

The Role of Self-Help Groups and SHG-Initiated Micro Finance in Employment Generation: A Case Study of Ernakulam District, Kerala, India

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Abstract

Microfinance is defined as providing thrift, credit, and other financial services, such as money transfer and micro-insurance products, to the poor to enable them to raise their income levels and improve living standards. People's living standards depend on income generation, either through the rendering of productive services or through self-employment schemes. Microfinance institutions are supportive factors for starting microenterprises in urban and rural areas of the country. The role of Self-Help Groups (SHGs) and micro enterprises in creating employment opportunities and income generation in Ernakulam District, Kerala State, India, is assessed in this study. Credit accessibility, pricing methods, controls and support by the government, allocation of basic infrastructure facilities, etc., are relevant for developing micro enterprises in the district.

Keywords: Micro Finance, Financial Services, Income Generation, Self-Employment, Micro Enterprises, Self-Help Group.

1. Introduction

Microfinance is defined as providing thrift, credit, and other financial services, such as money transfer and micro-insurance products, to the poor to enable them to raise their income levels and improve living standards. Micro-finance is based on 1) self-employment/enterprise formation being a viable means for poverty alleviation, 2) Lack of access to capital assets/credit being a constraint for existing and potential micro-enterprises, and 3) Poor people's not saving due to their low and irregular income. Non-Government Organizations (NGO-MFIs), registered under the Society Registration Act 1860 or Indian Trust Act 1880, Co-operative Societies, registered under relevant laws, co-operative societies such as Primary Agricultural Credit Societies (PACS), Section 8 Companies (Formerly Section 25 of Companies Act 1956): These are non-profit entities that extend micro-credit under the Companies Act, 2013 and Non-Banking Finance Companies are the major categories of Micro finance lending in India.

2. Significance of the Study

Financial inclusion, social empowerment, employment generation, women empowerment, micro enterprises, etc., are the major impacts of microfinance institutions. Micro Finance institutions provide access to credit and other financial services to low-income households, promoting financial inclusion and social empowerment. Financial inclusion leads to the availability of financial services from organized financial institutions. The creation of a saving habit, credit support for self-employment, and income generation are the major financial support for the backward sections of the population by the microfinance institutions. Financial inclusion and financial independence provide financial empowerment for the backward. All types of economic challenges arise from the lack of economic independence.

Microfinance supports entrepreneurship and self-employment, creating jobs and stimulating local economies. Microfinance institutions focus on lending to women, promoting their economic empowerment and social status. By providing small loans for income-generating activities, microfinance helps reduce poverty and improve livelihoods, especially among rural women. The Gross Loan Portfolio (GLP) of Microfinance Institutions (MFIs) in India has significantly increased from ₹2.32 lakh crore as of March 31, 2020, to ₹4.33 lakh crore as of March 31, 2024. This statistic represents a significant growth of approximately 86% in four years.

3. Review of Literature

Rajamma (1993) in her study, which is connected to empowering women through Income Generation Projects in Tunkur District of Karnataka, explains that such projects have increased women's control and access over production factors. Initially, women used traditional activities. Then, they started to show interest in non-traditional employment. It includes the making of bricks, which were mainly done by men, operating food co-operative societies, smokeless stoves construction, low-cost latrine construction etc.

Mariya & Somasekharan T M (2025) in their paper pointed out that the Kudumbashree, an SHG initiative, launched by the Government of Kerala, is a well-established community-based network that seeks to uplift women through various developmental programs, including micro-enterprise formation and skill development. Self-help groups in India played a greater role in women's empowerment in all spheres, like economic, political, and social. **Francis et al., (2025)** in their research paper, they advocate the condition of women is greatly improved after the Self-help group movements, and their position is improved by providing employment opportunities under micro-credit-based enterprises. The successful functioning of these enterprises provides economic independence to women.

