significance.

Based on the mean value, use of influence strategy trait is high among the entrepreneurs belongs to the age group of 21-30 years. It is due to age factor.

As p- value is less than 0.05, the null hypothesis is rejected at 5% level of significance.

Based on the mean value self confidence traits are high among the entrepreneurs belongs to the age group of 21-30 years among the respondents. This may be due to the entrepreneurs belongs to 21-30 years age group are in the entry level to business ventures and may not be having the experience of failure in venture.

p-value is greater than 0.05, the null hypothesis , there is no significant difference between the age groups with regard to the dimension of initiative traits, opportunity seeking traits, information seeking traits, adoptability, perseverance traits, goal orientation traits, risk taking traits, ambiguity traits and overall entrepreneurial traits among the entrepreneurs among the sample.

Based on the mean value, initiative traits, information seeking, self confidence ,use of influence strategy, adoptability, perseverance, ambiguity and overall entrepreneurial traits are high among the entrepreneurs belongs to the age group of 21-30 years. It may be due to the entrepreneurs belongs to 21-30 years are in the budding entrepreneurs having lot of ideas and commitment towards career.

Hypothesis-VI:

Null Hypothesis: There is no significant difference between the age groups with regard to the overall dimension of Emotional intelligence among the businessmen.

TABLE 6: SHOWING ANOVA VALUES

Dimension of overall Emotional intelligence	F - value	P- value	Age Group in Years			
			21 – 30Yrs	31 – 40	41 – 50	> 50
Overall Emotional intelligence	73.576	0.000**	241.67	247.01	257.44	287.51

Note:

1* *- Indicates Significant at 1% Level.

2* - Indicates Significant at 5% Level.

The p- value is less than 0.01, the null hypothesis, is rejected at 1% level of significance. The difference between the age group with regard to the dimension of emotional intelligence is exists among the businessmen.

Based on the mean value overall emotional intelligence score is high among the entrepreneurs belongs to above 50 years age group. It is due to the experienced

businessmen could have faced many situations in business and gained the experience in handling those with out any difficulty and confusion.

Emotional intelligence helps to take reasonable decisions to optimize the business results at all points of time. Emotional intelligence is a systematic learned behavior through experience.

Hypothesis-VII:

Null Hypothesis: There is no significant difference between the educational qualifications with regard to the dimension of Entrepreneurial traits among the businessmen.

TABLE 7: SHOWING ANOVA VALUES

Dimension of Entrepreneurial traits	F value	p- value	Educational Qualification			
			Up to Hsc.	UG	PG	Professional
Initiative	0.955	0.413	15.05	14.60	14.39	15.01
Opportunity seeking	0.037	0.990	14.73	14.96	14.88	14.83
Information seeking	2.359	0.070	15.97	15.43	16.03	14.42
Self confidence	5.237	0.001**	16.64	16.98	16.16	14.44
Use of influence strategy	3.358	0.018*	17.98	15.47	15.93	16.53
Adaptability	0.468	0.704	17.93	17.62	17.77	17.32
Perseverance	1.429	0.233	17.07	16.83	16.25	16.09
Goal Orientation	3.153	0.024*	18.31	17.75	17.26	16.69
Risk taking	3.226	0.022*	20.49	19.45	19.78	20.75
Ambiguity	4.005	0.007**	24.44	24.93	24.19	25.90
Overall Entrepreneurial Traits	1.120	0.340	178.61	174.02	172.65	171.99
Overall creativity score	1.644	0.178	86.24	86.46	86.69	88.80
Overall personality score	0.954	0.413	85.32	86.69	85.23	86.80
Overall Emotional intelligence	0.184	0.906	258.90	258.09	256.43	257.58

Note:

1* *- Indicates Significant at 1% Level.

2* - Indicates Significant at 5% Level.

As p- Value is less than 0.01, the null hypothesis, is rejected at 1% level of significance. Based on the mean value self confidence is more among the entrepreneurs belongs to UG qualification. It may be due to lack of experience in business decisions, young entrepreneurs may think each opportunity can be en cashed easily.

p- Value is less than 0.05, the null hypothesis, is rejected at 5% level of significance. Based on the mean value use of influence strategy traits are high among the businessmen belongs to up to higher secondary educational qualification. This may be due to lack of expertise in conducting the business, low educational profile entrepreneurs adopts to go through known influencing sources to succeed in business. It is noted that the goal orientation traits are high among the businessmen belongs to up to higher secondary

educational qualification. It may be due to the eager to win the business within a stipulated time. The risk taking traits are high among the professional entrepreneurs, may be due to the nature of training undergone by the professionals during the course of study is risk taking in nature. Such training improves the dare ness to commit high end solutions to business. The venture activities may further enhance the risk taking traits of the entrepreneurs.

p-value is greater than 0.05, the null hypothesis, there is no significant difference between the educational qualification with regard to the dimension of initiative traits, opportunity seeking traits, information seeking traits, adoptability, perseverance traits, and overall entrepreneurial traits among the entrepreneurs among the sample.

Based on the mean value, initiative traits, adoptability traits and perseverance traits are high among the entrepreneurs belongs to the up to higher secondary educational qualification. This may be due to the various initiatives taken by the young entrepreneurs in the initial trails of business. Adoptability may be due to the trail phase of business selection. In the initial stages every entrepreneur is so flexible to adapt to any situation and state the business. Opportunity seeking traits are more among the entrepreneurs belongs to under graduate level of educational qualification holders. Information seeking traits are high among the entrepreneurs belongs to graduation degree holders. It is due to the value of information may be well realized by the entrepreneurs with graduation. The information is the key to success in business.

Hypothesis-VIII:

Null Hypothesis: There is no significant difference between the educational qualifications with regard to the overall dimension of Emotional intelligence among the businessmen.

