

Regression model for the improvement of economic status of self help groups

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ABSTRACT

In olden days Indian women were mainly rendering services to the family members particularly to the husband and children. So women were not allowed to go outside for earning income. In most areas they were not allowed even to go for higher education. India being a country, with 70% of its population belonging to rural sector, depends on agriculture and allied activities. It faces many problems to generate income to the rural mass. Due to climate, rainfall failure and some other reasons the farmers do not generate adequate income to meet their family needs and suffer a lot most of the time except during harvest. The villages strive hard to run their family and to satisfy their children's requirements. Due to this reason the women started to generate income. At present women contribute much for the development of all sectors of the country. Employment gives economic status to women. Economic status increases social status and thereby empowerment. By keeping this view all the governments try to improve the status of women in all possible ways. SHGs are considered as the main channel for generating income to the women in all areas particularly in rural and semi-urban areas. The growth of Self-Help Groups (SHGs) is evidence of the fact that women are coming out of their shells, shunning their secondary citizen status and are using their potentialities and talents for individual and societal benefits. Earlier SHGs were formed by the less educated womenfolk, but today even educated women are coming forward to form SHGs because of its various obvious benefits. In this context though the SHGs are improving the socio-economic status of women, a specific study is needed for every region because of its unique economic and cultural environment. Therefore, the present study has been carried out with 240 members of SHGs operating in Coimbatore District.

Key words: Regression, self help group, economic status

1. INTRODUCTION

Self Help Groups are about people coming together with others who are affected by a particular issue (experience, disadvantage, discrimination and the like) to support each other and to work together to change the disadvantages affecting them. It is a self-governed, peer-controlled small and informal association of the poor, usually from socio-economically homogeneous families who are organized around savings and credit activities. Funds for credit activities are coming through regular savings deposited by all of its members on a weekly or fortnightly basis. In the meetings they discuss common problems and plan for solution, share information, and make efforts to improve their health and literacy skills. Self Help Groups are not charity or simply community based groups. They are made of and controlled by the people affected. Group members are not volunteers. Although the work is usually unpaid, members work to change their own situation and the support is mutual. The knowledge base of self-help mutual support groups is experiential, indigenous, and rooted in the wisdom that comes from struggling with problems in concrete, shared ways. Self-help groups build on the strengths of their members.

1.I SELF HELP GROUPS: EMPOWERMENT OF THE POOR

Empowerment of the poor encompasses three basic dimensions—reduction of poverty, creation of employment opportunities, and erasing inequality. Since the magnitude of poverty challenges the very basis of State as an independent economic and political unit, it has been realized by the policy planners that development, needs to be people centered and participation oriented across various interfaces. Poverty alleviation has thus assumed a new thinking and new practices have emerged through integrated community participation of the poor. The basis of the concept of micro finance is self-organization of the poor at the community level driven by a desire and an inherent capacity to improve their living conditions by themselves. Inspired by the success of the Bangladesh Grameen experiment, the self-help group approach in India has taken strong roots as an effective and viable channel to take the poor to a new domain of economic empowerment and social upliftment. Micro finance, which synergises the thrift and credit habits of the poor in a participatory and informal setting, is now widely acknowledged as a strategic tool to dent poverty in all poverty alleviation programmes. With the fast expanding Self Help Groups' movement across the country, India is poised to provide pragmatic solutions by demonstrating the success of micro finance for improving economic empowerment of the poor.

In view of the larger distribution of poor geographically as well as the magnitude of the population below poverty line, the central government has taken a pro-active stand in dealing with the problem. Policy planners have explored the following approaches in designing different economic empowerment programmes.

- Area development to decrease regional disparities and to take care of vulnerable regions affected by natural calamities.
- Sectoral approach to assist the poor in their livelihood activities with major emphasis on farming.
- Targeted approach for a section of people by creating employment generation through development programmes.
- Multipronged approach with integrated spatial and social development and
- Empowering approach through micro finance for self employment enterprises in farm and non-farm sector.