Agyapong (2020) explains the role of micro, small, and medium enterprises (MSMEs) in poverty reduction in Ghana. The writer viewed that town and rural-based MSMEs help to create employment opportunities and increase the income of the people. This increased income helps the people to obtain better schooling and health facilities and supports them to free from the vicious circle of poverty. Furthermore, growth in small and medium enterprises (SMEs) also develops to human capital through on-the-job training. **Satyasai et al., (2014); Puhazhendi & Badatya (2002)** evaluated the performance of informal groups. They made an attempt to document rural women's empowerment through participation and generation of employment. The study made by them highlights that the rural poor groups in an informal nature with NGO intervention through training and assistance improved the participation of women in economic and social activities. The observation made by them reveals that the group approach has great potential. It will support income-generation projects for rural poor women. **Rutherford (2003)** analysed the management of money behaviour low-income families in Bangladesh. His study concentrated

on the outreach of micro finance institutions in such households. The paper opines that both micro finance institutions and lower-income households would benefit if micro finance institutions achieved a better understanding of potential need for services of financial institutions by the poor. So, such institutions can provide suitable, tailored products to meet their demands. The Study of **Bereket (2010)** in Mekelle city summarizes the role of micro enterprises in creating employment opportunities. The average employees of Small and Medium Scale Enterprises are 7.05% per SME in Mekelle city.

4. Objectives of the Study

1. To examine the entrepreneurial activities of SHG entrepreneurs.
2. To identify the relationship between purpose of usage of loan amount and period of being in SHG.
3. To analyse the relationship between entrepreneurial activity and period of being in SHG.
4. To evaluate the relationship between the period of being in SHG and confidence to run the enterprise.

5. Research Methodology

This study adopts a descriptive research design to examine the role of Self-Help Groups and SHG-initiated microfinance in promoting employment generation among Kudumbashree entrepreneurs in Ernakulam district, Kerala. A total of 304 women entrepreneurs were chosen using random sampling technique to guarantee broad representation. The study is based on both primary and secondary data. A structured questionnaire and interview method were used to collect primary data in order to get detailed information on entrepreneurial activities, confidence levels and loan utilization. Secondary data was obtained from government publications, Kudumbashree mission records, journals and other pertinent sources. Data analysis was conducted utilizing SPSS software, employing statistical tools such as frequency distribution, graphical methods, chi-square tests and one-way ANOVA, to identify trends and relationships. This methodology allows for a thorough knowledge of the ways in which SHGs support women's self-employment and economic empowerment in the area.

6. Results and Discussions

The researcher collected data from the sample of 304 Self Help Group Kudumbashree entrepreneurs in the district of Ernakulam, one of the largest kudumbashree initiated district in the state of Kerala. The district is with rural, semi-urban and urban nature. All types of entrepreneurial activities are operating in the district of Ernakulam which is one of the typical model-district for the study of Kudumbashree entrepreneurial activities and its impact on the empowerment of women.

6.1 Nature of Entrepreneurial Activity of SHG Women Entrepreneurs

The role of the Kudumbashree model of SHG is prominent in the micro and small-scale entrepreneurial development of the Kerala State. Diversified entrepreneurial activities are done by the SHG members of Kudumbashree. It is a unique model that comprises more 45 lakhs member families. In the world, there are more than 200 Metro rail operations. Out of these 200 metro rail operations, the Kochi Metro is the only metro operated by women members of the Kerala SHG, Kudumbashree. This model of SHG is in agreement with twenty states of the country for providing women empowerment initiatives for the women in the 20-agreement signed states.

The type of the entrepreneurial activities is limited to the 8 groups, which is only a small picture of the SHG-based entrepreneurial activities. The metro management in Cochin, the waste management in the state of Kerala, the production from the waste, food and processing, event management, kiosks, trading

initiatives etc., are not included in the categorization of the entrepreneurial initiatives of the SHG members. In the research study, the categories included are beauty parlour business, tailoring and boutique, tuition and coaching centres, grocery and vegetable shops, bags and soft toy-making units, restaurants, construction and others.

