

Assessing Credit Perceptions Among Rural Self Employed

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Abstract - The present research work is an attempt to empirically explore the various determinants of rural credit & its impact on rural self employed along with the impact of self employment on economic empowerment, social empowerment and poverty reduction. Keeping in view, the vital role of rural credit, there is a need to assess difficulties faced by rural unemployed while accessing the credit for self employment purpose. The State of Jammu and Kashmir being located near Pakistan border has low industrial activity. Exodus of population of Jammu city and like other districts is experiencing unemployment and other border illegal activities. The study by assessing credit perceptions of masses would help in redesigning formal credit structure suited by agricultural and allied entrepreneurial activities, which would lead to socio-economic empowerment and poverty reduction.

Keywords – Credit perceptions, Rural Employee, self-employment, empowerment.

I. INTRODUCTION

Self-employment as a method of reducing unemployment, ensuring economic growth & innovation promotion became important during 1970-1980, when the industrial structure and technological changes surged in many countries around the world. Important factors such as changes in the labour force structure, including the growth of number of women, youth or older persons in the labour market, as well as the skill distribution produced positive effects on the growth of self-employment (Startiene, G., & Remeikiene, R., 2009 and Startiene, G., & Remeikiene, R., 2008). A substantial proportion of the poor around the world rely on self-employment as a source of income as they navigate a host of constraints that include a lack of affordable loans from formal sources, restricted access to reliable savings accounts, few formal sources of insurance, insecure land rights and insufficient public infrastructure. A growing body of research has also found positive effects of credit on entrepreneurship and employment among individuals and households in low-income countries. The importance of credit in fostering self-employment is also evident from studies in higher-income countries (Evans and Jovanovich, 1989). Pitt and Khandker (1998) found that credit given to female participants in Grameen programs had strong beneficial effects on both male and female labour supply and empowerment. The provision of credit has increasingly been regarded as an important tool for raising the incomes of population, mainly by mobilising resources to more productive uses (Mugume, 2008 and Atieno, 2001). Banks provide credit to sustain manufacturing, agricultural, commercial and service enterprises. These, in

turn, provide jobs and enhance purchasing power, consumption and savings.

Conceptual Analysis of Self Employment

Self-employment is the act of generating one's income directly from customers, clients or other organizations as opposed to being an employee of a business (or person). Generally, tax authorities view a person as self-employed if the person (a) chooses to be recognized as such, or (b) is generating income such that the person is required to file a tax return under legislation that subsists in the relevant jurisdiction(s). Self-employed people generally find their own work rather than being provided with work by an employer, earning income from a trade or business that they operate.

Self Employment & Credit

Self employment constitutes an important solution for solving the problem of unemployment and credit plays an important role in increasing the number of self employed people. Availability and access to adequate, timely and low cost credit from institutional sources is of great importance to rural masses who want to employ themselves in different activities and especially to poor households. Unfortunately, the state of rural financial markets has a number of weaknesses including, limited access to rural customers, high cost of services, absence of convenient savings facilities, non-viability of institutions, lack of active competition and inability to expand services to respond to and create opportunities (Nwana, 2011). The various problems which are faced by rural self employed people in accessing credit and the solutions to these problems have been addressed in

literature (Hancock and Wilcox, 1998; Harhoff and Körting, 1998; Bitler, Robb and Wolken, 2001 & Berger and Udell, 2003). Self employment provides rural people with regular source of income and job security which is absent in paid employment. Rural credit plays an important role in promoting self employment particularly in regions with limited paid-employment opportunities and characteristics such as discrimination, imperfect information, or insufficient labour demand. Unemployed rural masses that face constraints in finding opportunities for wage employment resort to self employment by availing credit from banks.

Objectives Of The Study

The study is exploratory, original and unique in nature, since it is the first empirical study of its kind on the problem in question in Indian rural setting.

- a. To examine the impact of rural credit on employment generation, economic and social empowerment and poverty reduction.
- b. To analyze the problems being faced by rural self employed in availing credit and
- c. To suggest measures for effective utilization of credit by unemployed rural youth.