TABLE 8: SHOWING ANOVA VALUES

Dimension of Emotional intelligence	F - value	p- value	Educational Qualification			
			Up to Hsc.	UG	PG	
Overall Emotional intelligence	0.184	0.906	258.90	258.09	256.43	257.58

The p-value is greater than 0.05, the null hypothesis is accepted at 5% level of significance. Hence, there is a significant difference between the educational qualifications with regard to the dimension of overall emotional intelligence among the businessmen.

Based on the mean value, emotional intelligence is high among the entrepreneurs belongs to low profile educational category.

Hypothesis-IX:

Null Hypothesis: There is no significant difference between the overall entrepreneurial traits with regard to the dimension of Emotional intelligence attributes among the businessmen.

TABLE 9: SHOWING ANOVA VALUES

Emotional intelligence attributes	F-Value	p-Value	Overall entrepreneurial traits		
			Low	Average	High
			Mean	Mean	Mean
Self regard	0.553	0.575	34.59	34.94	34.49
Interpersonal relationship	1.588	0.205	28.19	28.14	27.62
Impulse control	1.004	0.366	19.90	19.56	19.60
Problem solving	1.054	0.348	22.83	23.34	23.03
Emotional self awareness	0.243	0.784	22.77	22.73	22.47
Flexibility	1.175	0.309	31.32	31.57	30.96
Reality testing	1.579	0.207	22.91	23.19	23.60
Stress tolerance	1.090	0.336	31.22	31.39	30.58
Assertiveness	0.424	0.654	23.63	23.35	23.53
Empathy	0.219	0.802	19.97	20.03	19.86

From the above table it is observed that the null hypothesis is rejected at 5% level of significance. Hence, there is no significant relationship between the self regard, interpersonal relationship, impulse control, problem solving, emotional self awareness, flexibility, reality testing, stress tolerance, assertiveness and empathy as emotional intelligence attributes and level of entrepreneurial traits.

Based on the mean value, individuals with the self regard, problem solving, flexibility, stress tolerance and empathy as emotional intelligence attributes are having average level of entrepreneurial traits among the businessmen.

It is due to entrepreneurship requires the problem solving ability, lot o flexibility to deal with various types of customers, situational and balanced stress tolerance to handle the various functions in a business. But entrepreneurial skills and individual's emotional intelligence traits may not correlate among all the entrepreneurs. It is also observed that the individuals having high level of emotional intelligence are not proved as successful entrepreneurs and vice versa.

Entrepreneurial success depends on various factors, which are varies from time to time, place to place and business to business. A business men stated business with average level of entrepreneurial skills and emotional intelligence can improve the ability to manage business and proved to be a successful entrepreneur, if the environment is congenial and the business climate is prosperous.

An entrepreneur with high level of entrepreneurial skill set and emotional ability may not succeed in an adverse business environment. Hence, it is inferred that the success of business does not depends only on qualities of an entrepreneur but also on the business climate prevailing in the country.

Based on the mean value individuals with the high level of interpersonal relationship, impulse control, emotional self awareness, reality testing and assertiveness as emotional intelligence attributes are having low level of entrepreneurial traits among the respondents in the sample. It is due to emotional intelligence is a part of entrepreneurship and

interpersonal relationship, impulse control, emotional self- awareness; reality testing and assertiveness are the part of emotional intelligence.

It is inferred that the entrepreneurial ability is a set of skills and tactics learning through application, experience and participation in the process of business. It is best to opt (Venkatraman2000) AEP Model (Application, Experience and Participation) to develop entrepreneurial ability among the businessmen and potential entrepreneurs. It helps to understand the basic components of business in the initial days, experience of the impact of decisions taken and learn the pitfalls and best practices makes the entrepreneur dynamic and self confident.

Participation in the process of business and decision making gives lot of exposure and knowledge to expand the business to new horizons and to grow in a successful manner. Hence, AEP Model can be recommended to train the entrepreneurs in a professional manner. Because, business requires application of knowledge, experience of incidents and practical experience of participation in the process of business flow from one end to other. The nature of business may be a manufacturing, trading, assembling, transportation and construction. In each one of the business one should act as a businessmen other can be a customer (either individual or institutional).

Multiple regressions

Equation 1

Dependent variable:	1. Overall Emotional intelligence score (Y)
Independent variables:	1. Initiative trait (X1)
	2. Opportunity seeking trait (X2)
	3. Information seeking trait(X3)
	4. Self confidence trait (X4)
	5. Use of influence strategy trait(X5)
	6. Adaptability (X6)
	7. Perseverance trait (X7)
	8. Goal orientation trait(X8)
	9. Risk taking trait(X9)
	10. Ambiguity trait(X10)

Multiple R : 0.17357

R square value: 0.03012

F Value : 1.65863

p- value : 0.0873

TABLE 10: SHOWING MULTIPLE REGRESSION VALUES

Variables	Un standardised coefficient	SE of (B)	Standardized coefficient(B)	t-value	p- value
X ₁	-0.0385	0.3810	-0.0049	-0.101	0.9194
X ₂	-0.1771	0.3397	-0.0281	-0.521	0.6023
X ₃	0.5370	0.3703	0.0948	1.450	0.1476
X ₄	-0.0062	0.3435	-0.0010	-0.018	0.9854
X ₅	-1.0773	0.3179	-0.2023	-3.388	0.000**
X ₆	-0.2765	0.5527	-0.0340	-0.500	0.6170
X ₇	0.3750	0.5215	0.0501	0.719	0.4724
X ₈	0.3854	0.4829	0.0465	0.798	0.4252
X ₉	0.7835	0.4719	0.0931	1.660	0.0975
X ₁₀	-0.3937	0.3766	-0.0572	-1.045	0.2963
Constant	255.6199	11.2614		22.699	0.000**

Note:

1* *- Indicates Significant at 1% Level.

2* - Indicates Significant at 5% Level.

