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MICRO FINANCE: A TOOL TO PROMOTE WOMEN'S ENTREPRENEURSHIP DEVELOPMENT

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ABSTRACT

It is widely recognized that apart from managing household and bearing children, women bring income with productive activities ranging from traditional work in the fields to working in factories or running small and petty businesses. They have also proven that they can be better entrepreneurs and development managers in any kind of human development activities. Among various measures targeted towards women's entrepreneurship development, provision of micro finance assumes crucial importance. Micro finance programs like the Self Help Group - Bank Linkage Program in India have been increasingly promoted for their positive economic impact and there is strong evidence that they empower rural poor women. Many studies highlight the fact that the credit based SHGs enables the rural women to take up large productive activities and become financially independent. SHGs also increase the self-esteem and the confidence levels of the women. Women are gaining control over the means to make a living. Women are also lifting themselves out of poverty and vulnerability. Women are achieving economic and political empowerment within their homes and their villages. Worldwide, microfinance is not merely a popular way of fighting poverty, it also enhances gender equality. By providing women with access to small loans, it enables women generating an income and initiating their own economic and socio-political empowerment.

"You can tell the condition of a nation by looking at the status of its women"

- Jawaharlal Nehru



INTRODUCTION

In most of the developing countries today, more and more emphasis is laid on the need for development of women and their active participation in the main stream of development process. It is also widely recognized that apart from managing household, bearing children, rural women bring income with productive activities ranging from traditional work in the fields to working in factories or running small and petty businesses. They have also proven that they can be better entrepreneurs and development managers in any kind of human development activities. Among various measures targeted towards women's entrepreneurship development, provision of micro finance assumes crucial importance.

The emergence of women entrepreneurs and women-owned firms and their contribution to the national economy is quite visible in India. The number of women entrepreneurs has grown over a period of time, especially in the 1990s. Women entrepreneurs need to be lauded for their increased utilization of modern technology, increased investments, finding a niche in the export market, creating a sizable employment for others and setting the trend for other women entrepreneurs in the organized sector. While women entrepreneurs have demonstrated their potential, the fact remains that they are capable of contributing much more than what they already are. Against this background, this paper tries to analysis how micro finance acts as a powerful tool in promoting entrepreneurship among rural women and also the problems faced by women entrepreneurs.

WOMEN ENTREPRENEURS

The Government of India has defined 'women entrepreneurs' based on women's participation in equity and employment of business entrepreneurs. Accordingly, a woman entrepreneur is defined as "an enterprise owned and controlled by a woman having a minimum financial interest of 51 per cent of the capital and giving at least 51 per cent of employment generated in the enterprise to women". The clause of giving at least 51 per cent of employment generated in the enterprise to women was dropped in 1891.

Today, women entrepreneurs represent a group of women who have broken away from the beaten track and are exploring new avenues of economic participation. Women's entrepreneurship is the process where women take the lead and organize all the factors of production, undertake risks, and create new jobs for themselves and others and also by being different. Women endowed with high drive, creativity, innovations and desires for achievements take up the challenging role of entrepreneurship. Women find that entrepreneurship provides them with greater satisfaction and flexibility. "Women with higher education view entrepreneurship as a challenge, while women with no education background find entrepreneurship merely a means for earning money."

WOMEN ENTREPRENEURS IN INDIA

Women possess adaptability, patience and dependability - the three essentials for attaining success. Entrepreneurship among women is as old as women themselves. Since the turn of the century, the status of women in India has been changing due to growing industrialization



and urbanization, spatial mobility and social compulsions. "With the spread of education and awareness, women have shifted from kitchen, handicrafts and traditional cottage industries to non-traditional activities accorded a higher status and capable of generating more income. Even the government has laid special emphasis on need for conducting special entrepreneurial training programmes for women to enable them to start their own ventures. Financial institutions and banks have also set up special cells to assist women entrepreneurs". The entry of women into the world of business and entrepreneurship is an auspicious sign, which should be encouraged at all levels. The flexibility of the entrepreneurs' work schedule and the possibility of working from home improve the viability of women-owned enterprises.

In India industrialization undertaken during the post-independence period has reduced the share of household industries like weaving, jute making, papad making etc. Mechanization of these industries has displaced women in all parts of India. It has increased the extent of unemployment and poverty among women. Migration of people from rural to urban areas has increased the extent of unemployment among women in urban areas. Therefore, it was felt necessary to promote employment opportunities for women, so that these women seeking jobs can be gainfully employed. In recent decades the country has undergone tremendous changes and has experienced higher rates of growth, increased facilities for education and training, new economic policy, positive approach of government, entrepreneurship development training facilities, changing socio-economic and political environment that has encouraged women to enter into entrepreneurial activity.