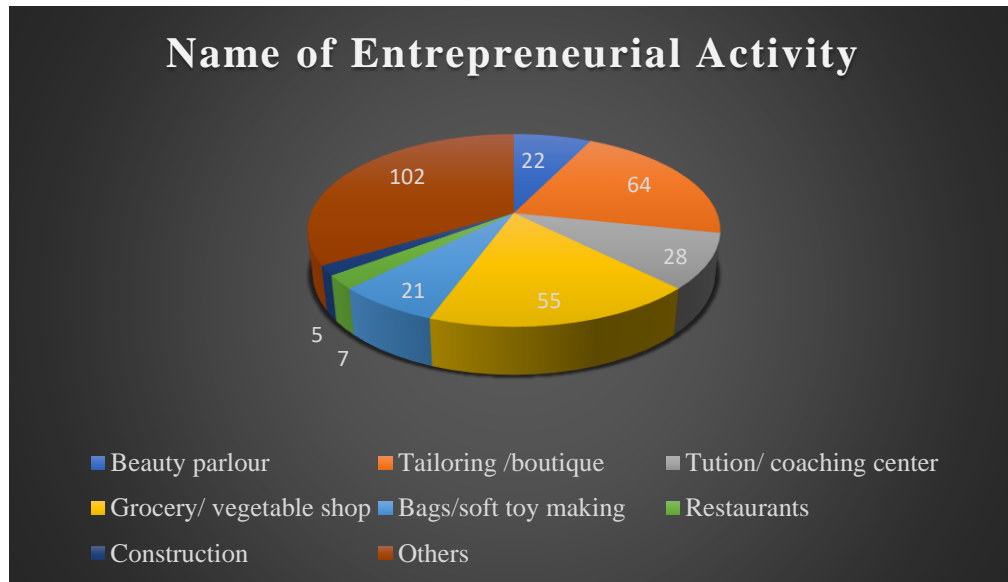
The diversified entrepreneurial activities of the respondents of the research study are summarized in the table and figure given below.

TABLE: 1 – ENTREPRENEURIAL ACTIVITIES OF SHG WOMEN ENTREPRENEURS

Name of entrepreneurial activity	Beauty parlour	Tailoring /Boutique	Tuition / coaching centre	Grocery/ vegetable shop	Bags/ soft toy making	Restaurants	Construction	Others
	22	64	28	55	21	7	5	102
Percentage	7.24	21.05	9.21	18.09	6.91	2.3	1.64	33.55

Source: Primary Data

FIGURE: 1 - ENTREPRENEURIAL ACTIVITIES OF SHG WOMEN ENTREPRENEURS



Source: Primary Data

Table 1 highlights the various entrepreneurial activities undertaken by SHG women entrepreneurs in the Ernakulam district. The data reveals that only a smaller number of women are involved in running construction-related activities (1.64%) and restaurants (2.3%). Soft toy/bag making (6.91%) and beauty parlours (7.24%) shows only a moderate level of engagement. Meanwhile, tailoring and boutique businesses are the second most popular venture, with 21.05% of the women involved in this field, followed by grocery or vegetable shops (18.09%) and tuition or coaching centres (9.21%). Further, data reveals that

a significant proportion of respondents (33.55%) are engaged in diverse activities categorized under "Others," indicating a wide variety of small-scale enterprises beyond the listed categories. This distribution suggests that while some traditional sectors like tailoring and retail continue to be popular, women entrepreneurs are also exploring a variety of other ventures, reflecting growing diversification and innovation within SHG-based entrepreneurship.

6.2. Relationship between Purpose of Usage of Loan Amount and Period of being in Self Help Group

To understand the dynamics between SHG membership and loan utilization patterns, it is essential to examine whether the duration of being part of a Self-Help Group influences how members use the loan amount. In this context, the following hypotheses are formulated to test the association between the purpose of loan usage and the period of SHG membership:

Hypothesis: 1

H₀: There is no significant relation between the purpose of usage of loan amount and the period of being in Self Help Group.

H₁: There is a significant relation between the purpose of usage of loan amount and the period of being in Self Help Group.

TABLE: 2 - RELATIONSHIP BETWEEN PURPOSE OF USAGE OF LOAN AMOUNT AND PERIOD OF BEING IN SELF HELP GROUP

Purpose of usage of Loan Amount	Period of being in SHG (Years)					Total	Pearson Chi-Square	Sig.	Conclusion
	Less Than 1	1-3	3-5	5-7	Above 7				
Domestic	17	17	46	11	26	117	48.959	0.000	Significant Relation
Micro-Enterprise	2	5	7	5	1	20			
Education	6	12	35	13	5	71			
Agriculture	2	4	5	5	5	21			
Others	0	30	25	4	16	75			
Total	27	68	118	38	53	304			

Source: Primary Data

Table 2 examines the relationship between the purpose for which SHG members use their loan amount and their duration of membership in the Self-Help Group. The Pearson Chi-Square value is 48.959 with a significance level (p-value) of 0.000, which is less than the standard level of 0.05. This indicates that there is a significant relationship between the purpose of usage of loan and the period of being in SHG.

