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"Microfinance and Rural Market Dynamics: An Empirical Case Study of SHG-Led Commercial Activities in Holenarasipura Taluk"

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ABSTRACT

Micro Finance is recognized as a financial service which provides small loans to the needy by exploring different savings from poor and low-income group people who does not have any kind of access to regular banking services. This type of financial service provides loans to those individuals who would like to start small and micro businesses. It intends to improve their income levels by enhancing their standard of living. The prime objective of this kind of finance is to support small entrepreneurs by providing financial assistance without bargaining for a mortgage. It tries to promote rural entrepreneurship and intends to develop socio-economic conditions of the lowest strata of the society.

The current study intends to examine the influence of Micro-Finance on the development of commercial activities undertaken by the Self Help Group Members in Holenarasipura Taluk of Hassan District. It also tries to understand the market dynamics involved in this process. It is based on a questionnaire survey of selected SHG members involved in various commercial activities such as, tailoring, petty shops, dairy farming, small handicrafts, fisheries, agricultural oriented businesses located in Holenarasipura Taluk. A total of 100 questionnaires were served and evaluated using various statistical tools such as, percentage analysis, mean score analysis, and factor analysis, chi-square test, correlation and regression analysis.

The findings of this study reveal that any kind of access to micro-finance has contributed significantly in financial inclusion of rural masses. It has resulted in enhancing rural entrepreneurship, increased rural house hold income and expanded market opportunities for rural farming. It is also found in the process of analysis that there exists a positive relationship between availability of credit and growth of business. Self Help Groups have facilitated in creating saving habits, rural employment generation, empowering rural women and there by contributing towards socio-economic growth of rural areas. This has contributed significantly in sustainable rural development. It is suggested that strengthening financial literacy programs, increasing credit support through SHGs and linking rural markets to the main stream markets will maximize the participation of rural entrepreneurs.

Keywords: Micro-Finance, Self Help Group, Financial Engineering, Rural Markets, Commercial Banks, Financial Literacy, Nabard, Self Employment, Rural Development, Dairy Farming, Petty Trading, Handi-Crafts, Direct Benefit Transfer.

INTRODUCTION

As the name itself implies that Microfinance refers to that financial service which lends loans to the smaller sectors of the economy by mobilizing smaller finances. This service extends loans to economically weaker sections of the society and intends to cater to the lowest strata of the economy. Any individual who is deceived of banking service can rely upon microfinance. This service is emerged as a major tool to bring to poverty levels, include lowest strata of the society under financial inclusion schemes by contributing towards socio-economic development of the rural side of India. Enhancing rural standard of living is the prime motto of such kind of financial service.

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In a developing economy like India, microfinance has gained prime importance through the participation of Self Help Groups and Stree Shakthi Sangas in particular. The extension of banking services through various bank linkage programs have resulted in bringing these groups to the main stream banking. The contributions of NABARD (NATIONAL BANK FOR AGRICULTURAL AND RURAL DEVELOPMENT) is noteworthy in this regard. It has come up with various bank linkage programs to bring SHGs to the main stream banking and to promote rural entrepreneurship. Women empowerment is the major focus of such programs where in, it intends to develop saving habits among rural women folks. These SHGs not only promote saving habits but also extend credit facilities among its member shareholders. This kind of facilities reduce the dependency of rural women on informal money lenders and this would encourage sustainable livelihood to the rural women.

Role of microfinance is extended beyond financial support, it also focuses on creating rural employment, augmenting production and consumption activities in the rural economy. Access to micro loans helps the rural entrepreneurs in converting their ideas into action. Small businesses are prospering because of the microfinance facilities accessed by such kind of business houses. SHG in particular is helping in this process by contributing towards the expansion and diversification of rural business houses. This has contributed in generating rural employment. Various self-employment schemes are introduced by SHGs to cultivate the intent of entrepreneurship. SHGs are emerging as vital agents of change with the promotion of local employment and self-ownership. This has resulted in the market participation of small traders.