The multiple regression expansion is $Y = 255.619 + 0.0385X_1 - 0.1771X_2 + 0.5370X_3 - 0.0062X_4 - 1.0773X_5 - 0.2765X_6 + 0.3750X_7 + 0.3854X_8 + 0.7835X_9 - 0.3937X_{10}$

Interpretation: The sample co-efficient determination of R square or R² (r² is commonly used in simple regression, while R² is approximately reserved for multiple regressions Analysis). It measures the goodness of fit of the estimated SRP in terms of the proportion of the variation in the dependent variable explained by the fitted sample regression equation or SRP.

Thus the R² value = 0.03012, simply means that about 3.012 % of the variation of overall emotional intelligence score as a factor is explained or accounted for by the estimated SRP, that uses Initiative traits (X1), Opportunity seeking traits (X2), Information seeking traits (X3), Self confidence traits (X4), Use of influence strategy traits (X5), Adaptability traits (X6), Perseverance traits (X7), Goal orientation traits (X8), Risk taking traits (X9) and Ambiguity traits (X10) as independent variables. The information is quite useful in assessing the overall accuracy of the factors affecting overall emotional intelligence traits and thereby entrepreneurship among the businessmen. This test is not significant at 5% level.

The multiple regression expansion is $Y = 255.619 + 0.0385X_1 - 0.1771X_2 + 0.5370X_3 - 0.0062X_4 - 1.0773X_5 - 0.2765X_6 + 0.3750X_7 + 0.3854X_8 + 0.7835X_9 - 0.3937X_{10}$

This estimated co-efficient has the following interpretation. The independent variables such as X₂, X₄, X₅, X₆, X₁₀ namely opportunity seeking traits, self confidence traits, use of influence strategy traits, adaptability traits, and ambiguity traits represent the partial effect on over all emotional intelligence among the businessmen The estimated

positive sign implies that such effect is positive. While the absolute value implies that the variable X_1, X_3, X_7, X_8, X_9 , will improve the overall emotional intelligence and thereby entrepreneurship among the businessmen.

Hence, it is inferred that the initiative traits, information seeking traits, perseverance traits, goal orientation traits and risk oriented traits are having more influence on the emotional intelligence of an individual and entrepreneurship success. It is advisable to have some amount of basic training on emotional control and situational balancing through traditional therapies like yoga, meditation can help the entrepreneurs to cope up with the emotional balancing and using emotional intelligence in solving entrepreneurial issues arising out of business.

H_0 : There is no relationship between entrepreneurial traits and emotional intelligence among the businessmen.

The null hypothesis is accepted at 5% level of significance. Hence, there is no significant relationship between entrepreneurial traits and emotional intelligence among the businessmen.

Based on the mean value of the variables, is observed that the opportunity seeking traits, self confidence traits, use of influence strategy traits, adaptability traits, and ambiguity traits represent the partial effect on over all emotional intelligence among the businessmen and initiative traits, information seeking traits, perseverance traits, goal orientation traits and risk oriented traits are having more influence on the emotional intelligence of an individual and entrepreneurship success.

Emotional intelligence is more important in managing the various business situations and to co-ordinate with the business clients if different kinds. It is also important to have a rational decisions based on the external environment conditions and internal strengths of the business.

Emotional intelligence can be improved through traditional therapies like yoga, meditation and regular physical exercise. The traditional therapies keep the individual fit in terms of physically and mentally. Traditional therapies can be inducted in the academic curriculum and as a core practical exercise can make each of the students to take it seriously and take the benefit out of it in the later stage.

Equation: 2

Dependent variable: 1. Overall Entrepreneurial traits (Y)

Independent variables: 1. Gender (X1)
2. Age (X2)
3. Educational qualification (X3)
4. Marital status (X4)
5. Type of business (X5)
6. Level of turnover (X6)

7. Experience in business (X7)

8. Initial investment (X8)

9. Help seeking from family (X9)

10. Habit of discussing business issues at home

(X10)

11. Overall emotional intelligence (X11)

Multiple R : 0.26886

R square value: 0.07229

F Value : 3.18277

p- value : 0.000**

TABLE 11: SHOWING MULTIPLE REGRESSION VALUES

Variables	Un standardised coefficient	SE of (B)	Standardized coefficient(B)	t-value	p- value
X ₁	7.3128	2.1793	0.1481	3.355	0.000**
X ₂	-0.7408	1.3295	-0.0289	-0.557	0.5776
X ₃	-2.5282	1.2657	-0.0886	-1.997	0.0463*
X ₄	-1.9914	2.4206	-0.0389	-0.823	0.4111
X ₅	-5.7119	1.7559	-0.1448	-3.253	0.0012**
X ₆	2.1007	1.2492	0.0823	1.682	0.0932
X ₇	0.0037	1.0484	1.554	0.004	0.9971
X ₈	1.5509	1.2553	0.0609	1.236	0.2172
X ₉	4.2426	2.2686	0.0796	1.870	0.0620
X ₁₀	4.1142	2.2029	0.0824	1.868	0.0624
X ₁₁	-0.0062	0.0599	-0.0072	-0.104	0.9174
Constant	137.0699	19.3641		7.079	0.000**

Note:

1* *- Indicates Significant at 1% Level.

2* - Indicates Significant at 5% Level.

The multiple regression expansion is $Y = 137.0699 + 7.3128X_1 - 0.7408X_2 - 2.5282X_3 - 1.9914X_4 - 5.7119X_5 + 2.1007X_6 + 0.0037X_7 + 1.5509X_8 + 4.2426X_9 + 4.1142X_{10} - 0.0062X_{11}$

Interpretation: The sample co-efficient determination of R square or R² (r² is commonly used in simple regression, while R² is approximately reserved for multiple regressions Analysis). It measures the goodness of fit of the estimated SRP in terms of the proportion of the variation in the dependent variable explained by the fitted sample regression equation or SRP.

