Impact of Microfinance on Women Entrepreneurship

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Abstract

Micro Finance is growing as a powerful instrument for poverty alleviation in the new economy. A majority of the microfinance programmes has come up with the clear goal of reducing poverty and empowering women. In addition, an increasing number of microfinance institutions (MFIs) prefer women members as they believe that they are more responsible and trustworthy. Microfinance programs like the Self Help Bank Linkage Program in India have been progressively promoting for their positive economic impact and the belief that they empower women. The SHG Programme has come up with a new system of saving and lending that is group lending and liability as a way of delivering microfinance to its predominantly female members. Research has shown that investing in women offers the most effective means to improve health, nutrition, hygiene, and educational standards for families and consequently for the whole of society. Thus, a special support for women in both financial and non-financial services is necessary. Many leading public and private sector banks are offering schemes exclusively designed for women to set up their own ventures. Even the unorganized sector has been heading into microfinance movement. The present work is an attempt to study the role of microfinance as an effective instrument in promoting women entrepreneurship in India.
1. Introduction

Ashok K. Pokhriyal, Rekha Rani, Jaya Uniyal (2014) mentioned in their study that Working women contribute to national income of the country and maintain a sustainable livelihood of the families and communities, throughout the world. As they face many socio-cultural attitude, legal barriers, lack of education and personal difficulties. Traditionally, women have been marginalized. They are rarely financially independent and often they are more vulnerable members of society. About 70% of world’s poor are women. Yet they have no access to credit and other financial services. Therefore, microfinance often target women. Microfinance is a critical tool to empower women from poor household. So, particularly women can get benefit from microfinance institutions as many microfinance institutions target only women, to empower them. Here in this paper a small effort has been made on the empowerment of women through the tool Micro-finance.

The term micro finance is of recent origin and is commonly used in addressing issues related to poverty alleviation, financial support to micro entrepreneurs, gender development etc. There is, however, no statutory definition of micro finance. The taskforce on supportitive policy and Regulatory Framework for Microfinance has defined microfinance as “Provision of thrift, credit and other financial services and products of very small amounts to the poor in rural, semi-urban or urban areas for enabling them to raise their income levels and improve living standards”. The term “Micro” literally means “small”. But the task force has not defined any amount. However as per Micro Credit Special Cell of the Reserve Bank Of India.

All over the world, the significant of women entry into the workforce over the past three decades has produced profound transformations in the organization of

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families, society, the economy, and urban life. Since the late 1950s, women's economic activities have been steadily increasing.

Women have always actively participated in their local economies. In Africa, for example, women produce 80 percent of the food and in Asia 60 percent and in Latin America 40 percent. In many cases, women not only produce the food but market it as well, which gives them a well-developed knowledge of local markets and customers.

This is a small example of the importance of women's work in society. It does not illustrate the real extent of women's contribution, especially in developing countries, not only to the labour force, but also their role as a significant income-source for the family.

Women, especially poor mothers, must divide their time between work "productive role" and family "reproductive role", and balancing all the demands. Time is valuable for these women, as their livelihoods depend largely on their ability to fulfil the multiple demands of the household and the marketplace.

In spite of the remarkable importance of women's participation, their jobs have been considered as an "extra income" to family survival or simply to improve its living conditions. Moreover, microenterprises owned by women have been considered as a way to meet primary needs instead of a profitable source of income.

2 Objectives and Research Methodology

Objectives of study:

1. To explore the Role of Women in Economy.
2. To assess the Microfinance as an instrument for Women Entrepreneurship.
3. To evaluate the effectiveness of Microfinance as an instrument for the development of Women Entrepreneurship.
Research Methodology

It is always important to be critical of the information presented in sources, especially since the material might have been gathered to address a different problem area. Moreover, many secondary sources do not clearly describe issues such as the purpose of a study, how the data has been gathered, analysed and interpreted making it difficult for the researcher to assess their usefulness. In order to address this problem I have tried to triangulate the secondary data by using numerous independent sources.

The information about the problem is collected from the Research Journals, Trade Magazines, Annual Reports of Banks and the Internet. For evaluating ‘Microfinance as an instrument for the development of Women Entrepreneurship’, we have focused on as recent material as much as possible. In order to get access to the latest developments in this area I have used a number of articles published in academic journals and trade magazines. We have also used secondary information from Internet based discussion forums.

3. Role of Women in Economy

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Considering the entrepreneurial environment, women's activities are very interesting as they offer a great source of knowledge and innovation. For
example: there is no single type of female micro-entrepreneur, they differ in social background, educational level, experience and age. Another interesting factor is their strong social coherence that allows them to maintain strong communications-channels at all levels.

One important element, and perhaps the only characteristic that men will never have, is the possibility to transfer "motherhood skills" to job. These include fostering of other people's development through guiding, monitoring, and sharing information. Women are experienced in balancing claims, in organizing and pacing, and in handling difficulties.