1.II CONCEPTUAL EVOLUTION OF MICRO FINANCE IN INDIA

The irrepressible desire and inherent capacity of poor to improve their living for themselves is considered as the foundation for concept of Micro Finance. Propelled by the demonstrative success of Bangladesh Grameen Experiment, Micro Finance is acknowledged as an effective channel to take the poor into a new domain of economic empowerment. Micro Finance movement assumed global advocacy through Micro Credit Summit held in February 1997 at Washington. The summit representing 1500 institutions and 137 countries is a landmark in the collective crusade against poverty undertaken by the developed and developing countries together. The Micro Credit Summit launched a campaign to reach 100 million of the worlds poorest families. Micro Finance is referred as providing Credit for self employment, financial and other business services including savings and technical assistance.

Most of the countries have long-established cooperative movements, including credit cooperatives. In most countries in South Asia and also in Indonesia, credit cooperatives have been largely unsuccessful in extending financial services to poor households. Generally, the cooperative movement includes people of all income levels within a particular village or community, and does not target the poor. Moreover, management of the cooperative movement has been inadequate in most countries.

In some countries such as India and Pakistan, a large proportion of cooperatives are reported to be non-functional, due to financial mismanagement and inability to recover dues. Even where they are functional, management is often dominated by rural elites, with funds allocated on the basis of patronage rather than needs. Frequently they rely heavily on government funds and are largely owned and controlled by governments. In India and Pakistan, for instance, state and provincial cooperative departments have the right to be represented on the board of directors, and can exert considerable influence on the management of cooperatives, permission may be needed to hold elections, invest funds, change their area of operations, use funds from their reserves, and similar matters.

Micro – Finance is distinctly different from other schemes. Loans under micro– finance programs are very small, on an average less than in thousands of rupees by Indian standards. Micro – Finance continues to target the rural and urban households, with emphasis on women borrowers, provision of

finance for creation of assets and their maintenance and bringing in greater quality of services. The beneficiaries are identified by micro – finance providers themselves independently or through NGOs/Self Help Groups, the repayment period is generally very short. The amount is increased based on the borrower's repayment experience.

Micro – Finance is a novel approach of banking poor with the distinct advantages of high repayments of loans and low transaction cost. Various micro – finance initiatives have gathered pace in the recent years. In Micro – Finance, NABARD's role has been two-fold, viz., promotional and financial. Promotional efforts assume the form of the SHG – Bank Linkage programme and facilitating training. Financial involvement is in terms of providing refinance, revolving fund assistance and grants.

Over the last decade micro finance has become an accepted institutional framework for taking financial services to the poor. Micro finance has now evolved into a type of independent financial system of its own and there are a number of variants in micro finance institutions and systems. But broadly they can be classified into two—the individual approach and the group approach. An example of the group approach, where the group itself, not the individual member, is the client, is the self-help group program in India.

In all countries there are wide variety of small, informal savings and loan groups, such as rotating savings and credit associations, which operate informally and are not registered. These or similar groups have been institutionalized to some extent by involving them in formal micro finance programs in a very few countries. In India self-help groups (SHGs) are an integral part of the National Bank for Agriculture and Rural Development (NABARD) program for linking banks and SHGs. Nevertheless, they are generally not registered. Under Indian law, SHGs are only required to be registered (as a society, trust or cooperative) if they have more than 20 members. For this reason, many SHGs restrict their membership to 20 persons or less. It is also found in Gujarat and some other parts of the country that some larger SHGs operate informally and are not registered.

The purpose around which an SHG is initially formed varies depending on the kind of program being implemented and the need for collective working. It varies from managing a collective resource to promoting a social cause. In the context of microfinance, SHGs are formed to foster savings and credit. A small group of individuals become members and pool their savings on a regular basis to form a collective fund. This fund is then rotated as credit amongst the members through a system of self-generated norms. Hence, the basis of the SHG is the mutuality and trust in depositing individual savings in group funds. Once the initial trust is established, the incentive or motivation for a member is the access provided to financial services through the common pool fund, which is higher than the individual's own savings. Once such an SHG is formed and stabilized (through repeated rotations of their own savings converted to mutual credit), it is possible for it to become a source of funds to others outside the SHG.