Thus the R² value =0.07229, simply means that about 7.229 % of the variation

of overall emotional intelligence score as a factor is explained or accounted for by the estimated SRP, that uses gender (X1), age (X2), educational qualification (X3), marital status (X4), types of business (X5), level of turnover (X6), experience in business (X7), initial investment (X8), help seeking from the family (X9) habit of discussing business problems at home (X10), and overall emotional intelligence (X11), as independent variables. The information is quite useful in assessing the overall accuracy of the factors affecting overall entrepreneurial success among the businessmen. This test is significant at 1% level.

The multiple regression expansion is $Y = 137.0699 + 7.3128X_1 - 0.7408X_2 - 2.5282X_3 - 1.9914X_4 - 5.7119X_5 + 2.1007X_6 + 0.0037X_7 + 1.5509X_8 + 4.2426X_9 + 4.1142X_{10} + 0.1245X_{11} + 0.18751771X_{12} - 0.0062X_{13}$

This estimated co-efficient has the following interpretation. The independent variables such as X_1, X_2, X_3, X_4 , namely gender, age, educational qualification, marital status and overall emotional intelligence represent the partial effect on over all entrepreneurship among the businessmen. The estimated positive sign implies that such effect is positive. While the absolute value implies that the variable $X_5, X_6, X_7, X_8, X_9, X_{10}$, will improve the overall entrepreneurship among the businessmen. Hence, it is inferred that the type of business. Level of turnover, experience in business, initial investment, help seeking from family, and habit of discussing business problems at home, are having more influence on the entrepreneurship success. It is advisable to have some fundamental training on entrepreneurial skills and business management can help in improving the success percentage among the businessmen.

H_0 : There is no relationship between entrepreneurial traits and demographic factors, and overall emotional intelligence among the businessmen.

The null hypothesis is rejected at 1% level of significance. Hence, there is a significant relationship between entrepreneurial traits and demographic factors, and overall emotional intelligence among the businessmen.

Based on the values of the variables, is observed that the gender, age, educational qualification, marital status and overall emotional intelligence represent the partial effect on over all entrepreneurship among the businessmen and type of business. Level of turnover, experience in business, initial investment, help seeking from family, and habit of discussing business problems at home, are having more influence on the entrepreneurship success.

Demographical variables play a major role in individual's life and in business management due to the following aspects. Business requires multidimensional skills and experience in the selected field. No individual should have all types of skills with in him. Demographics play a role in maintaining the physical fitness and mental stability of an individual.

Emotional intelligence is more important in managing the various business situations and to co-ordinate with the business clients if different kinds. It is also important to

have a rational decisions based on the external environment conditions and internal strengths of the business. Emotional intelligence can be improved.

CONCLUSION

Having analyses the businessmen on demographical variables, it is understood that majority of the businessmen in the sample area is male, belongs to 40-50 years and group with post graduate qualification. Based on the mean value, emotional intelligence is high among the individual entrepreneurs not getting help from the family in managing the business when compare to the individuals getting help from the family among the sample respondents.

There are so many appreciable trends in the entrepreneurship in the sample area. Modern trend of professionalism is taking place in the business climate and culture. This can encourage youth to attract towards entrepreneurship and to start self enterprises instead of depending on the job market. This can help in solving the unemployment problem in the society.

Inferential statistics shows the relationships between the demographical variables and the entrepreneurial traits, and emotional intelligence traits among the entrepreneurs.

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South Australia, SEEC, Mawson Lakes campus, 5095 Mawson Lakes, Australia, (T) (08) 8302 5886, (F) (08) 8302 5344, Email: alistair.campbell@unisa.edu.au

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“Women Empowerment through Micro Entrepreneurship”- A sociological Review

¹*P. Veeramani ²**Dr. D. Selvaraju and D.J. Ajithkumar³***

Abstract

Empowerment involves both the individual change and collective action. For an empowerment approach the development to be successfully implemented, changes are needed in the abilities of individuals and groups to identify and meet their own need in the households, communities, organisations, institutions and society. Empowerment enables woman to control their own lives and to set their own to organise, to help each other and to make demand on the state and on society itself for change. With the collective empowerment of women, of course, would bring with it the individual empowerment of women. While studying empowerment it is also essential to locate individuals within the historical, social and political contexts of their social group to correctly interpret the impact of development outcomes. Here an attempt has been made to analyse the micro entrepreneurship and empowerment of women. This paper on women empowerment through entrepreneurship the data was collected among 398 SHGs members in surrounding villages of Cuddalore District of Tamil Nadu and the results also shows the positive signs on women empowerment through entrepreneurship.

“Women Empowerment through Micro Entrepreneurship”- A sociological Review

1 * P. Veeramani, Lecturer, Department of Sociology, Annamalai University, Annamalai Nagar.

2 ** Dr. D. Selvaraju, Professor and Head, Department of Sociology, Annamalai University, Annamalai Nagar - 608 002.

3 *** Ph.D. Research Scholar, Department of Sociology, Annamalai University, Annamalai Nagar – 608 002.

Introduction

To most, microfinance means providing small loans to very poor families with a view to help them to engage in productive activities or grow their very small businesses. Like many poor people need and use financial services all the time. They save and borrow, invest in home repairs and improvements and meet occasional and domestic expenses such as food and school fees. However, there are some 500 million low income entrepreneurs in the world and about 5% have access to financial services. Indeed, the financial services available to the poor often have serious limitations in terms of cost, risk and convenience. As a result, over time, micro-finance has come to include a broader range of services (credit, savings, insurance, etc.) as the industry has come to realize that the poor and the very poor that lack access to traditional formal financial institutions require a variety of financial products.

Meaning

A type of banking service that is provided to unemployed or low-income individuals or groups who would otherwise have no other means of gaining financial services. Ultimately, the goal of microfinance is to give low income people an opportunity to become self-sufficient by providing a means of saving money, borrowing money and insurance. Micro financing is not a new concept. Small microcredit operations have existed since the mid 1700s. Although most modern microfinance institutions operate in developing countries, the rate of payment default for loans is surprisingly low and more than 90% of loans are repaid.