In the early 70's women who entered into entrepreneurial activities mainly got involved in producing traditional items like handicrafts, food processing and food products. Participation of women as industrial entrepreneurs is comparatively a recent phenomenon. In 1875 after the declaration of International Women's Year the approach towards women entrepreneurs began to change. Today we can see that women are taking risks and entering into every industry and competing with their male counterparts. They are constantly looking out for new and innovative ways which lead to strong economic participation. Their adeptness, skill and knowledge, their acumen in business and desire to do something positive are among the reasons for women to establish and manage organized industries and take up challenging ventures.

In India the second half of the eighties witnessed an unprecedented spurt in Policy Perspectives on women. The National Perspective Plan for Women (1988-2000) which is a comprehensive all round projection for women and development in India and the report of the National Commission on self employed women and women in the informal sector came into existence. The "Shram Shakti" report also emphasized that women possessing skills, education, literacy and a sense of enterprise should be encouraged to take up self-employment programmes.

The 1991 Industrial Policy has envisaged special training programmes to support women entrepreneurs. Accordingly women entrepreneurs are receiving training through Entrepreneurship Development Programmes conducted by various institutions and organizations both at central and state levels. IDBI is one of the major promoters of women entrepreneurship development in India. In 1986 it launched a special scheme for women named "SIDO" (Small Industries Development Organizations). During 1987-88 it conducted over 258 training



programmes exclusively for women, thus benefiting over 9000 potential women entrepreneurs. National Science and Technology Entrepreneurship Development Board (NSTEDB) established in 1982 sponsors entrepreneurship development programmes many of which are exclusively for potential women entrepreneurs who are science and technology graduates. The Small Scale Industries (SSIs) board in 1991 omitted the conditions of employing 50 per cent women workers in enterprises run by women entrepreneurs. This provided a boost to women entrepreneurs to take up business and avail of facilities which are applicable to all SSIs.

MICRO FINANCE

Micro finance is the provision of thrift, credit and other financial services and products of very small amount to the poor in rural, semi-urban and urban areas for enabling them to raise their income levels and improve their living standards. Besides size and clientele group what makes micro credit different from normal credit is that the latter is 'walk in' and the former is 'walk out' business for the financial institutions. After the successful operation of the Grameen Bank model in Bangladesh, the concept of micro finance has drawn the attention of the development economists all over the world. Micro finance has become of late a development fad in many less developed countries. It has created a euphoria that is unparalleled in the recent history of development practice. India has become home to one of the largest micro credit programmes in the world.

MICRO FINANCE MODELS

Micro finance has evolved in a range of environments in a variety of forms. Some countries tend to rely on one particular model, while other exhibit considerable diversity in the range of models used. The most important models in this regard include:

- Grameen Banking model and its Solidarity Group Version developed in Bangladesh and now popular in South Asia;
- Village and Community Banking model developed in Latin America and replicated in Africa and Central Asia;
- Credit Union and Co-operative model now popular in Sri Lanka;
- Individual Credit model which is mostly priority sector lending in India; and
- Self-Help Group and Bank Linkage model popular in India, Indonesia and Kenya.

EVOLUTION OF MICRO FINANCE IN INDIA

A system of providing small amount of credit to the poor i.e. the delivery of micro credit is not a new phenomenon in India. It began formally with the nationalization of Commercial Banks in 1969. It gained strength after the introduction of Regional Rural Banks (RRBs) in 1975. It got momentum by the commencement of Integrated Rural Development Programme (IRDP)



and many other poverty alleviation programmes in 1980s. The approach to micro finance in all these initiatives is individualistic and not in group.

Although the micro finance market has expanded rapidly, both in its quantum and coverage till early 1990s, it failed to reach the poorest among the poor. The individualistic approach to micro credit delivery system has revealed many deficiencies. The major lacuna was that the beneficiaries of the scheme perceived the credit and subsidy as dole or charity. This resulted in the non-payment of loan and mounting NPAs of banks. As an alternative to the individualistic credit approach, the group credit approach was initiated by non-governmental organizations (NGOs). The earliest step in micro finance in India by the NGO may be traced to the initiative undertaken by the Self-Employed Women's Association (SEWA) in Ahmadabad. Similarly Working Women's Co-operative Societies in Tamil Nadu since 1980, Shreyas in Kerala since 1988 are the examples of the organizations that involved in micro finance operations. By the same time a good number of NGOs spread throughout the country and began to sponsor loan to the poor and also encouraged the poor to organize themselves as self-help groups (SHGs). An important mile-stone in this direction is the NABARD's SHG-Bank Linkage Programme launched in the year 1992.

SELF-HELP GROUPS

The women's self help movement emerged as an important strategy for achieving financial inclusion, contributing to inclusive growth, and generating social capital in order to address larger issues like poverty eradication and women empowerment. SHGs are proving to be the most effective instruments for financial inclusion.