II. HYPOTHESES FORMULATION

It has been demonstrated in literature that access to finance by people in rural areas who are mostly unemployed help build their asset base that allows them to mitigate risk, plan for the future and invest in education and other life cycle needs (Kibaara, 2006) & thereby leading to improvement in their livelihoods. Credit is essential for rural development in a variety of ways. Credit promotes seasonal agricultural investments and adoption of technology (Gine and Klöner, 2005). Better access to credit smoothes consumption (Rosenzweig and Wolpin, 1993). In addition, access to finance plays valuable roles in reducing the vulnerability of men self employed in general and women self employed in particular through asset creation, income and consumption smoothing, borrower makes the financial institution to take remedial actions like asking for collateral, shorter duration of payment, high interest rates and other form of payment (Stiglitz and Karla, 1990). Relationship lending exists all over the world and is regarded as a potentially vital instrument linking interests of borrowers with those of lenders (Mempel, Schneider & Stein, 2007). Firms with multiple sources of financial services are less likely to receive credit and private information generated about such firms by a financial institution is less valuable when the firm deals with multiple sources of financial services (Cole, 1998). However on the other hand, multiple banking relationships may reduce the lock-in problem. In that having a relationship with more

than one lender, a firm can reduce the possibility for its incumbent bank to exploit a monopolistic position (Chakrarty & Yilmazer, 2008). Lenders may avoid lending to smaller or lesser known clients or impose strict collateral requirements when they do. Thus, it is hypothesized that:

H1: Rural credit is significantly predicted through seven dimensions .i.e. availability of loan, repayment of loan, recovery of loan, rate of interest, transaction cost, relationship lending and business services.

H2: Self employment is predicted through desire for meaningful work, challenging work, economic independence, authority and better income.

H3: Rural credit positively affects self employment.

H4: Self employment leads to poverty reduction

H5: Self employment leads to economic empowerment.

H6: Self employment leads to social empowerment.

III. DIMENSIONS OF RURAL CREDIT

(a) **Availability of loan** -Availability and access to adequate, timely and low cost credit from institutional sources is of great importance to those who want to employ themselves in different activities and especially to poor households. Along with other inputs, credit is essential for establishing sustainable and profitable ventures.

(b) **Repayment of credit** Studies have established that social-economic and demographic factors such as age, income, marital status, gender, family size, occupation, etc. have bearing on household's creditworthiness and repayment behavior of the borrowers in credit market. Mbata (1994) hypothesized that credit repayment performance from external source depends on duration of loan servicing, size or amount of credit obtained and income generated from the capital, while credit repayment performance from internal sources (member capital) depends on duration of membership, size of the household, amount of credit available, income generated from sales, gender of the household, income transfers received, the type of information and the extent of business diversification.

(c) **Rate of interest** Interest on borrowing is one of the costs of production. The higher the interest rate the higher the likelihood of loan repayment default as the costs of servicing the loan increase.

(d) **Credit constraints** The constraints, includes the lack of affordable loans from formal sources, restricted access to reliable savings accounts, few formal sources of insurance, insecure land rights and insufficient shared infrastructure such as piped water and electricity. These constraints can be particularly severe for rural areas in

developing countries, where between 25 and 98 per cent of households living in poverty report being self-employed in agriculture (Banerjee and Duflo, 2007)

- (e) **Transaction costs** Transaction costs reflect the costs of economic organization both outside the firm and inside the firm and are the means by which one can measure the efficiency of different institutional designs in achieving economic outcomes in particular environments (Polski & Kearney, 2001).
- (f) **Relationship lending** Elsas (2003) defined relationship lending as a long-term implicit contract between a bank and its debtors.
- (g) **General loan conditions** General loan conditions include the things like tendency for making risky decisions, speed of approval and immediate payment, flexibility in execution, simpler procedures, reduced cost of loan, less bureaucratic formalities, influence of others, financial performance of the bank etc.
- (h) **Banking services** It refers to the various services provided by the banks. It includes the hours of operation, queuing size and fund safety (Laroche et al., 1986; Javalgi et al., 1989) and supervision and advisory visits

V. DIMENSIONS OF SELF EMPLOYMENT

a) Meaningful work Meaningful work comprises an activity that usually satisfies the requirements of self-respect itself. Thus, "the agent of meaningful work has standards and aims about which she or he cares and also is able to apply them and carry them out" (Attfield, 2010).