1. Like conventional banking operations, microfinance institutions must charge their lenders interest on loans. While these interest rates are generally lower than those offered by normal banks, some opponents of this concept condemn microfinance operations for making profits of the poor.
2. Delivery is normally through Self Help Groups (SHGs).
3. It is essential for promoting self-employment; the opportunities of wage employment are limited in developing countries - micro finance increases the productivity of self-employment in the informal sector of the economy - generally used for (a) direct income generation (b) rearrangement of assets and liabilities for the household to participate in future opportunities and (c) consumption smoothing.
4. It is not just a financing system, but a tool for social change, specially for women - it does not spring from market forces alone - it is potentially welfare enhancing - there is a public interest in promoting the growth of micro finance - this is what makes it acceptable as a valid goal for public policy.
5. Because micro credit is aimed at the poorest, micro-finance lending technology needs to mimic the informal lenders rather than the formal sector lending. It has to : a) provide for seasonality (b) allow repayment flexibility (c) eschew bureaucratic and legal formalities (d) fix a ceiling on loan sizes.
6. It is a tool for empowerment of the poorest; the higher the income and better

the asset position of the borrower, the lower the incremental benefit from further equal doses of micro-credit is likely to be.

Microfinance Approach

Microfinance approach is based on certain proven truths which are not always recognized. These are:

That the poor are bankable; successful initiatives in micro finance demonstrate that there need not be a trade off between reaching the poor and profitability - micro finance constitutes a statement that the borrowers are not 'weaker sections' in need of charity, but can be treated as responsible people on business terms for mutual profit.

That almost all poor households need to save, have the inherent capacity to save small amounts regularly and are willing to save provided they are motivated and facilitated to do so.

That easy access to credit is more important than cheap subsidised credit which involves lengthy bureaucratic procedures - some institutions in India are already lending to groups or SHGs at higher rates - this may prevent the groups from enjoying a sufficient margin and rapidly accumulating their own funds, but members continue to borrow at these high rates, even those who can borrow individually from banks.

'Peer pressure' in groups helps in improving recoveries.

The Clients of Microfinance

The typical microfinance clients are low-income persons that do not have access to formal financial institutions. Their "micro enterprises" represent an estimated 80% of the total enterprises in the world, 50% of urban enterprises and 20% of the GNP of their countries. Microfinance clients are typically self-employed, often household-based entrepreneurs. In rural areas, they are usually small farmers and others who are engaged in small income-generating activities such as food processing and petty trade. In urban areas, microfinance activities are more diverse and include shopkeepers, service providers, artisans, street vendors, etc. Microfinance clients are poor and vulnerable non-poor who have a relatively stable source of income.

Access to conventional formal financial institutions, for many reasons, it is inversely related to income: the poorer you are the less likely that you have access. The poor often obtain financial services from informal financial relationships credit can be available from commercial and non-commercial lenders, but often at very high interest rates; saving services can be available through savings clubs, credit associations and the like. As a result, the chances are that, the poorer you are, the more expensive or onerous informal financial arrangements. Moreover, informal arrangements may not suitably meet certain financial service needs or may exclude you anyway. Individuals in this excluded and under-served market segment are the clients of microfinance.

Microfinance generally targets poor women because they have proven to be reliable credit risks and when they have the financial means, they invest that money back into their families, resulting in better health and education, and stronger local economy.

By providing access to financial services - loans and responsibility for repayment, maintaining savings accounts, providing insurance - microfinance programs send a strong message to households and communities. Studies have shown that women become more assertive and confident, have increased mobility, are more visible in their communities and play stronger roles in decision making.

As the definition of the types of services microfinance encompasses broadens, the potential market of microfinance clients also expands. For instance, microcredit might have a far more limited market scope than say a more diversified range of financial services which includes various types of savings products, payment and remittance services, and various insurance products. For example, many very poor farmers may not really wish to borrow, but rather, would like a safer place to save the products from their harvest as these are consumed over several months by the requirements of daily living.

Microfinance Helps the Poor

Microfinance brings the power of credit to the grassroots by way of loans to the poor, without requirement of collateral or previous credit record. Experience shows that microfinance help the poor to increase income, build viable businesses, and reduce their vulnerability to external shocks. It can also be a powerful instrument for self-empowerment by enabling the poor, especially women, to become economic agents of change.

Poverty is multi-dimensional, and by providing access to financial services, microfinance plays an important role to fight against the many aspects of poverty. Access to credit allows poor people to take advantage of economic opportunities - for their homes, their domestic environments and their communities. For instance, income generation from a business helps not only the business activity expand but also contributes to household income and its attendant benefits on food security, children's education, etc. Moreover, for women who, in many contexts, are secluded from public space, transacting with formal institutions can also build confidence and empowerment.

Recent research has revealed that the extent to which individuals around the poverty line are vulnerable to shocks such as illness of a wage earner, weather theft, or other such events. These shocks produce a huge claim on the limited financial resources of the family unit and absent effective financial services, can drive a family so much deeper into poverty that it can take years to recover.

Microfinance Institution

Quite simply, a microfinance institution is an organization that offers financial services to the very poor. Most MFIs are non-governmental organizations committed to assisting some sector of the low income population. It is important to note that MFIs are not the only entities serving the financial needs of micro entrepreneurs. Commercial banks, cooperatives and savings institutions all have important roles to play in serving this market

Women Can Make Micro-Credit Success in India:

India has to understand that micro-finance is workable and sustainable any where there is poverty. And to make it successful, it needs to emphasise and mobilise the role of women in each rural and poor household,' the chief architect of Bangladesh's Grameen Bank told a conference organised by the Federation of Indian Chambers of Commerce and Industry (FICCI). 'India and Bangladesh have no major difference in poverty. If micro-finance or micro-credit is successful in Bangladesh, it can be successful in India as well,' Yunus emphasised. 'The Grameen Bank and the work that we do is not something extraordinary and neither is it a model. It is a rather simple way of solving the complex problems of poverty,' the 66-year-old economist said.