1.III EVOLUTION OF MICRO FINANCE IN INDIA

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1. REVIEW OF LITERATURE

Shrivastava R. S (2006) observes that, there has been some serious discussion in India about the nature and mode of women empowerment as a means of dealing with various problems of women. Though the concept itself is far from clear, it means empowering women socially, economically and politically so that they can break away from male domination and claim equality with them. The various approaches towards women's empowerment could be articulated through a variety of theoretical perspectives. Some of these are the perspectives of critical theory, feminism, and Marxism. Women are generally marginalized, under represented, and depicted in a hierarchical and stereotyped imagery of the sexes. It is from this point of view that the media in contemporary society plays a crucial role in the construction and reconstruction of 'maleness' and 'femaleness' as cultural symbols. In devising various strategies for women's empowerment one view upholds their equality with men. It is argued that if women are given equal rights with men, their problems can be solved. Several women's activist movements are directed towards this end. Their condition can be improved only if they could enjoy equal rights with men.

Sharma R. H (2007) observes that, in recent years, often at the behest of non-governmental organizations, public welfare agencies have begun to allow experiments and demonstration projects, waiving assets and income limitations for some low-income entrepreneurs and allowing them to participate in micro credit programs. There is growing awareness that very poor people are ready and willing to pull themselves out of poverty if given access to basic economic inputs. This insight has led to growing support for micro credit programs that serve the very poor in urban neighborhoods and in rural areas. As with any new idea even if it is old wine in the new bottle.

Lalitha N and Nagarajan B. S, (2008) Empowerment literally means 'becoming powerful'. Empowerment of rural poor demands that members of village communities should have their own organizations which will serve their own economic needs and interests exclusively. Moreover sufficient knowledge about the needs and problems of rural poor has not been supplied to the policy-making agencies. If SHGs are promoted the group members can articulate the problems in a better manner.

Banarjee G. D (2009) observes that the participation of women in SHGs made a significant impact on their empowerment both in social economic aspects. Most of the women were able to increase their income level manifold and contributed to the development of their family. In the process, many of the women reported that they were participating in the financial decisions of the family, which earlier they were not allowed to do. The members were getting support from their husbands, which was not available before they joined the group. Women members expressed full satisfaction over their performance and wanted to continue their association with the groups. It is quite heartening to see that in one men's group, all the members decided to keep away from alcohol. If any member violated the decision he was expelled from the group and his dues from the group was withheld. Similarly, many women could successfully check the liquor types of family problems. Most of the members were sending their children to school. It was quite interesting to observe that a few women members of the groups got elected in panchayat bodies. The group dynamism helped the women to pressurize the authorities in laying of roads, getting electric connections and providing drainage, bore well and constructing community halls. Women are coming out in the open to discuss their common problems, which would not have been possible in the absence of such group activities. This type of social impact would definitely go to a long way in improving the quality of life of the members.

2. STATEMENT OF THE PROBLEM

Nowadays women are flourishing in all fields. Recently rural poor women are also motivated and associated for mutual help. They have started to improve their status, standard of living and personality. No more women are dependent. They are finding their own way of generating income. They not only improve themselves but they associate other poor women with them and jointly work to improve their status. Self Help Groups have such an association started among the poorest women for mutual help. In order to create awareness among the women and to give a detailed analytical performance of micro finance, the researchers have attempted to analyze the impact of micro finance in Coimbatore District. This district has a large agricultural community and the women folk are involved in various SHGs. This study has been undertaken to study the impact of micro finance and the role of SHGs in the development of women empowerment.

3. OBJECTIVES OF THE STUDY

The main objective of the study is to analyze the impact of micro finance on women members in SHGs in Coimbatore District. The specific objectives of the study are:

1. To study the relationship between demographic factors and socio-economic conditions of members of Self Help Groups.
2. To identify the inter relationship among demographic of Self Help Group members and
3. To offer valuable suggestions on the basis of findings of this study for the successful implementation of micro finance activities through SHGs.

4. SCOPE OF THE STUDY

The current study, which is basically a research, study, provided an opportunity to bring awareness among women about their situation, discrimination of rights and opportunities as a step towards gender equality. Collective awareness building provides a sense of group identity and the power of working as a group. This research study will help the women to strengthen their economic activities, to create positive linkages and to support for access to raw materials, skill training, marketing opportunities and credit needs. The present study is aimed at analyzing the impact of micro finance in terms of economic status of the SHGs members and the role of SHGs in the development of women empowerment from the point of view of SHGs and its members. The findings and suggestions will throw light on certain broad features of the micro finance and as such the study may be a practical guide in formulating better plans.