(b) Better income Most self-employed work for themselves and earn little, either because they are rationed out of wage jobs (Fields, 1975; Tokman, 2007, De Mel, et al, 2010) or because they prefer the autonomy and flexibility of self-employment (Maloney, 2004).

(c) Authority:

Authority is a source of personal satisfaction, which is directly linked with the conception of self-actualization, comes from the ability to "do things my way". It became apparent that people felt constrained by company policies, hierarchies and political games

d) Economic independence:

It refers to the ability to make decisions regarding financial aspects free from the control or influence of other people. Self-employment gives a pleasure of economic independence.

Challenging work:

It refers to the work that is stimulative, interesting and thought provoking through which one can test one's ability.

VI. DIMENSIONS OF EMPOWERMENT

Economic empowerment It refers to the sustained, concerted efforts of policy makers & community to promote the standard of living & economic health in a specific area. It is

the process which increases beneficiaries' real power over economic decisions that influence their lives and priorities in society.

Social empowerment: Social empowerment in particular means an improvement of the social status and living standard of the beneficiaries. It reflects the income security, housing security, improved housing conditions & hygiene, security of health and social reputation. Poor people's empowerment and their ability to hold others to account, is strongly influenced by their individual assets (such as land, housing, livestock, savings) and capabilities of all types: human (such as good health and education), social (such as social belonging, a sense of identity, leadership relations) and psychological (self-esteem, self-confidence, the ability to imagine and aspire to a better future).

Poverty reduction: A major cause of poverty among India's rural people, both individuals and communities, is lack of access to productive assets and financial resources. High level of illiteracy, inadequate health care and extremely limited access to social services are common among rural people. Self-employment, which could generate income and enable poor people to improve their living conditions, has only recently become a focus of the government.

VII. MATERIALS AND METHODS

Sample Design

A total of 270 questionnaires are distributed among the self-employed persons in rural areas of Jammu and Kashmir however usable response was obtained from 250 respondents only. Thus, 250 properly filled questionnaires represented the response rate of 92%.

Scale Purification

After collecting and editing the data in SPSS version 16.0, the appropriate tools have been applied so as to bring out relevant and precise results in the study. Normality of the data with the help of the outliers. Through SPSS (17.0 version) Skewness and Kurtosis tests were performed and the value of Skewness was .207 and Kurtosis was -.18 respectively. Thus, the data were found to be normally distributed.

Research methodology

The present study explores the impact of rural credit on self-employment and its impact on empowerment among beneficiaries. The data were collected using both primary and secondary sources. The primary data were collected using structured questionnaire, distributed to 270 self-employed people residing in tehsil R.S Pura of district Jammu of J & K State. For contacting self-employed people, a list of beneficiaries who have availed loan for self-employed

purpose during 2015-2016 was obtained from Manager of J&K Bank (R.S Pura), Manager PNB (R. S. Pura) and Grameen Bank (R.S.Pura). After pretesting on a sample of 30 self employed people, the final sample size arrived at 268 which was rounded off to 270. Respondents were contacted using judgement sampling, criteria being usage of loan for entrepreneurship and functional nature of micro business. The items under different dimensions of the scale were generated from discussions with experts in the area of finance and review of relevant literature. On the basis of these sources, a questionnaire was prepared for the collection of requisite data. Some items were kept in negative form so as to have internal cross checking and to ensure the active involvement of respondents while filling the questionnaire.

After tabulating the data collected through pilot survey, it was realised that six items in the questionnaire were irrelevant and therefore, not considered for final survey. Thereafter, the questionnaire was revised and refined before finally circulating to respondents. This whole process resulted into 193 variables, out of which 5 pertain to demographic profile, 9 for general information and remaining 179 items covering various aspects covering loan availability, repayment of loan, loan recovery, rate of interest, banking services, empowerment and poverty reduction designed on 5-point Likert scale ranging from 'strongly agree' (5) to 'strongly disagree' (1). After collecting and tabulating the data on SPSS version 16.0, the normality of data was checked to detect outliers of the study. Normality was checked by using box plot method and item-to-item outliers were identified and later on by using range method a base was calculated ($13-1/2=6$). So, the respondent who gave abnormal response for 6 items or more were removed, which resulted into elimination of 23 subjects. A total of 270 questionnaires were distributed among the self employed persons in sample areas, however usable response was obtained from 222 respondents only. Thereafter, the data so collected were analyzed with the help of factor analysis using SPSS package (17.0 Version). To check the internal consistency of the scale, the reliability tests viz. Cronbach Alpha and construct reliability were used. The validity was judged by using face/content validity, construct validity, convergent validity. Thereafter, various statistical tools such as mean, standard deviation, confirmatory factor analysis and SEM were used through AMOS (17.0 version) for further analysis. Secondary information were collected from various journals viz., Asian Economic Review, International Journal of Advanced Research and Innovations, International Journal of Economics and Finance, International Journal of Innovative Research & Development, International Research Journal of Commerce & Behaviour Science, IOSR Journal of Economics and Finance,