Bangladesh is very close to achieving the UN millennium development goal of eradicating poverty. And we have been able to successfully reach 80 percent poor households. India has a long way to go, but it can come out with excellent results only if it catches the pace,' he reiterated.

Women's Role in Economy

All over the world, the significance of women entry into the workforce over the past three decades has produced profound transformations in the organisation of families, society, the economy, and urban life. Since the late 1950s, women's economic activities have been steadily increasing.

Women have always actively participated in their local economies. In Africa, for example, women produce 80 percent of the food and in Asia 60 percent and in Latin America 40 percent. In many cases, women not only produce the food but market it as well, which gives them a well-developed knowledge of local markets and customers. This is a small example of the importance of women's work in society. It does not illustrate the real extent of women's contribution, especially in developing countries, not only to the labour force, but also their role as a significant income-source for the family. For instance, in Africa all tasks related to a family's support are the responsibility of women. Due to cultural and traditional aspects, a woman's presence has been a question of survival of her family. Women, especially poor mothers, must divide their time between work "productive role" and family "reproductive role", and balancing all the demands. Time is valuable for these women, as their livelihoods depend largely on their ability to fulfil the multiple demands of the household and the marketplace.

In spite of the remarkable importance of women's participation, their jobs have been considered as an "extra income" to family survival or simply to improve its living conditions. Moreover, microenterprises owned by women have been considered as a way to meet primary needs instead of a profitable source of income. Unfortunately, labour markets have followed this perception and have offered less favourable conditions to women. Women workers consistently earn less than their male partners do. That is the case of Cameroon women who work, for example, up to 10 hours a day, but at the end of the month, their income is far below the Cameroon monthly minimum wage of 29000 CFA francs (US\$ 60).

Women have had to fight against an adverse environment, which traditionally had been

minimising and exploiting their capacities. As a consequence of this reality, in some cases, women are just satisfied with the non-financial benefits, such as the psychological satisfaction of “social contact”.

Women’s Micro-Enterprises

Considering the entrepreneurial environment, women’s activities are very interesting as they offer a great source of knowledge and innovation. For example: there is no single type of female micro-entrepreneur, they differ in social background, educational level, experience and age. Another interesting factor is their strong social coherence that allows them to maintain strong communications channels at all levels.

One important element, and perhaps the only characteristic that men will never have, is the possibility to transfer “motherhood skills” to job. These include fostering of other people’s development through guiding, monitoring, and sharing information. Women are experienced in balancing claims, in organising and pacing, and in handling difficulties.

In general terms, female led micro enterprises tend to be associated with activities that provide part time employment. They are small in size and have loose, informal structures, require very little start up capital, and little or no formal education. On the other hand, many women entrepreneurs in the developing world remain illiterate and live in poor rural communities.

Businesswomen in developing countries share the following general characteristics:

They are concentrated in market sectors that have low barriers to entry and low levels of outside communication (transfer to other markets).

They focus on trade, services, and light manufacturing activities.

Their businesses are smaller than others, employing less than five employees.

The owners have relatively little previous working experience.

They use traditional technologies.

Most employees are family related

They are often home based.

Business growth strategies are affected by household responsibilities.

Owners tend to have lower levels of education and literacy.

Women start their enterprises with less professional work experience and knowledge of their sector than their male counterparts.

Women and Microfinance

Although men, as well as women, face difficulties in establishing an additional enterprise, women have barriers to overcome. Among them are negative socio cultural attitudes, legal barriers, practical external barriers, lack of education and personal difficulties. In spite of this, for women and especially for poor women, microenterprise ownership has emerged as a strategy for economical survival. One of the most essential factors

contributing to success in micro entrepreneurship is access to capital and financial services. For various reasons, women have had less access to these services than men. In this context, credit for microenterprise development has been a crucial issue over the past two decades. Research has shown that investing in women offers the most effective means to improve health, nutrition, hygiene, and educational standards for families and consequently for the whole of society. Thus, a special support for women in both financial and non-financial services is necessary.

Regarding limited-access to financial services, women depend largely on their own limited cash resources or in some cases, loans from extended family members for investment capital. Smaller amounts of investment capital effectively limit women to a narrow range of low-return activities which require minimum capital outlays, few tools and equipment and rely on farm produce or inexpensive raw materials. In general, women need access to small loans (especially for working capital), innovative forms of collateral, frequent repayment schedules more appropriate to the cash flows of their enterprises, simpler application procedures and improved access to saving accounts.

Surveys have shown that many elements contribute to make it more difficult for women in small businesses to make a profit. These elements are:

Lack of knowledge of the market and potential profitability, thus making the choice of business difficult.

Inadequate bookkeeping.

Employment of too many relatives which increases social pressure to share benefits.

Setting prices arbitrarily.

Lack of capital.

High interest rates.

Inventory and inflation accounting is never undertaken.

Credit policies that can gradually ruin their business (many customers cannot pay cash; on the other hand, suppliers are very harsh towards women).

How to Increase and Support Women's Participation in Microfinance Activities?

Both governments and donors should explore ways of developing innovative credit programmes using intermediary channels or institutions closer to the target groups such as co-operatives, women's group associations and other grassroots organisations. Savings and credit programmes should be designed in a way not to exclude women from participating. Additionally, there is a need to examine the impact of structural adjustment policies on men and women at the family level as well as within various sub sectors of the labour market and within the small enterprise sector itself.