5. METHODOLOGY

The present study is based on primary data. The main source of the primary data has been collected from SHGs members. The schedule has been used for collecting information relating to the socio economic conditions and the impact of micro finance on SHGs members. The fieldwork for the study was conducted during the period between June 2009 and January 2010. The data thus collected were categorized and posted in the master table for further processing. The collected data are analyzed through simple descriptive statistics to 'F' test. The extent and variation of economic status achieved by the members were measured through scale and analysis on the basis of the scores of components. The factor wise analysis was made. In order to find out the significance of the difference between the average, analysis of variance, 'F' test, co-efficient of correlation analysis and partial regression analysis have been applied.

6.I SAMPLING

The present study proposes to cover the SHGs in Coimbatore District. As census method is not feasible, the researchers have proposed to follow sampling. The sample respondents are selected by following Cluster Sampling Method. The district is divided into three revenue divisions namely Coimbatore, Pollachi and Tirupur. Each division is considered a cluster. The 60 SHGs have been selected by simple random sampling method, using the lottery method from each revenue division at the rate of 20. As the study follows Cluster Sampling Method, proper attention was made to include the 3 models of SHGs of Direct linkage with banks, NGO as facilitator and NGO as intermediary from each cluster in the sample. The present study selected 240 SHGs members from the selected 60 SHGs. In each selected SHGs, four members have been selected as sample respondents from the nominal rolls of the respective SHGs by using the Tippets Random Numbers. Thus, on the whole 240 sample respondents were selected for the study and this number is inclusive of animators and representatives as well as members of the SHGs.

6.II MULTIPLE REGRESSION ANALYSIS

In this foregoing analysis, the relationship of each factor with the SHGs members' economic status has been studied. The analysis has been carried forward into a regression analysis in this section. The simple correlation analysis made in the previous section is given in Table 1 it shows that there is a significant relationship between six factors with economic status.

TABLE 1(refer at bottom)

6.III INTER-CORRELATION

Table 2 shows the inter-correlation among the twelve selected factors. The relationship of economic status (Y) with the factors age group (X₁), marital status (X₃), type of family (X₆), role in SHGs (X₈), occupation (X₉) and income (X₁₀) is not significant. The relationship of age group (X₁) with residence (X₂), marital status (X₃), social status (X₄), size of family (X₇) and income (X₁₀) is not significant. The relationship of gender (X₂) with social status (X₄), size of family (X₇), occupation (X₉) and income (X₁₀) is not significant. The relationship of marital status (X₃) with social status (X₄), type of family (X₆), and occupation (X₉) is significant. The relationship of social status (X₄) with income (X₁₀) is not significant. The relationship of education (X₅) with role in SHGs (X₈), occupation (X₉) and awareness (X₁₁) is not significant. The relationship of type of family (X₆) with occupation (X₉), income (X₁₀) and awareness (X₁₁) is not significant. The relationship of size of the family (X₇) with income (X₁₀) and participation in SHGs (X₁₂) is not significant. The relationship of role in SHGs (X₈) with income (X₁₀) is significant. The relationship of occupation (X₉) with income (X₁₀), awareness (X₁₁) and participation in SHGs (X₁₂) is significant. The relationship of income (X₁₀) with awareness (X₁₁) is not significant. The relationship of awareness (X₁₁) with participation in SHGs (X₁₂) is significant.

6.IV STEP-WISE MULTIPLE REGRESSION ANALYSIS

The step-wise multiple regression analysis of economic status (Y) was performed with the variables age group (X₁), gender (X₂), marital status (X₃), social status (X₄), education (X₅), type of family (X₆), size of family (X₇), role in SHGs (X₈), occupation (X₉), income (X₁₀), awareness (X₁₁) and participation in SHGs (X₁₂) and the following regression model is fitted for performance :

$$Y = b_0 + b_1x_1 + b_2x_2 + b_3x_3 + \dots \dots \dots \text{ and the results are presented in Table 3.}$$

The final step-wise multiple regression model indicated that of the 12 variables, five variables namely participation (X₁₂), age group (X₁), awareness (X₁₁), marital status (X₃) and income (X₁₀) have made significant contribution to the economic status. The analysis of variance of multiple regression models for economic status is presented in Table 4.