In general terms, female-led microenterprises tend to be associated with activities that provide part-time employment. They are small in size and have loose, informal structures, require very little start-up capital, and little or no formal education. On the other hand, many women entrepreneurs in the developing world remain illiterate and live in poor rural communities.

Businesswomen in India including Mysore region share the following general characteristics:

- They are concentrated in market sectors that have low barriers to entry and low levels of outside communication (transfer to other markets).
- They focus on trade, services, and light manufacturing activities.
- Their businesses are smaller than others, employing less than five employees.
- The owners have relatively little previous working experience.
- They use traditional technologies.
- Most employees are family-related
- They are often home based.
- Business growth strategies are affected by household responsibilities.
- Owners tend to have lower levels of education and literacy.
• Women start their enterprises with less professional work experience and knowledge of their sector than their male counterparts.

**Role of Microfinance in Women Entrepreneurship**

Although men, as well as women, face difficulties in establishing an additional enterprise, women have barriers to overcome. Among them are negative socio-cultural attitudes, legal barriers, practical external barriers, lack of education and personal difficulties.

In spite of this, for women and especially for poor women, microenterprise ownership has emerged as a strategy for economical survival. One of the most essential factors contributing to success in micro entrepreneurship is access to capital and financial services. For various reasons, women have had less access to these services than men.

In this context, credit for microenterprise development has been a crucial issue over the past two decades. Research has shown that investing in women offers the most effective means to improve health, nutrition, hygiene, and educational standards for families and consequently for the whole of society. Thus, a special support for women in both financial and non-financial services is necessary.

Regarding limited-access to financial services, women depend largely on their own limited cash resources or, in some cases, loans from extended family members for investment capital. Smaller amounts of investment capital effectively limit women to a narrow range of low-return activities which require minimal capital outlays, few tools and equipment and rely on farm produce or inexpensive raw materials.

In general, women need access to small loans (especially for working capital), innovative forms of collateral, frequent repayment schedules more appropriate to the cash flows of their enterprises, simpler application procedures and improved access to saving accounts.
Surveys have shown that many elements contribute to make it more difficult for women in small businesses to make a profit. These elements are:

- Lack of knowledge of the market and potential profitability, thus making the choice of business difficult.
- Inadequate bookkeeping.
- Employment of too many relatives which increases social pressure to share benefits.
- Setting prices arbitrarily.
- Lack of capital.
- High interest rates.
- Inventory and inflation accounting is never undertaken.
- Credit policies that can gradually ruin their business (many customers cannot pay cash; on the other hand, suppliers are very harsh towards women).

Banking sector has been emerging in a big way to participate in the microfinance movement. At present many commercial banks are taking much interest in developing schemes exclusively for women. Various leading public and private sector banks have been providing finance under different schemes to the women entrepreneurs with a relief in interest rate on credit. Some of these schemes are listed in below.
With the support of Government and Public Sector organisation Women entrepreneurship is growing at a rapid rate in the world. The factors influencing these women across sectors globally are opportunities created by globalisation, integrated markets and jobs, support from the family, major support from the government through various programmes started internationally and domestically for women entrepreneurs, improvement in their standards, and health and education.

This includes rise in income, self worth, self confidence and social status in life. Due to empowerment and motivation, women entrepreneurs create employment for many more women in the community and in a country. Then only a country will be considered inclusive. The number of female-owned enterprises is growing at a faster pace than that of male counterparts. These

Source: Ashok K. Pokhriyal et. Al\(^2\).

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\(^2\) Ibid
figures are more visible in developed nations than developing nations. Still, few factors are restricting

Figure 2: Benefits of Women Entrepreneurship

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Benefits of Entrepreneurship</th>
<th>Empowerment</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Rise in economic status</td>
<td>Increased income</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Increased consumption</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Control over spending</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Confidence in sustaining trend</td>
</tr>
<tr>
<td>B</td>
<td>Self worth</td>
<td>Finds greater ability to lead</td>
</tr>
<tr>
<td></td>
<td></td>
<td>To work in groups</td>
</tr>
<tr>
<td></td>
<td></td>
<td>To resolve conflict</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Freedom to make business life and own decision in life</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Gets recognition in work</td>
</tr>
<tr>
<td>C</td>
<td>Self confidence</td>
<td>To be proactive</td>
</tr>
<tr>
<td></td>
<td></td>
<td>To face critics</td>
</tr>
<tr>
<td></td>
<td></td>
<td>To take risks (calculated risk)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>To influence others</td>
</tr>
<tr>
<td>D</td>
<td>Social status</td>
<td>Positive image</td>
</tr>
<tr>
<td></td>
<td></td>
<td>More gender equality</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sociability–net working</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Involvement in community works</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Involvement in political activities</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Encouraging other women to entrepreneurship</td>
</tr>
</tbody>
</table>