VIII. EXAMINING THE IMPACT OF RURAL CREDIT ON SELF EMPLOYMENT THROUGH SEM

Data Analysis And Interpretation

The data for the study were analyzed under following four sub-heads:

- (i) Rural credit and self employment.
- (ii) Self employment and economic empowerment.
- (iii) Self employment and social empowerment and
- (iv) Self employment and poverty reduction.

Rural credit and self employment Self employment constitutes an important solution for solving the problem of unemployment and credit plays an important role in increasing the number of self employed people. Availability, access, adequacy, timely and low cost credit from institutional sources is of great importance to those who want to employ themselves in different activities and especially to poor households. Along with other inputs, credit is essential for establishing sustainable and profitable ventures. The data relating to credit and self employment was analyzed using following steps.

- i) Exploratory factor analysis
- ii) Confirmatory factor analysis
- iii) Structural equation modeling

Purification of constructs was administered on respondents who were self employed using SPSS (17.0 Version). The process of EFA was performed through PCA with varimax rotation on availability of loan which consisted of 16 items and three factors having nine items were extracted with 59.9% variance explained with appropriate KMO value and eigen values (>1), communalities ($>.50$) and factor loadings ($>.50$). Factor analysis was done on repayment of loan which contained eighteen items & it took ten rounds to complete the analysis. In the final round, three factors emerged having nine items with 73.823% variance explained with significant eigen values, communalities and factor loadings. Factor analysis was done on recovery of loan having 10 items & it took 13 rounds to complete it. In the final round, two factors were obtained with six items and 73.60% variance explained. Likewise, factor analysis was also performed on interest rates, business services, transaction cost and relationship lending. Interest rates comprised of seven items & it took only two rounds where two factors were extracted with 65.32% variance explained and relationship lending emerged with four factors having fifteen items with 50.39% variance explained. Similarly, transaction costs emerged with four factors having 12 items with 55.05 % variance explained and business services emerged with two factors with 65.32% variance explained. A first order CFA was performed on the indicators and resulting factors of availability of loan which has three factors. The model was of good fit as all the fit

indices were within the prescribed limits i.e X^2 value is less than 5.0, GFI, AGFI, CFI, TLI and NFI values are above or nearer .9. The model was proved to be valid and reliable through AVE which came out to be .630, good value of SR estimates and alpha value of .757. A first order CFA was performed in order to assess the dimensionality of the repayment of loan based on the factors and the indicators. The model predicted a good fit values with GFI, AGFI, CFI, TLI, and NFI above 0.9, χ^2 less than 5.0, RMR and RMSEA values are .054 and .079 respectively. A first order CFA was also performed on recovery of loan and the model was found to be valid and reliable, as revealed by Cronbach's alpha (.769) and composite reliability (.910) remaining indicators predicted a good fit model with GFI=.957; AGFI=.912; NFI=.928; TLI=.969; CFI=.981 and RMSEA=.011. To assess the dimensionality of the rate of interest, a first order CFA based on the indicators and resulting factors was carried. The model came out to be a good fit as depicted by the good values of fit indices with GFI, AGFI, CFI, TLI and NFI values above .90, χ^2/df value=1.796, RMR and RMSEA values less than .08. A first order CFA was also performed on relationship lending based on the indicators and resulting factors. The model came out to be a good fit model with GFI, AGFI, CFI, TLI and NFI values above .90, χ^2/df value=1.403, RMR and RMSEA values less than .08. A first order CFA was also performed to assess the transaction cost which comprised of four factors. The results reveal that the model of fit statistics was within or above the acceptable levels i.e $\chi^2=1.777$, GFI=.965, AGFI=.926, RMR=.024, RMSEA=.065, TLI=.899, NFI=.997 and CFI=.999. The model was found to be reliable and valid as revealed through good values of SR estimates, AVE=.648, CR=.899 and Alpha value=.797. A first order CFA was also performed to confirm the dimensions of business services which consisted of two factors. The model was found to be valid and reliable. Reliability got confirmed through Cronbach alpha (.778) and composite reliability (.908). After applying CFA, the satisfactory fitness indices were CMIN/df=1.438; TLI=.923; CFI=.999 and RMSEA=.079. A first order CFA was also performed to assess the self employment, which comprises of five dimensions. The model was found to be valid and reliable after deleting one item. Reliability got confirmed through Cronbach alpha (MW=.701; BI=.601; EI=.813; CW=.849; AUTHS=.907), AVE (MW=.670; BI=.870; EI=.763; CW=.825; AUTHS=.89) composite reliability (MW=.960; BI=.908; EI=.958; CW=.952; AUTHS=.950). After applying CFA, the satisfactory fitness indices were CMIN/df (MW=1.224; BI=4.520; EI=1.076; CW=1.465; AUTHS=1.552), AGFI (MW=.957; BI=.883; EI=.972; CW=.920; AUTHS=.901, RMSEA (MW=.034; BI=.050; EI=.020; CW=.088; AUTHS=.055).