The data reveals that members who have been part of SHGs for 3 to 5 years represent the largest group across several purposes, particularly for domestic needs (46 members) and education (35 members). Interestingly, a notable concentration of members in the 1-3 year range (30 members) reported using loans for other purposes, suggesting that newer members may have more diverse or miscellaneous needs. The number of entrepreneurs using loans for micro-enterprise and agriculture remains relatively low across all periods, implying that a smaller proportion of SHG members are utilizing loans strictly for income-generating activities. This significant association highlights that the purpose for which women utilize SHG loans is influenced by the length of their involvement in the group.

6.3. Relationship between Entrepreneurial Activity and Period of being in Self Help Group

Understanding whether the duration of SHG membership influences the type of entrepreneurial activity undertaken is very important since it can provide valuable insights into the growth and development of women entrepreneurs over time. To explore this potential association, the following hypotheses are proposed:

Hypothesis: 2

H₀: There is no significant relation between the entrepreneurial activity and the period of being in Self Help Group

H₁: There is a significant relation between the entrepreneurial activity and the period of being in Self Help Group

TABLE: 3 - RELATIONSHIP BETWEEN ENTREPRENEURIAL ACTIVITY AND PERIOD OF BEING IN SELF HELP GROUP

Name of Entrepreneurial Activity	Period of being in SHG (Years)					Total	Pearson Chi-Square	Sig.	Conclusion
	Less Than 1	1-3	3-5	5-7	Above 7				
Beauty Parlour	7	4	6	3	2	22	56.144	0.001	Significant Relation
Tailoring/Boutique	8	8	29	11	8	64			
Tution/Coaching Center	4	9	11	3	1	28			
Grocery/Vegetable Shop	3	8	22	8	14	55			
Bags/Soft Toy Making	2	4	10	3	2	21			
Restaurants	0	2	5	0	0	7			
Construction	0	0	2	2	1	5			
Others	3	33	33	8	25	102			
Total	27	68	118	38	53	304			

Source: Primary Data

Table 3 analysis indicates a significant relationship between entrepreneurial activity and the period of being in Self Help Group. The Pearson Chi-Square value is 56.144 with a significance level (p-value) of 0.001, indicating a statistically significant association. The significant association suggests that the duration of being in an SHG plays a role in shaping the entrepreneurial direction of women.

From the data, it is observed that those involved in tailoring/boutique (29 members) and grocery/vegetable shops (22 members) are most prominent in the 3–5 years category, suggesting that these activities become more viable as members spend more time within the SHG network. The "Others" category, also shows strong representation in both the 1–3 year and 3–5-year ranges, indicating that members begin to explore different business options relatively early in their SHG journey. Entrepreneurs running beauty parlours

and tuition/coaching centers are fairly distributed across categories but are more active in the early to mid-phases of SHG membership. Activities like restaurants and construction show minimal representation.

6.4. Relationship between the Period of being in SHG and the Confidence to run the Enterprise

The confidence to successfully manage and sustain an enterprise is a crucial factor in the journey of women entrepreneurs. Participation in Self Help Groups (SHGs) often plays a key role in building this confidence through peer support, financial access, and skill development. To examine whether the duration of SHG membership influences the level of confidence among women entrepreneurs, the following hypotheses are proposed. In order to identify whether there is any significant difference between the period of being in SHG and the confidence to run the enterprise, ANOVA test was applied. The result of ANOVA test is shown in Table: 4 and the findings are interpreted as follows:

Hypothesis: 3

H₀: There is no significant relation between the period of being in SHG and confidence to run the enterprise.

H₁: There is a significant relation between period of being in SHG and confidence to run the enterprise.