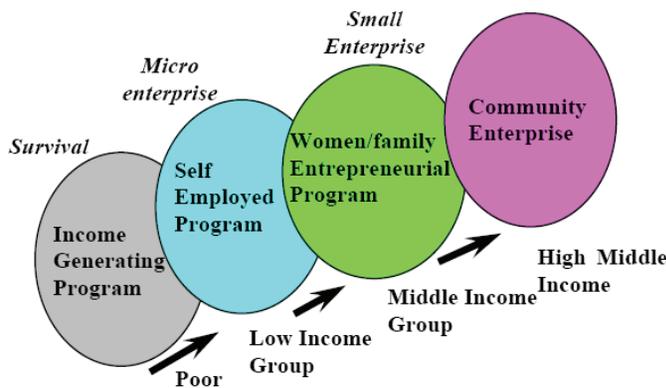
In general terms, in order to facilitate the participation of women in micro and small enterprise, donors should:

Encourage microenterprise programmes to develop specific strategies for recruiting women as clients from within their existing target groups.

Encourage microenterprise programmes to expand their target groups to include the sizes and types of enterprise activities in which women engage or experiment with assistance strategies, business and technical assistance needs of these types of enterprises.

Consider expanding support to a broader range of organisations, especially poverty focused organisations active in rural areas. Support for these organisations should include technical assistance and training in programme planning, management and in developing teams of female staff to assist clients in business planning and management.

Women Entrepreneurial Development



To Increase Women’s Access to Credit, the Donor Community Should:

Increase the availability of working capital;

Experiment with lending programmes that do not require conventional forms of collateral;

Replicate and expand existing successful methodologies for delivering small working capital loans;

Introduce savings mobilisation components in the context of credit or other enterprise assistance programmes;

Promote credit policies that are open to both small scale enterprise activities and enterprises operating in trade, commerce and other small enterprise sectors where women have higher participation rates.

Technical assistance for micro enterprise development should focus more on basic training in product marketing and design concepts and on transmitting skills to increase and diversify production. Governments can also directly increase the market for micro enterprise products by improving rural and urban infrastructure with these the study was carried out with the following

Objectives:

To study the income, expenditure and savings of the members after joining SHGs.

To know the role of SHGs in providing rural credit.

3. To analyse the relationship between micro entrepreneurship and women empowerment.

Methodology

The study has covered the three Tsunami affected villages in Cuddalore District of Tamil Nadu Viz., Devanampattinam, Thazangkuda, and Sothikuppam Villages. These three villages were selected for this study, because of the SHGs in these villages are functioning very successful manner. The Devanampattinam village of Cuddalore District is pioneer in starting SHGs. Therefore these villages were selected for the study.

This study is compiled with the help of the primary data covered for the period 2007-08. The primary data was collected with the help of specially prepared interview schedule. The schedule include the questions related to the general information about the SHGs members, income, expenditure, savings and loan schemes available to SHGs' members. Totally 134 respondents were selected from 20 SHGs (398 total members) of three villages by simple random sapling method. The sample size was 1/3 of the total members in the SHGs. This is purely a descriptive study, no complicated models and tools were used only percentage and averages were used for the analysis.

Analysis and Interpretation

The data is related to the economic empowerment of women in the Cuddalore District of Tamil Nadu. For this three villages were selected from Cuddalore District.

In the study area totally 20 SHGs are functioning with 398 members (Table-1). From the 398 members 134 respondents were selected for the study by adopting simple random sampling method.

Table 1. Membership in SHGs

S. No.	Name of the Village	No. of SHGs	Total Members
1.	Devanampattinam	6	130
2.	Thazangkuda	8	138
3.	Sothikuppam	6	130
	Total	20	398

Source: Primary Data

Age Group of SHGs Members

Age and socio economic activities are inter related. The young and middle aged group people can actively participate in the socio-economic activities, which is true in the activities of SHGs in the study area. In these three villages of Cuddalore District of Tamil Nadu, 20-30 and 30-40 age groups are actively participated in the SHGs

activities (Table –2). The aged people (40-50) are also in the SHGs, their role is also important for SHGs. They can only control and solve the problems in the groups.

Table 2. Age Group of Members of SHGs

S. No.	Age Group	No. of respondents	Percentage
1.	Less than 20	6	4.46
2.	20-30	30	22.39
3.	30-40	32	23.88
4.	40-50	36	26.87
5.	50-60	18	13.43
6.	Above 60	12	8.96
	Total	134	100.00

Source: Primary Data

Reasons for Joining SHGs

The major aim of the SHGs is to promote savings and to credit for the productive and consumption purposes. This is true because many people in the study area joined the SHG's for getting loan and promote their personal savings, in addition to get social status. The data in Table 3 reveals that, in the study area many people (43.28%) joined the SHGs for getting financial assistance, 32.84% of the respondents joined in the SHGs for the social status, because SHGs give the identify to the members. 14.92% of the respondents joined for improve their savings. For social, cultural and political improvement (other reasons 8.96%) some members joined in the SHGs.

Table 3. Reasons for Joining SHGs

S. No.	Reasons	No. of respondents	Percentage
1.	For getting loan	58	43.28
2.	For promoting savings	20	14.92
3.	For social status	44	32.84
4.	For other reasons	12	8.96
	Total	134	100.00

Source: Primary Data

Income Level of the Members

Income is the major determinant of the standard of living of the people. The SHGs members income has been increased after joining the SHGs. Hence women members of the groups are independent to meet their personal expenditure, and they contribute more to their household income. Many housewives (22.39%) did not earn anything before joining SHGs, but after a member of the SHGs, they are also earning reasonably. This increases the willingness to participate in the SHGs' activities (this shows in Table – 4). Many women members independently involve in the economic activities individually and with other group members after joining SHGs. Therefore they are now economically independent and contribute to increase their household income.