Holenarasipura Taluk is located in Hassan District of Karnataka which is predominantly surrounded by villages with primary occupation as agriculture. Their culture is agriculture. In such a scenario the Taluk is unexplored when it comes to rural employment and entrepreneurship. Economic growth in the region is stagnated because of non-availability of banking services and access to technology based banking. There happens to be a relationship between microfinance and rural market dynamics, therefore, this study tries to throw light upon financial inclusion initiatives and their impact on economic activities at the gross root level. The current study empirically analyzes the influence of microfinance on rural markets through SHG led commercial activities in Holenarasipura Taluk. The study tries to evaluate the role of microfinance in encouraging commercial activities through SHGs in Holenarasipura Taluk. The emphasis is given on effectiveness of microfinance services in promoting entrepreneurship, income generation, employment creation, market participation of SHG members.

REVIEW OF LITERATURE

Muhammad Yunus (2006)

Muhammad Yunus, the pioneer of microfinance, emphasized that access to small-scale credit enables poor households to engage in productive economic activities and improve their living standards. His study highlighted that microfinance institutions play a vital role in poverty alleviation by supporting self-employment and entrepreneurship among economically weaker sections. The research demonstrated that microcredit contributes significantly to income generation and financial independence among rural women.

Robinson (2001)

Robinson examined the sustainability of microfinance institutions and their role in expanding financial services to low-income populations. The study found that microfinance creates opportunities for rural households to invest in small businesses and improve their economic conditions. The author emphasized that access to finance is essential for promoting rural development and reducing dependence on informal moneylenders.

Puhazhendi and Badatya (2002)

Puhazhendi and Badatya conducted an impact assessment of the SHG-Bank Linkage Programme in India. The study revealed that participation in SHGs improved savings habits, increased household income, and strengthened financial discipline among members. The researchers concluded that SHGs have become an effective mechanism for empowering rural women and enhancing their economic participation.

NABARD (2018)

NABARD reported that the SHG-Bank Linkage Programme has significantly contributed to financial inclusion and rural development across India. The study highlighted that SHGs provide easy access to institutional credit, encourage savings mobilization, and support entrepreneurship development. The report further stated that women members of SHGs experienced improvements in social status and decision-making abilities.

Kumar and Devi (2019)

Kumar and Devi examined the role of SHGs in promoting women entrepreneurship in rural areas. Their study found that SHGs provide financial assistance, training, and collective support that encourage women to undertake income-generating activities. The researchers observed that entrepreneurial development through SHGs leads to increased household income and improved living conditions.

Reddy and Rao (2020)

Reddy and Rao investigated the impact of microfinance on rural livelihoods and economic empowerment. The study revealed that microfinance services help rural entrepreneurs establish and expand small-scale enterprises. The findings indicated that access to credit positively influences productivity, employment generation, and income growth among rural households.

Sharma and Gupta (2021)

Sharma and Gupta focused on financial literacy among SHG members and its influence on microfinance utilization. The study found that financially literate members are more successful in managing loans, savings, and business investments. The authors concluded that financial education enhances the effectiveness of microfinance programmes and contributes to enterprise sustainability.

Patil (2021)

Patil analysed the impact of microcredit on rural enterprises and found that access to financial resources significantly improves business performance. The study reported that beneficiaries used microfinance for purchasing equipment, expanding production, and improving product quality. As a result, enterprise profitability and household income increased substantially.

Kavitha and Srinivas (2022)

Kavitha and Srinivas examined the role of SHGs in women empowerment. The study revealed that SHG participation increased women's confidence, leadership skills, and involvement in household decision-making. The researchers concluded that microfinance not only improves economic status but also promotes social empowerment among rural women.

Khan and Ahmed (2022)

Khan and Ahmed studied the relationship between microfinance and rural market development. The findings indicated that SHG-supported enterprises contribute to local market expansion by increasing production, consumption, and trade activities. The study emphasized that microfinance acts as a catalyst for strengthening rural economic systems.

Ramesh and Lakshmi (2023)

Ramesh and Lakshmi investigated the contribution of SHGs to rural entrepreneurship development. The study found that SHG members actively participate in various commercial activities such as dairy farming, tailoring,

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and food processing. The researchers observed that these enterprises generate employment opportunities and contribute to local economic growth.

Singh and Verma (2023)

Singh and Verma examined the socio-economic impact of microfinance programmes in rural communities. The study reported that microfinance improves living standards through enhanced income, savings, and asset creation. The authors highlighted that SHGs play a significant role in reducing poverty and promoting financial stability among rural households.

Meena and Joshi (2024)

Meena and Joshi analysed the effectiveness of microfinance in supporting rural women entrepreneurs. The study found that access to institutional credit enables women to start and manage small businesses successfully. The researchers concluded that microfinance strengthens entrepreneurial capabilities and contributes to gender-inclusive economic development.