SEM was conducted using AMOS 16 version to test the hypothesized relationships. SEM results indicated that availability of credit ($\beta=.272$), repayment of credit ($\beta=.704$) and interest rates ($\beta=.314$) and recovery of loan ($\beta=.250$) and business services ($\beta=.255$) are the important determinants in predicting rural credit while relationship lending ($\beta=.149$), transaction cost ($\beta=.145$) has insignificant predictors of rural credit. SEM results also established that better income ($\beta=.454$), economic independence ($\beta=.713$), challenging work ($\beta=.315$), authority ($\beta=.640$) and desire for meaningful work ($\beta=.545$) are the significant predictors of self employment.

(ii) Self employment and economic empowerment

Self employment helps in economic empowerment of rural people. It not only enhances their standard of living but also provide them with better opportunities in life. The various steps in analysing the economic empowerment through self employment are as under:

- i. Exploratory factor analysis
- ii. Confirmatory factor analysis
- iii. Structural equation modeling

After that factor analysis was conducted on six items of economic empowerment which got completed in two rounds, finally four items were retained which were clubbed under two factors. First order CFA was performed and the results revealed that the model of fit statistics were within or above the acceptable levels i.e $X^2=1.438$, GFI=.998, AGFI=.984, RMR=.008, RMSEA=.079, TLI=.923, NFI=.997 and CFI=.999. The model was found to be reliable and valid as revealed through good values of SR estimates, AVE=.601, CR=.891. SEM results also revealed strong and significant influence of self employment on economic empowerment ($\beta=0.624$), which leads to acceptance of the hypothesis framed.

(iii) Self employment and social empowerment

Social empowerment means an improvement of the social status and living standard of the people. Self employment helps in social empowerment as it is reflected by the income security, housing security, improved housing conditions & hygiene, security of health and social reputation. Self employment enhances the social status of the rural unemployed people. The various steps followed in analysing the impact of self employment on social empowerment are as under:

- i. Exploratory factor analysis
- ii. Confirmatory factor analysis
- iii. Structural equation modeling

A first order CFA was performed to assess the model fitness. The model was found to be valid and reliable and its reliability got confirmed through Cronbach alpha (.797),

AVE (.702) and composite reliability (.899). The remaining indicators predicted a good fit model with CMIN/df=1.905; GFI=.999; AGFI=.993; NFI=.920; TLI=.998; CFI=.998 and RMSEA=.010. SEM results thus confirmed a strong and significant influence of self employment on social empowerment ($\beta=0.870$) which leads to acceptance of proposed hypothesis.