The Analysis of Variance of multiple regression models for economic status indicates the over-all significance of the model fitted. The co-efficient of determination R² value shows that these variables put together explain the variations of economic status to the extent of 25.10%.

6. SUGGESTIONS

In the light of the findings made in this study, the following suggestions are offered to improve the function of the micro credit at the grass-root level.

1. The government should come forward to provide minimum entrepreneurship program through District Industries Center. This may pave the way for practical and technical training in new areas. Natural talents, aptitudes, capabilities can be multiplied through training programmes to develop self-confidence, self-esteem, assertiveness, courage and risk.
2. Training programmes should be designed in such manners that members can benefit out of their strengths and overcome their weakness; and should provide special assistance for selection of procedure / service so that members can be in a position to perceive and respond to various profitable opportunities.
3. Income generating activity should be based on available local resources and reasonably assured market with profits. Goods to be produced should be either for local needs or to facilitate traditional manufacture.
4. The process of SHGs formation has to be systematic, whether it is formed by a bank or an NGO. Due to their closeness to the people and flexibility of operations, the NGOs seem to be better equipped to undertake SHGs formation.
5. Every group should frame a policy on how to manage the savings of members who leave the group voluntarily or are asked to leave for some unavoidable reason.
6. Micro credit should be used to meet the current demands of the poor women, whether these are for health, education or consumption purposes. This will lead to a gradual improvement in the quality of their life and will enable them to identify activities for economic betterment. In this process they will learn fiscal discipline and be ready to take on market oriented economic activities.

7. Strong members of old groups can be motivated to take up promotional and conflict resolution responsibilities in the new SHGs. They can visit problematic/sick groups to explain and resolve various issues for smooth functioning of new SHGs.
8. Training in book-keeping, accounts, fund management and other financial matters related to SHGs are essential to make the members competent enough to deal with the increasing volume of transaction.
9. Annual Plans for SHGs activities should be done by the group in consultation with the NGOs. The group leaders from different villages can meet once in a month and present the progress of their groups. Such review by all the groups will promote mutual learning.
10. Exposure visits to relatively successful group ventures of other SHGs can be organized to share the knowledge, experience and expertise.
11. The vertical structure and their management require capacity building and promotion of leadership from the grass-roots upwards within the SHGs structure. But they should not be imposed from above.
12. The involvement of politicians in the selection of the eligible beneficiaries may be avoided. The Panchayat Raj Institution or the Grama Sabha under the New Panchayat Raj System in Tamil Nadu may be involved in selection of the beneficiaries and the nature of assistance under the micro finance to the people living below the poverty line.
13. Voluntary organization operating in the rural areas should be encouraged to participate in the effective implementation of the programme. The programme may provide separately funds for the projects to be taken by such organization.
14. Government should organize micro credit camps and credit cum-recovery camps to facilitate early completion of the formalities required for sanction of loans and to avoid hardship to the beneficiaries.
15. A proper infrastructure facility should be given to the micro credit beneficiaries for effective implementation of schemes like sheep, goat, small dairy farming and other processing etc.
16. The Government, NGO and Financial agencies should help the SHGs in selecting the project or the venture. Depending upon the local condition, availability of raw materials and other factors they can advice SHGs to select the feasible and profitable venture. Ideas of SHGs should be scrutinized with the help of management experts before the venture is finalized. Error in selecting the project may make for closure, as a result the time and money put into the project could become wasteful. Hence, right direction may enable the SHGs to select the right venture.
17. Most of the SHGs procure their raw materials locally for the production. When there is shortage or non-availability of raw materials agencies like SHGs Resource Bank may be established and help the SHGs. These agencies may create a link with SHGs and they may try to solve the problems of SHGs.
18. The commercial banks should give wider publicity on the availability of credit facilities that can be offered to the SHGs. Government should also play an important role in that and it can give information to the public through the District Development Authorities and lead bank. The bank officials can give more information on the procedures in getting the loan, utilization of loan amount repayment and other related information in securing the credit. Simple procedures and the right encouragement from these bank officials may enable women to form more SHGs in their locality.
19. Government should make the rural people to realize that SHGs are the main medium for rural employment generation, Encouragement and support by the Government will solve the problem of rural unemployment. The entrepreneurial abilities are realized by everyone and India needs rural entrepreneurs to solve the employment problems. This paves a way for women empowerment in India.

