

A STUDY ON THE EFFECT OF SOCIAL CAPITAL ON  
THE PERFORMANCE OF SHG WOMEN MICRO  
ENTREPRENEURS IN KERALA

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***Abstract:***

*Official poverty eradication programmes in India has been primarily centered on the promotion of women self help groups (SHG) since 1990s. Most women who became micro entrepreneurs under the SHG movement lack basic entrepreneurial skills necessary to play their entrepreneurial role effectively. Such forced entrepreneurship actually resulted only in increased indebtedness to a large number of women. Social capital has been projected as a key resource in entrepreneurial success. In this context the study provides empirical evidence to the relevance of social capital in micro business success on the basis study made among SHG women micro entrepreneurs in Kerala.*

**Keywords:** Social Capital, Self Help Groups, women micro entrepreneurs, entrepreneurial performance

**Introduction:** Poverty continues to be the problem that demands primary attention of planners in India. According to the Planning Commission of India, poverty rate in India is 22% during 2011-12. Accordingly, the number of poor is now estimated at 269.3 million, of which 216.5 million reside in rural India. The global hunger index 2013, classifies Indian situation as alarming. Promotion of SHG women micro entrepreneurship has been an important strategy adopted by central and state governments towards poverty reduction since 1990s. Women micro entrepreneurship attracted special attention as income earned by women is fully used in nurturing the family contributing to better human capital development and there by obviating the perpetuation of poverty. But, entrepreneurship is an area that demands specialized knowledge and expertise. True entrepreneurial traits are considered a scarce resource and its development requires constant learning and exercise. The success rate of women micro business units has been stunningly low. It is in this context that social capital formation among the poor gains significance as a strategy for successful self employment promotion.

### **Social Capital**

Social Capital has been understood at different levels- individual, community (group), and the society. It fits in to different definitions depending upon the level thought of and all these are important to entrepreneurship. At individual level (Micro) it stands for social relationships that entail some productive value. This value may be economic, social or aesthetic. It includes all sorts of relationships from friendships to links with the centres of power. At community level (group) Social Capital signifies the features of social organisation like networks norms and trust that enable collective action (Putnam 1993). Thus it is the catalyst of cooperation and the essential ingredient in the formation and survival of communities. At macro level Social Capital implies the generalized trustworthiness of the societal institution and its various organs including the state apparatus. It indicates the degree of certainty with which various actors in the society can be expected to act in the manner they are supposed to. It signifies the level of efficacy with which social norms, values and the rule of law has been able to regulate the public and their lives.

### Social capital and women micro enterprises

Women micro entrepreneurs in India are mostly forced entrepreneurs. Most of them do not possess basic entrepreneurial traits and talents necessary to play the entrepreneurial role effectively in a competitive market. As new entrants in the business field they need all sorts of support including information, education, training, technical know-how, financial support, managerial aid, protection from exploitation etc. Micro enterprises with low capital base and low human resource capabilities are operating on a very small scale with indigenous technology and so are in acute need to reduce transaction cost to the minimum. They need to be properly connected to various agencies to smoothen their path in the entrepreneurial arena. Social capital is considered an important element in all these respects. A number of studies focus on the role of social capital in encouraging and sustaining micro entrepreneurship.

Social capital built through micro lending is useful in obtaining flexible repayment schedule, training and skill up gradation, networking with suppliers and customers as well as sharing responsibilities such as child care, etc. Field studies in Bulgaria and Philippines suggests that social capital building leads to high survival rates and success among self employed entrepreneurs (Morris et al 2006). Woodworth (2008) suggests that social capital that micro entrepreneurs could amass through the micro lending group activity is in fact more significant than the micro credit loan amount in fostering their entrepreneurial success. In Philippines, he reports a success rate as high as 93% among micro entrepreneurs who draws on social capital for mutual support and advice. It helps in leveraging relationships in building customers and suppliers, expanding businesses, reducing stress in times of economic crisis and building commitments towards enterprises. Gomez and Santor (2001) also share similar views.

The success of any cooperative endeavor requires sincere attempts on the part of members to improve efficiency and productivity which is possible only in a highly cohesive work environment-where members co-operate with one another with a common goal. This is particularly important in a micro enterprise collectively owned by ordinary village women where exercise of authority is rather difficult. Social capital determines how easily people can work together (Paldam and Svendsen, 1999). Intra-firm social capital is thus an important determinant of the survival of an SHG.

Putnam (1993) observes that regions where firms are engaged in a mix of competition and cooperation become economically more successful than others. Thus Social capital is an important element that enables cooperation at all levels.