Source: Geetha Sulur and Barani Gunatharam

In India, women entrepreneurs identified majorly with micro, small and medium enterprises because many women start their enterprises with a very low net worth (low budget enterprise) and ensure low risk. Therefore, women participation as per revenue is less due to the size of their enterprises, but create more volume and employment in various sectors (Annual report of MSME 2012–13) (Figure 3). As per the fourth All India census of MSME, the number of women enterprises in the registered sector are 2.15 lakh (13.72 per cent) and unregistered sector are 18.06 lakh (9.09 per cent) of the total sectors. This figure clearly shows the number of women enterprises that are under the unregistered sector. This indicates that many
women enterprises would start up their enterprises if the government makes policies for unregistered sector where more benefits can be reaped by women entrepreneurs. They could get more opportunities and benefits if they come under the registered sector.

The MSME sector contributes to 44.7 million enterprises. It creates employment for more than 80 million jobs, this being the second largest after agriculture. It contributes 45 per cent of the total industrial manufacturing and above 40 per cent of India’s total exports. The microenterprise and micro-finance widely accepted development strategy for poverty reduction. This responsibility has been equally taken up by government, commercial banks and civil society. The role of SHGs in providing micro-finance has been enormous in last one decade. Self help groups with micro finance are effective in reducing poverty, empowerment women and creating self sufficiency in rural development.

Karnataka, and Tamil Nadu are such examples where women entrepreneurship and micro-enterprises have grown due to extensive support of SHGs. They have provided micro-finances, capacity building programmes by training women, and have nurtured them with their financial support. Today, the reserve bank of India (RBI) also understands the role and importance of SHGs in financing, and has extended medium sized loans to women entrepreneurs in support with NABARD. The beauty of women entrepreneurs is the motivation for other women to come up and participate with equal opportunities and maintain their enterprises. Across the world maximum start ups have failed due to financial problems faced by women entrepreneurs, but today due to SHGs, trust has been built amongst the women entrepreneurs to realize and make their dreams come true. Therefore, this type of growth is truly an inclusive growth in India.
Figure 3: Women Entrepreneurship in India

<table>
<thead>
<tr>
<th>States</th>
<th>No of Units Registered</th>
<th>No. of Women Entrepreneurs</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tamil Nadu</td>
<td>9,618</td>
<td>2,930</td>
<td>30.36</td>
</tr>
<tr>
<td>Uttar Pradesh</td>
<td>7,980</td>
<td>3,180</td>
<td>39.84</td>
</tr>
<tr>
<td>Kerala</td>
<td>5,487</td>
<td>2,135</td>
<td>38.91</td>
</tr>
<tr>
<td>Punjab</td>
<td>4,791</td>
<td>1,618</td>
<td>33.77</td>
</tr>
<tr>
<td>Maharashtra</td>
<td>4,339</td>
<td>1,394</td>
<td>32.12</td>
</tr>
<tr>
<td>Gujarat</td>
<td>3,872</td>
<td>1,538</td>
<td>39.72</td>
</tr>
<tr>
<td>Karnataka</td>
<td>3,822</td>
<td>1,026</td>
<td>26.84</td>
</tr>
<tr>
<td>Madhya Pradesh</td>
<td>2,967</td>
<td>842</td>
<td>28.38</td>
</tr>
<tr>
<td>Other States and UTs</td>
<td>1,4576</td>
<td>4,185</td>
<td>28.71</td>
</tr>
<tr>
<td>Total</td>
<td>57,452</td>
<td>18,848</td>
<td>32.82</td>
</tr>
</tbody>
</table>


4. Conclusion

In Today’s context we are in an enhanced position where women’s contribution in the field of entrepreneurship is increasing at a noteworthy rate. Efforts are being taken at the economy for laws which has guaranteed equal rights of contribution in political process and equal chances and rights in education and employment. In spite of this there are few lacking parameters which needs to be addressed soon. Short-term assistance programmes should be focused which aims at increasing the productivity of women’s labour by providing credit, technology, and skill training. Micro finance programmes should offer women with detailed tailored products through suitable methods, which can propose competitiveness to their business and their families.

Women entrepreneurship is both about women’s position in the society and about the role of entrepreneurship in the same society. Women entrepreneurs face many obstacles, specifically in marketing their product (including family responsibilities), that have to be overcome in order to give them access to the
same opportunities as men. The entry of rural women in micro-enterprises must be encouraged and aggravated. Rural women can do wonders by their effectual and competent involvement in entrepreneurial activities. The rural women have the basic indigenous knowledge, skill, potential and resources to establish and manage enterprise. Now, the need is for knowledge regarding accessibility to loans, various funding agencies, procedures regarding certification, awareness on government welfare programmes, motivation, technical skill and support from family government and other organisation.

5. References