Table 4. Monthly Income of the Members Before and After Joining SHGs

S. No.	Before Joining SHGs			After Joining SHGs	
	Monthly Income Rs.	No. of Respondents	Percentage	No. of Respondents	Percentage
1.	Less than 1000	16	11.95	5	3.73
2.	1000-2000	25	18.66	26	19.40
3.	2000-3000	42	31.34	45	33.58
4.	3000-4000	4	2.96	14	10.45
5.	4000-5000	10	7.46	33	24.63
6.	5000-6000	5	3.75	6	4.48
7.	Above 6000	2	1.49	3	2.23
8.	Non-earning members	30	22.39	2	1.49
	Total	134	100.00	134	100.00

Source: Primary Data

Expenditure of the SHG Members Family

The family expenditure has been increased due to positive change in the SHGs member's income. The incremental income not only enhance the expenditure of the family but also promote the savings of the family after they joined in the SHGs. Here the objective of the SHGs is fulfilled. This is a achievement of the women SHGs in the study area (Table 5). Usually working women are being respected by the household members and the society. Nowadays the women in the SHGs are also respected by the others, because they are independent in earning the income and they are contributing to household income, expenditure and savings. Therefore the above discussion clearly shows that after joining in the SHGs, the members' well-being has been increased.

Table 5. Monthly Family Expenditure of the Members Before and After Joining SHGs

S. No.	Monthly expenditure in Rs.	Before Joining SHGs		After Joining SHGs	
		No. of Respondents	Percentage	No. of Respondents	Percentage
1.	Less than 1000	34	25.37	15	11.19
2.	1000-2000	29	21.64	23	17.16
3.	2000-3000	31	23.13	30	22.39
4.	3000-4000	15	11.19	19	14.18
5.	4000-5000	16	11.94	23	17.16
6.	5000-6000	3	2.25	18	13.44
7.	6000-7000	6	4.48	6	4.48
	Total	134	100.00	134	100.00

Source: Primary Data

Rural Credit and SHGs

One of the reasons for joining SHGs is to avail credit (V.M. Rao 2002), which is true in the present case. The second objective of the present work is to know the rural credit by SHGs. This part is discussed the rural credit and SHGs in study area. The credit organizations like nationalized banks, Co-operative societies and so on, follow many formalities to provide credit to the rural people. At the sametime village money lenders charge very high rate of interest. In this situation SHGs are the boon to the rural people, because instead of approaching bank individuals, SHGs can easily approach the banks

and other institutions to get loan. The SHGs get loan from credit institutions then refinance (share) to the members in the SHGs. The SHGs charge reasonable interest. In the study area the prevailing interest rate is 1% to 4% among the members.

All the members are responsible for the prompt repayment of the loan to the banks. Therefore members are repaid the loan in time (Table 8). Moreover banks instructed the members to save minimum Rs. 200 per month. So re-payment is very easy to SHGs. The loans can be used by individual group members for their personal needs, sometime the group may invest on any economic activities. Nowadays many SHGs are starting small business, cottage industries, food processing units etc. The SHGs in the study area grant the loan to their members for various purposes. The maximum loan amount per member is decided by the general body meeting (Table 6). Almost all the members in the study area are availed the loan facilities in their SHGs (Table 7).

Table 6. Types of Loans in the SHGs

S. No.	Types of the Loan	Maximum amount Rs.
1.	Business Loan	20,000 to 25,000
2.	Marriage Loan	Upto 20,000
3.	Repay the old Loan	10,000 to 15,000
4.	Medical Loan	10,000 to 15,000
5.	House repairing Loan	Upto 5,000
6.	Cattle Loan	5,000 to 7,500

Source: Primary Data

Note: The rate of interest is 1% to 4%. It varies group o group

Table 7. Amount of Loan Availed by the members through SHGs

S. No.	Availed Loan Amount Rs.	No. of Respondents	Percentage
1.	Less than 5,000	23	17.16
2.	5,000 to 10,000	28	20.90
3.	10,000 to 15,000	29	21.64
4.	15,000 to 20,000	35	26.12
5.	Above 20,000	19	14.18
	Total	134	100.00

Source: Primary Data

Table 8. Repayment of Loan by SHGs' Members

S. No.	Particulars	No. of Respondents	Percentage
1.	Repayment in time	86	64.18
2.	Repayment in advance	25	18.66
3.	Repayment not in time	23	17.16
	Total	134	100.00

Source: Primary Data

Conclusion

The study was undertaken in the Tsunami affected villages in Cuddalore District of Tamil Nadu to analyse women empowerment through Micro Entrepreneurship. Traditionally women have been marginalised. A high percentage of women are among the poorest of the poor. Microfinance activities can give them a means to climb out of poverty. Microfinance could be a solution to help them to extend their horizon and offer them social recognition and empowerment. On the other hand, thank to women's capabilities to combine productive and reproductive roles in microfinance activities and society has enabled them to produce a greater impact as they will increase the quality of life of the women micro-entrepreneur and also of her family. Short-term assistance programmes might aim at increasing the productivity of women's labour by providing credit, technology, and skill training. Long-term objectives could emphasise eliminating institutional constraints which limit women's access to productive resources, creating social, technological, and economic mechanisms to reduce conflicts between women's productive and reproductive roles, as well as defining strategies to address traditional and legal barriers that hamper or preclude the active participation of women in the productive sectors of the economy. The key issue for successful micro finance program focused on women should consider them in a broader context, as a family nucleus, that is vital for societal improvement and progress. Following this idea, micro finance programmes should provide women with specific adapted products through appropriate methodologies, which can offer competitiveness to their business but also well-being to them and their families. It is found that the income of the women has been increased after joining the SHGs, so that the monthly household expenditure also has been raised to considerable level. But the savings is increasing at slow rate, because the incremental expenditure is higher. Mostly they are spending for present consumption. So, the members should change this attitude. The good practice of the women SHGs in the study area is repayment of the loan in time. Nearly 64% of the members paid their monthly due with in the time, even some members 19% paid their due in advance. A few members do not pay in time but this is not affecting the further credit of SHGs. Since the repayment of loan is regular and within the time, may lead to conclude that the economic activities of SHGs are quite success. In this way micro entrepreneurship in Cuddalore District of Tamil Nadu is very successful to develop women empowerment in rural areas.

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