7. CONCLUSION

The researchers present this study with the fervent hope that this will draw the attention of the authorities, departments and organizations concerned with micro finance and SHGs on various issues in respect of the development of women empowerment. The researchers humbly state that this study is not a fascinating one to strengthen the academic value. If the study helps the women towards their empowerment in any way, the researchers will feel happy that they are amply rewarded.

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TABLE 1**SIMPLE CORRELATION OF SELECTED FACTORS WITH ECONOMIC STATUS**

Sl. No.	Factors	Correlation Co-efficient	Table value "r"	Significance
1.	Age Group	0.076	0.125	Not Significant
2.	Gender	-0.216	0.125	Significant
3.	Marital status	0.073	0.125	Not Significant
4.	Social status	-0.128	0.125	Significant
5.	Education	0.139	0.125	Significant
6.	Type of family	-0.024	0.125	Not Significant
7.	Size of the family	0.161	0.125	Significant
8.	Role in SHGs	0.037	0.125	Not Significant
9.	Occupation	0.007	0.125	Not Significant
10.	Monthly Income	0.018	0.125	Not Significant
11.	Awareness	0.199	0.125	Significant
12.	Participation	0.397	0.125	Significant

TABLE 2**INTER CORRELATION AMONG INDEPENDENT VARIABLES**

	Y	X ₁	X ₂	X ₃	X ₄	X ₅	X ₆	X ₇	X ₈	X ₉	X ₁₀	X ₁₁	X ₁₂
Y	1												
X ₁	0.076	1											
X ₂	-0.216	0.117	1										
X ₃	0.073	-0.108	0.164	1									
X ₄	-0.128	0.067	0.010	-0.251	1								
X ₅	0.139	0.259	0.216	-0.065	0.151	1							
X ₆	-0.024	-0.473	-0.265	0.180	-0.444	-0.288	1						
X ₇	0.161	-0.026	0.023	-0.047	-0.166	-0.285	0.151	1					
X ₈	0.037	0.150	0.127	-0.040	0.347	0.049	-0.269	-0.491	1				
X ₉	0.007	-0.134	0.085	-0.176	0.172	0.072	0.075	-0.160	0.063	1			
X ₁₀	0.018	-0.074	0.032	0.057	0.069	-0.252	-0.001	-0.087	0.286	-0.338	1		
X ₁₁	0.199	-0.262	-0.283	-0.039	0.222	-0.102	0.088	-0.428	0.092	0.228	-0.022	1	
X ₁₂	0.397	0.257	0.366	0.089	-0.259	0.152	-0.345	0.048	0.003	-0.0204	0.238	-0.243	1

Table 'r' value for 5 % = 0 .125

TABLE 3
REGRESSION MODEL FOR ECONOMIC STATUS

Sl. No.	Factors	Regression Co-efficient	Standard Error	t - value (DF = 234)
1.	Constant	58.465	4.958	11.793
2.	Participation (X ₁₂)	-9.938	1.311	-7.578**
3.	Age Group (X ₁)	4.498	1.042	4.315**
4.	Awareness (X ₁₁)	3.613	1.393	2.594*
5.	Marital status (X ₃)	2.910	1.181	2.464*
6.	Income (X ₁₀)	0.899	0.384	2.342*

* = Significant at 5 %

** = Significant at 1% level

$$R^2 = 0.2510$$

Regression Fitted: $Y = 58.465 - 9.938 X_{12} + 4.498 X_1 + 3.613 X_{11} + 2.910 X_3 + 0.899$

X_{10}

TABLE 4**ANALYSIS OF VARIANCE FOR REGRESSION**

Source	Degrees of freedom	SS	MS	F
Regression	5	6555.23	1311.046	15.665**
Residual	234	19584.16	83.693	
Total	239	26139.39		

** = Significant at 1 % level