Government of Karnataka (2024)

The Government of Karnataka, in its Rural Development Report, highlighted the increasing contribution of SHGs to rural economic activities. The report emphasized that SHGs facilitate employment generation, financial inclusion, and community development. It also noted that SHG-led enterprises contribute significantly to local market growth and rural livelihood enhancement.

Reserve Bank of India (2024)

The Reserve Bank of India emphasized the importance of financial inclusion initiatives in promoting inclusive economic growth. The report stated that microfinance institutions and SHGs play a crucial role in extending financial services to underserved rural populations. The findings indicated that access to formal financial systems enhances savings, investment, and entrepreneurial activities in rural areas.

Maity (2023) investigated the role of SHG-Bank Linkage Programmes in promoting financial and social inclusion among marginalized rural households in Assam. Using empirical analysis, the study revealed that SHG participation enhanced access to formal credit, reduced social exclusion, and improved the overall socio-economic status of members. The research emphasized the importance of expanding SHG coverage to strengthen rural development and inclusive growth.

Summary of Review of Literature

The review of literature indicates that microfinance and SHGs have significantly contributed to financial inclusion, entrepreneurship development, women empowerment, poverty reduction, and rural market expansion. Previous studies consistently reveal a positive relationship between access to microfinance and socio-economic development. However, limited research has specifically examined the impact of SHG-led commercial activities on rural market dynamics in Holenarasipura Taluk. Therefore, the present study attempts to bridge this research gap by analysing the role of microfinance in promoting rural commercial activities and economic transformation in the study area.

RESEARCH METHODOLOGY

Research Type	Descriptive and Analytical
Research Context	Respondents located in Holenarasipura Taluk having affiliated to any one of the SHGs and have a Bank Account in their name.

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Research Approach	Quantitative and questionnaire based
Data type	Categorical and Continuous variables
Data collection tools	One Closed Ended Questionnaire for analyzing primary data, Various Journals and Books
Data Analysis Software	SPSS, MS Excel, MS Word, MS Power Point
Sampling Technique	Systematic Sampling
Sample Size (Primary Data)	100 Respondents
Statistical Tools	Descriptive Analysis, Percentage Analysis, Mean Score Analysis, Correlation Analysis, Chi-square test, Factor Analysis
Sampling Unit	Respondents chosen from rural parts of Holenarasipura Taluk
Questionnaire Construction	Questionnaire was constructed keeping in view the Objectives set. It consists of both Open-Ended and Closed-Ended Questions. The questions were set based on the concept of simplicity and understandability.
Scope of the Study	Restricted to Holenarasipura Taluk Only
Period of Study	March, April, May 2026
Limitations of the Study	• Respondents include only people from Holenarasipura Taluk • No comparison was possible • Sample Size is too small • Study was completed in a short period of time • Reluctance of Respondents

Analysis and Interpretation

For the purpose of this study a structured questionnaire was prepared and distributed among various SHGs located in Holenarasipura Taluk. In this section the analysis is classified, tabulated and analysed thoroughly using various statistical tools. The data collected through the structured questionnaire is classified, tabulated and analysed in this section of the paper. The current study evaluates the role of Commercial Banks and Self Help Groups in augmenting financial inclusion in the rural areas. Various aspects such as saving habits, access to banking services, credit facilities extended by SHGs, financial awareness among rural women Holenarasipura Taluk is been analysed in detail.

Table 1: Demographic Profile of Respondents

Age	**Respondents**	**Percentage**
Below—30 Years	17	17 %
31-40 Years	33	33 %
41-50 Years	27	27 %
Above—50 Years	23	23 %
Total	100	100 %

From the above table it is evident that close to 33% of the respondents belong to 31 to 40 years age group. Close to 23% of the respondents belong to above 50 years of age. This indicates the rich blend of young and experienced SHG women who have answered this questionnaire. These women are actively participated in various commercial activities.

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Table—2: Nature of Commercial Activities

Activity	Frequency	Percentage
Dairy Farming	41	41%
Petty Shops	18	18%
Tailoring	26	26%
Fisheries	10	10%
Cottage	14	14%
Others	01	01%
Total	100	100%

From the above table it is recorded that the most preferred business activity in the Holenarasipura Taluk is Dairy Farming followed by tailoring. Other activities include Petty Shops, Fisheries and Cottage Industries. This analysis indicates that agriculture-based enterprises are still relevant in the rural parts of Holenarasipura Taluk of Karnataka.