(iv) Self employment and poverty reduction

Self employment is an important tool for combating the multi-dimensional aspects of poverty. It enhances financial access which leads to several benefits such as overcoming problem of inequality, deteriorating welfare etc. and has generated a positive impact on the lives of the poor. There is a cause and effect relationship between self employment and poverty reduction. It is a win-win opportunity for the poor, for the banks and for the nation. It contributes income generation, proper utilisation of resources which help in poverty alleviation and thus lead to GDP growth in any economy. The various steps that were used to analyse the impact of self employment on poverty reduction are as follows:

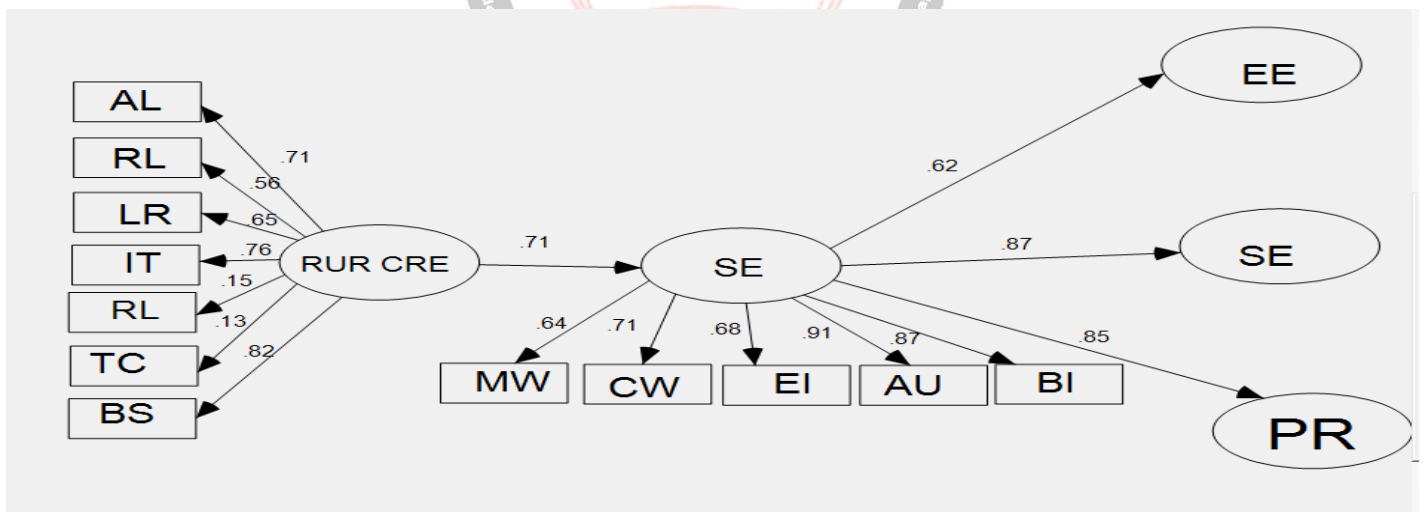
- i. Exploratory factor analysis
- ii. Confirmatory factor analysis
- iii. Structural equation modeling

Factor analysis was also applied seven items of poverty reduction. This resulted in two factors namely, improvement in the quality of life and increase in family expenditure. First order CFA was also performed to assess the impact of self

employment on poverty reduction construct and to assess the model fitness. The model was found to be valid and reliable as revealed through good values of SR estimates AVE =.841, CR=.887 and Factor analysis was also applied seven items of poverty reduction. This resulted in two factors namely, improvement in the quality of life and increase in family expenditure. First order CFA was also performed to assess the impact of self employment on poverty reduction construct and to assess the model fitness. The model was found to be valid and reliable as revealed through good values of SR estimates AVE =.841, CR=.887 and Alpha value=.743. The remaining indicators predicted a good fit model with X2= 1.205, GFI= .969, AGFI= .908, RMR= .030, RMSEA=.010, TLI=.998, NFI=.991 and CFI= .998. SEM results also revealed a strong and a significant influence of self employment on poverty reduction having ($\beta=.851$) which leads to acceptance of proposed hypothesis.

Structural Model Fitness

The study proposes that rural credit is predicted through various factors, viz, availability of loan (AL), repayment of loan (RL), recovery of loan (LR), interest rate (IT), transaction cost (TC), relationship lending(RL) and banking services(BS) which leads to self employment which comprises of dimensions like better income (BI), economic independence (EI), authority (AUTHS), meaningful work (MW) and challenging work (CW). Further it is established that self employment leads to empowerment which consisted of economic empowerment, social empowerment and poverty reduction.