TABLE: 4 - RELATIONSHIP BETWEEN THE PERIOD OF BEING IN SHG AND THE CONFIDENCE TO RUN THE ENTERPRISE

Period Of Being in SHG (Years)	N	Mean	Standard Deviation	F	Sig	Conclusion
Less Than 1	27	10.6667	2.38586	7.836	0.000	Significant Relation
1-3	68	11.7206	3.79649			
3-5	118	13.2966	3.71716			
5-7	38	13.5789	3.77496			
Above 7	53	14.4717	3.14767			
Total	304	12.9507	3.70899			

Source: Primary Data

The ANOVA test revealed an F-value of 7.836 and a significance level (p-value) of 0.000 which is below 0.05, indicating a highly significant relationship between the period of being in SHG and the level of confidence to manage an enterprise. The mean scores increase progressively with the duration of SHG membership, from 10.67 for members with less than 1 year of experience to 14.47 for those who have been members for more than 7 years. The result suggests that longer association with SHGs positively contributes to building entrepreneurial confidence among women. The confidence to run the micro enterprise by the support of the micro finance through SHGs supports the entrepreneurial activities of micro entrepreneurs.

7. Findings

Self-decision played a pivotal role in the selection of the entrepreneurial initiatives by the women in SHGs. It shows the presence of confidence to start and initiate the entrepreneurial activity by the women in SHGs. The level of confidence and personal satisfaction from the SHG participation have a major role to play in selecting the entrepreneurial activities.

The study revealed that SHG women entrepreneurs in Ernakulam are engaged in a wide range of diverse entrepreneurial activities. This shows that SHGs with the support of micro finance are enabling women to

explore varied and self-sustaining livelihood opportunities. In the study it has been observed that there is a statistically significant relationship between the purpose of loan usage and the period of being in SHG. Women who spend more time in SHGs, are more likely to use loans for productive and income-generating purposes, while newer members use them for domestic needs or miscellaneous purposes. The analysis indicates a significant association between entrepreneurial activity and period of being in SHG, suggesting that longer involvement in SHGs supports more stable and structured business ventures.

Furthermore, the analysis reveals that there is positive strong relationship between period of being in SHGs (number of years) and the confidence to run the enterprise. More years with SHGs means more confidence to run the enterprises. The role of SHGs is positive in building the confidence to the women entrepreneurs. The entrepreneurial skills of the SHGs members are deeply rooted in the level of confidence to run the enterprise. The One-Way ANOVA Analysis reveals that the confidence to run the enterprise mean values are increasing with the increase in the period of being in SHGs. The mean value of the confidence to run the enterprise of less than one year in SHG is lower than that of above 7 years of being in SHGs, suggesting that prolonged engagement in SHGs boosts entrepreneurial confidence. The confidence to run the micro enterprise supports the entrepreneurial activities of micro entrepreneurs. Overall, the findings highlight the positive role of SHGs and microfinance in fostering women's entrepreneurship, employment generation and building economic self-reliance over time.

8. Suggestions and Recommendations

- Regular training and capacity-building workshops in areas like marketing, financial management, digital skills and product development should be organized to help women diversify and scale their ventures effectively.
- Study reveals that new SHG members utilize loans for domestic purposes, so awareness sessions and financial literacy programs should be conducted to educate them about the long-term benefits of investing in income-generating activities.
- To improve the profitability of SHG-run enterprises, initiatives should be taken to establish strong market linkages, participate in trade fairs and develop collective branding and packaging for SHG products.
- To help entrepreneurs reach wider markets and operate more efficiently, access to tools such as mobile banking, online marketing platforms and digital payment systems should be improved, especially for women in rural areas.
- To ensure sustainability of SHG enterprises, the government should invest in creating infrastructure such as local markets, cooperative retail outlets and digital platforms. Collaborations between government agencies, private enterprises, and NGOs can facilitate access to markets, funding and technology.

9. Conclusion

The living standards of the people in a country depend on income generation, either through the rendering of productive services or through self-employment schemes. Microfinance institutions are supportive factors for starting microenterprises in urban and rural areas of the country. The SHGs play a crucial role in developing micro enterprises and creating employment opportunities and income generation in Ernakulam district of Kerala. The study clearly indicates that participation in SHGs empowers women economically and socially by enabling them to engage in various entrepreneurial activities, build

confidence, and utilize financial resources more effectively over time. A significant relationship was observed between the period of SHG membership and factors such as loan usage, type of entrepreneurial activity, and the confidence to manage an enterprise, emphasizing the transformative impact of long-term involvement in SHGs. Credit accessibility, pricing methods, controls and support by the government, allocation of basic infrastructure facilities, etc., are relevant for developing micro enterprises in the district. By nurturing and scaling SHG initiatives, we can move closer to achieving gender equality and economic self-reliance at the grassroots level.

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