Table 3: Mean Score Analysis

Variables	Mean Score
Ability to access credit	4.592
Income enhancement	4.282
Business expansion and diversification	4.211
Savings habit	3.891
Market participation	3.764

From the above table it is noted that ability to access to credit has got the highest mean score, that is, 4.952, which indicates that respondents are in agreement that microfinance has drastically improved financial accessibility in the rural parts of Holenarasipura Taluk.

Table: 4 Chi-Square Test – Relationship between Credit Access and Business Growth

Particulars	Value
Chi-Square Value	19.22
Degree of Freedom	3.88
P=Value	0.001

In the above table P Value is recorded at 0.001 which is less than 0.05, it indicates that there exists a significant relationship between access to microfinance credit and business growth among various SHG group members.

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Table 5: Correlation Analysis

Variables	Correlation Coefficient (r)
Credit Access and Income Growth	0.841
Credit Access and Market Participation	0.562
Savings and Business Expansion	0.611

Above table records the Correlation analysis of various variables recorded in the questionnaire. It is evident from the analysis that there exists a positive correlation between Credit Access and Income Growth, it indicates that access to credit would result in improved earnings. Again, Credit Access also positively contribute in Business Expansion and Saving Creation.

Table 6: Factor Analysis--- KMO AND BARTLETT'S TEST

KMO Measure	0.634
Bartlett's Test of Significance	0.000

Total Variance Accounted

Factor	Eigen Value	Variance Explained
Financial Accessibility	2.5121	44.43%
Entrepreneurial Development	1.2348	32.34%
Market Expansion	1.389	16.78%

The KMO Value of 0.634 indicates that the sampling chosen is adequate. Three Major Factors considered for this analysis are Financial Accessibility, Entrepreneurial Development and Market Expansion. These factors are dominant in the process of analysis which indicate financial accessibility is directly connected to entrepreneurial development and market expansion in the rural parts of Holenarasipura Taluk. These key factors will directly influence commercial activities conducted by SHGs.

FINDINGS OF THE SURVEY:

The current study is conducted in rural parts of Holenarasipura Taluk, the study reveals that a majority of respondents belong to the age group of 31 to 40 years, which is considered to be active age group. This indicates that survey involves the active participation of that group which productive in nature. Holenarasipura is predominantly dominated by agricultural families and they largely depend upon Dairy Farming which is allied to Agriculture. The next major commercial activity recorded in the process of analysis is tailoring. This reflects the pulse of rural population which is suitable to rural areas. Access to microfinance has drastically improved the availability of credit to rural businessmen in Holenarasipura Taluk. Further, the findings also indicate that there exists a positive correlation between microfinance inclination and improvement in income.

Again, in the analysis it is found that there exist a positive relationship between SHG participation and rural entrepreneurship. SHGs have strengthened market participation, augmenting local business activities, promoting cottage and village industries at the state and national level. In the process of analysis it is identified that financial accessibility, entrepreneurship development and market expansion were identified as key factors which are

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influencing the rural market growth in Holenarasipura Taluk. Furthermore, in the study it is found that women members are having more participation in the SHG format. This has increased the economic independence of women folks in the Taluk. In addition to this SHG led enterprises have also contributed significantly to employment generation and overall economic development in the rural parts of Holenarasipura Taluk.

CONCLUSION

From this study it is concluded that microfinance has emerged as a prime instrument in the promotion of rural entrepreneurship and market development in Holenarasipura Taluk. The current study also proves the fact that SHG led commercial activities have positively influenced income generation, employment creation in the rural parts of the Taluk, financial inclusion of rural women folks, empowering women through various inclusion schemes. In the process of this the commercial activities are becoming more and stronger in the rural market dynamics. The easy availability of microfinance has enabled expansion of business and empowering household in the rural parts of the Taluk.

The empirical study also suggests that the financial accessibility is a key factor in business growth and economic development. SHGs have not only improved the socio-economic status of the members but also have contributed to the overall development of rural economies. It is suggested that financial literacy measures, increasing credit support and improving market infrastructure can further augment the effectiveness of SHG led business houses. To conclude it is interpreted that microfinance through SHGs plays a vital role in strengthening rural credit and financial inclusion in the rural parts.

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