The structural model after introducing few relationships exhibits an appropriate fit as demonstrated by various fit indices (Fig 5.16). The correlation between the residual of the observed indicators provides realistic factorial representation and is quite acceptable (Bryne 2001). For model robustness, covariance between the residuals can be introduced only

when there exists high modification indices and such relationship between the residuals also has strong support from literature. All the proposed relationships in the model were significant ($p<0.05$), except for relationship lending and transaction cost which does not predict rural credit. ($p=0.107$). The structural model after introducing few relationships

exhibits an appropriate fit as demonstrated by various fit indices (Fig 5.16). The correlation between the residual of the observed indicators provides realistic factorial representation and is quite acceptable (Bryne 2001). For model robustness, covariance between the residuals can be introduced only when there exists high modification indices and such relationship between the residuals also has strong support from literature. All the proposed relationships in the model were significant ($p < 0.05$), except for relationship lending and transaction cost which does not predict rural credit. ($p = 0.107$) In the first phase, the link between the rural credit and self employment was established. The second phase leads to the introduction of path between self employment and empowerment. In the third phase, the relationship between economic empowerment with poverty reduction and economic empowerment was found out.

After modifications, the overall fit measures suggest that the data provide a good fit for the hypothesised casual model. The appropriateness of the model was confirmed through

IX. HYPOTHESES TESTING

On the basis of SEM results, the framed hypotheses have been tested and the results are as under.

H1) Rural credit is significantly predicted through seven dimensions i.e. availability of loan, repayment of loan, recovery of loan, rate of interest, transaction cost, relationship lending, and business services.

SEM results indicate that availability of loan ($\beta = .710$), repayment of credit ($\beta = .560$) and interest rates ($\beta = .760$) and recovery of loan ($\beta = .650$) and business services ($\beta = .826$) are the important determinants in predicting rural credit while relationship lending ($\beta = .149$), transaction cost ($\beta = .135$) has insignificant prediction. Thus H1 is partially accepted and relationship lending and transaction cost as the weak predictors.

H2) Self employment is predicted through desire for meaningful work, challenging work, economic independence, authority and better income.

The results establish that better income ($\beta = .870$), economic independence ($\beta = .682$), challenging work ($\beta = .715$), authority ($\beta = .910$) and desire for meaningful work ($\beta = .640$) are the significant predictors of self employment. Thus, it leads to acceptance of H2.

H3) Rural credit positively affects self employment

The hypothesis examining the impact of rural credit on self employment was tested through SEM results depicts a strong significant impact of credit on self employment with β value of 0.715. This implies support of H3.

H4) Self employment leads to economic empowerment

The hypothesis was proposed to test the impact of self employment on economic empowerment. The results reveal a strong and significant influence of self employment on empowerment ($\beta = 0.624$), thereby accepting H4.

H5) Self employment leads to social empowerment

The hypothesis was proposed to test the impact of self employment on social empowerment. The results reveal a strong and significant influence of self employment on socio empowerment of self employed people having ($\beta = 0.870$) which leads to acceptance of H5.

H6) Self employment leads to poverty reduction.

The hypothesis was proposed to test the impact of self employment on poverty reduction. The results revealed a strong and a significant influence of self employment on poverty reduction having ($\beta = .851$) which leads to acceptance of H6.

X. CONCLUSIONS AND IMPLICATIONS

This paper indicates that Self employed people suffer from the cumbersome process of getting and obtaining loans. The various services offered by the banks affects the decision of the self employed in taking the loan from the banks and shows that little promotional efforts were taken by the banks to educate customers regarding availability of loan for entrepreneurial activities. The study has also established that maximum number of loan beneficiaries have been male borrowers in the study area. The research findings indicate a slow development of entrepreneurship among women. In addition, it was also found that education positively affects the loan repayment behavior. The impact of lending by the commercial banks covered by the study revealed positive impact as evident from the change in the personality & lifestyle, improved decision making and support to the family as indicated by the respective mean values 4.98, 4.40 and 4.43. It was also revealed in the study that self employment has helped in raising the quality of life as predicted by mean value (4.06) that loan had a positive impact on economic status and poverty. Based on the findings, it is suggested that banks must reorient its lending policies, undertake intensive promotional programme for creating awareness for entrepreneurial activities, simplify lending procedure, monitor loan repayment schedule and encourage women towards entrepreneurial activities.

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