### **Statement of the problem**

SHG women micro entrepreneurship has been looked up on as a lantern that would help the deprived millions find their path out of poverty. It aims at breaking the vicious circle of poverty through the provision of small doses of hassle free finance for self employment to poor women and demands them to join together for becoming worthy of credit. In Kerala, the SHG movement has been vibrant during the last two decades. But the number of live women micro enterprises is far below the number actually initiated. Social capital has been posited as an important element in successful micro entrepreneurship, poverty reduction and regional economic progress. However no serious attempt has been made so far by researchers to examine the effect of social capital formation on the entrepreneurial performance of SHG women. Hence this study aims at examining the relationship between social capital stock and economic performance of women micro entrepreneurs in kerala.

### **Significance of the study**

SHG based women self employment programmes has been enthusiastically promoted by national and state governments, banks and NGOs in India since 1990s. India is home for about one-third of the world's poorest people. Seven decades of self rule could exert only a marginal influence on deprivation. Now, the gradual withdrawal of the Government from social security measures to the poor, the new economic policies, problems in agriculture, low human development, exploitation by landlords, money lenders and middlemen, caste based discriminatory social structure, prevalence of corruption and cronyism, all have a crushing effect on the life of the poor in India. As most women lack entrepreneurial talents social capital formation through conscious attempts may prove helpful. In this context this study is undertaken to understand the influence of social capital on the entrepreneurial performance of SHG women micro entrepreneurs in kerala. The study aims at contributing towards the present understanding on the subject with empirical evidence from kerala.

### Scope of the study

The study is confined to SHG women micro entrepreneurs in Kerala promoted under Government initiatives. Micro enterprises operating for a period of one year or above only are selected for study. A major part of the sample belongs to socially and economically disadvantaged sections of Kerala's population leading an ordinary village life.

1. To examine the influence of social capital stock on the entrepreneurial performance of SHG women.
2. To identify social capital variables contributing to better economic performance.

### Methodology

The study is based on primary data collected from 392 sample respondents from selected districts of Kerala through direct personal interview using structured and pre-tested interview schedule.

### Sample Design

The sample respondents were selected through a four-stage sampling process. Three districts namely Kozhikode, Ernakulam and Alappuzha were selected from north, central and south Kerala respectively by following the simple random sampling method. From each district a number of Local Self Government institutions were selected in consultation with SHG officials in the area. Then the list of live micro enterprises were obtained from officials concerned at each selected local body. The final selection of micro units to be included in the study was made by following simple random sampling method from the list so obtained. From each unit so selected, one respondent each was selected at random to constitute the final sample. The primary data were collected during the period from March to September 2013.

### Variables used for the study

The social capital index (SCI) used for analysis has been constructed by aggregating scores for widely used indicators of social capital as given in table below. The perception of social and institutional trust is measured on a five point near interval scale ranging from very low to very high. The score for groups and networks is calculated on the basis of weight (from 1 to 5) given to each class determined on the basis frequencies observe under each item.

<b>Social and Institutional Trust:</b>	Cronbach's alpha
Trust in Local People	0.773
Trust in Local Government	
Trust in General Public	
Trust in Political Leaders	
Trust in Government officers	
<b>Groups and Networks</b>	.713
No. of Group Memberships	
No. of Meetings attended in a month	
No. of helpful Friends	
Frequency of participating in Life Cycle Events	

Alpha for all indicators together comes to .817

Trust perceptions are commonly used to measure the general trust worthiness of actors in a community. However it also reflects the expectation of the respondent about the actor in question based on his past experience. Therefore, it also carries in it a measure of social connections that the respondent maintains with the category of people indicated. The second category of variables is commonly used to measure the level of associability present in a community. It can also indicate the propensity to cooperate of an individual. Estimated average annual income from micro enterprise to the respondent is taken as the measure of her entrepreneurial performance.

**Results of analysis:**

The relationship between the social capital scores and entrepreneurial performance is examined using the Kruskal- Wallis H test, and the Jonckheere Terpstra test.

H0: The entrepreneurial performance of SHG women do not differ significantly with their social capital scores.

Table: Kruskal-Wallis- H test and the Jonckheere- Terpstra test for SCI and annual income from micro enterprises.

	SCI	N	Mean Rank	H/Chi-Square	Sig.	Std. J-T Statistic	Sig.
Amount of annual income from micro enterprise to the member	very low	10	174.15				
	low	32	132.33				
	moderate	155	200.91	12.098	.017	2.068	.039
	high	169	205.91				
	very high	26	196.60				
Total		392					

Source: Survey Data.

The significance values of both the tests are less than 0.05. H test shows the existence of significant difference in average annual income of respondents with regard to their Social Capital index. The JT test indicates the existence of a significant positive trend in annual income from micro enterprises with increase in SCI of respondents.

Now an attempt is made to identify Social capital components important to entrepreneurial performance. For this the respective total scores of these components are grouped in to three classes namely low, moderate and High.

### Trust and entrepreneurial performance

The data are examined for any relationship between trust and entrepreneurial performance in table...

Table: Kruskal-Wallis- H test and the Jonckheere- Terpstra test- Trust and annual income from micro enterprises.

	Trust	N	Mean Rank	chi square	Sig.	JT stat.	Sig.
Annual income from micro enterprise to a working member	Low	47	179.15				
	Moderate	192	202.33	1.663	.435	.217	.828
	High	153	194.52				
	Total	392					

Source: Survey Data.

Both the tests reject the existence of any significant relationship between Social & institutional trust of respondents and their entrepreneurial performance.

### Group memberships, Networks and entrepreneurial performance

The total scores of respondents for groups and Networks are examined below to find out whether it is relevant for entrepreneurial performance.

Table: Kruskal-Wallis- H test and the Jonckheere- Terpstra test- Membership in Groups & Networks and annual income from micro enterprises.

Groups & Networks		N	Mean Rank	chi square	Sig.	JT stat.	Sig.
Annual income from micro enterprise to a working member	Low	72	166.90				
	Moderate	208	192.56	11.262	.004	3.360	.001
	High	112	222.85				
	Total	392					

Source: Survey Data.

Significance values for both the tests are less than 0.05 indicating a significant positive relationship between entrepreneurial performance and groups & networks. Further analysis is done to find out which of the two main aspects of Groups and networks contribute to better entrepreneurial performance.

**No. of Group Memberships and Entrepreneurial Performance**

The relationship between Number of Group memberships and entrepreneurial performance is examined in table.....

Table: Kruskal-Wallis- H test and the Jonckheere- Terpstra test- Membership in Groups and annual income from micro enterprises.

No. of group memberships- After	N	Mean Rank	H/Chi-Square	Sig.	JT stat	Sig.
Annual income from micro enterprise to a working member	1	13	173.38			
	2	90	177.19			
	3	145	177.42	20.168	.000	4.002
	4	78	224.74			
	5 / more	66	235.92			
	Total	392				

Source: Survey Data.

Significance values for both the tests are less than 0.05. Thus there is a significant positive relationship between number of group memberships and income from micro enterprise.

**Types of Groups**

Since number of group memberships and entrepreneurial performance are positively related an attempt is made to detect the types of groups that are significant to entrepreneurial performance.

Table:... Mann Whitney U test- Types of Groups and entrepreneurial performance

<b>Membership in Religion/Caste based Groups</b>		N	Mean Rank	Z	Sig.	Effect size-r
Annual income from micro enterprise to the member	yes	123	225.03			
	No	269	183.46	-3.377	.001	0.17
	Total	392				
<b>Membership in Political Groups</b>						
Annual income from micro enterprise to the member	yes	143	226.07			
	No	249	179.52	-3.923	.000	0.20
	Total	392				



Membership in Savings groups						
Annual income from micro enterprise to the member	yes	342	202.09			
	No	50	158.29	-2.558	.011	0.13
	Total	392				

Membership in Other SHGs						
Annual income from micro enterprise to the member	yes	116	208.15			
	no	276	191.61	-1.322	.186	-
	Total	392				

Membership in Other types of groups						
Annual income from micro enterprise to the member	Yes	42	185.25			
	No	350	197.85	-.682	.495	-
	Total	392				

Source: Survey Data.

The significance values for membership in religion/caste based groups, political groups and savings groups are less than 0.05. Entrepreneurial performance of respondents associated to these groups is significantly better than that of others. Membership in political parties has the highest influence ( $r = 0.2$ ) followed by religion/ caste and savings groups. However, the effect size is low for all the variables.

### Networks and entrepreneurial performance

The relationship between number of friends and entrepreneurial performance is examined in table.....

Table: Kruskal-Wallis- H test and the Jonckheere- Terpstra test- Membership in Groups and annual income from micro enterprises.

No. of Friends After		N	Mean Rank	Median	Chi-Square	Sig.	Std. J-T Statistic	Sig.
Annual income from micro enterprise to a working member	Up to 2	3	197.83					
	3-5	25	183.74					
	5-10	62	174.35	35	3.452	.485	1.443	.149
	11-20	176	201.32					
	Above 20	126	203.16					
	Total	392						

Source: Survey Data.

Significance values for both the tests are more than 0.05. There is no significant relationship between number of friends and entrepreneurial performance.

### Findings of the study

1. The entrepreneurial performance and social capital scores are positively related.
2. There is no significant relationship between perceptions of social & institutional trust of respondents and their entrepreneurial performance.
3. There is a significant positive relationship between number of group memberships and income from micro enterprises.
4. The entrepreneurial performance of women micro entrepreneurs holding membership in religion/caste based groups, political parties and savings groups are significantly better than that of others.
5. Networks in the form of number of friends do not have any influence on entrepreneurial performance.

### Conclusion

Since significant positive relationship is observed between many Social capital variables and annual income from micro enterprise, the H<sub>0</sub> is rejected. Respondents with higher social capital indices are less likely to report lesser amounts of income from self employment. It is concluded that the entrepreneurial performance of SHG women are having a positive relationship with Social Capital scores.

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