The origin and concept of formation of Self-Help Group is the brainchild of Grameen Bank of Bangladesh, which was founded by Mohammed Yunas in the year 1975. Formation of SHGs especially among women had fetched noticeable results not only in Bangladesh and India but world over. In India, it was initiated by NABARD in 1986-87. But the real effort was taken in 1992 from the linkage of SHGs with the banks.

A SHG is a homogenous small economically affinity group of poor people residing in the same locality who voluntarily come together to save small amount of savings, called thrift regularly and extend micro loans among themselves to meet their emergent needs. The basic principles of the SHGs are group approach, mutual trust, organization of small and manageable groups, group cohesiveness, spirit of thrift, demand based lending, collateral free, women friendly loan, peer group pressure in repayment, skill training capacity building and empowerment.

SHGs work in a democratic manner. The upper limit of members in a group is restricted to 20. Among them a member is selected as an animator and two members as their representatives. The animator is selected for the period of two years. The group members meet every week. They use to discuss about the group saving, rotation of sangha funds, bank loans, repayment of loans, social and community action programmes.



In Tamil Nadu, Tamil Nadu Corporation for Development of Women Ltd. started the SHG approach in the name of Mahalir Thittam programme in a small way in Denkanikotta block of Dharmapuri district in the year 1989 with the assistance of International Fund for Agricultural Development (IFAD). It was implemented in partnership with NGOs and community based organizations. Later the scheme further extended to the erstwhile Salem and South Arcot districts in the year 1991-92 and further extended to Madurai and Ramanathaouram in the year 1992-93. Following the success of the project, it was progressively introduced in all districts of the State from 1997-98. As at end of April 2009, there are 3,91,927 SHGs with 63,01,418 women as members with total savings of Rs. 2,21,112.45 lakhs.

SHG-BANK LINKAGE PROGRAMME

NABARD's initiative and expansion of SHG movement lead to SHG-Bank linkage programme. It was started as an action research project in 1989. The experiences of the project lead to the approval of a pilot project by NABARD in 1992 with policy support from RBI. The pilot project was designed as a partnership model between three agencies, viz., the SHGs, banks and NGOs. Now the programme has assumed the form of a micro finance movement in many parts of the country and has started making inroads in the resource poor regions of the country as well.

As at end of March 2010, 69,53,250 SHGs were having saving bank accounts with the banking sector with outstanding savings of Rs. 6198.71 crore as against 61,21,147 SHGs having savings of Rs. 5545.62 crore as at end of March 2009 (Table 1). It could also be observed from the table that of the total saving linked and credit linked SHGs, exclusive women SHGs saving linked and credit linked with banks were 53,10,436 and 12,94,476 which accounts 76.37 per cent and 81.57 per cent respectively. Further, the percentage of loans outstanding of exclusive women SHGs to total SHGs which was 81.93 per cent as at end of March 2009 had increased to 82.13 per cent as at end of March 2010.

**TABLE 1: PROGRESS OF SHG-BANK LINKAGE PROGRAMME
(RS. IN CRORE)**

Particulars	Year	Total SHGs		Exclusive Women SHGs		Percentage of women SHGs to total SHGs	
		Number	Amount	Number	Amount	Number	Amount
Savings of SHGs with Banks	2006-07	4160584	3512.71	3271239	3024.98	78.62	86.11
	2007-08	5009794	3785.39	3986093	3108.65	79.57	82.12
	2008-09	6121147	5545.62	4863921	4434.03	79.46	79.96
	2009-10	6953250	6198.71	5310436	4498.66	76.37	72.57
Bank Loans	2006-07	1105749	6570.39	957920	5677.36	86.63	86.41
	2007-08	1227770	8849.26	1040996	7474.26	84.79	84.46



disbursed to SHGs	2008-09	1609586	12253.51	1374579	10527.38	85.39	85.91
	2009-10	1586822	14453.30	1294476	12429.37	81.57	85.99
Bank Loans outstanding with SHGs	2006-07	2894505	12366.49	2389408	10137.38	82.55	81.97
	2007-08	3625941	16999.91	2917259	13335.61	80.46	78.45
	2008-09	4224338	22679.84	3277355	18583.54	77.58	81.93
	2009-10	4851356	28038.28	3897797	23030.36	80.34	82.13

Source: NABARD - Status of Micro Finance in India 2006-07, 2007-08, 2008-09 & 2009-10

PROBLEMS OF WOMEN ENTREPRENEURS IN INDIA

Women in India encounter many problems to get ahead as an entrepreneur. Though a large number of schemes and programmes have already been in vogue in several states in our country, women entrepreneurs are still experiencing a plethora of problems which have resulted in restricting and inhibiting the expansion of women entrepreneurs. The problems that women face towards enterprise development at a community level are given below:

1. The greatest obstacle to women entrepreneurs is their lack of self-confidence. They accept a subordinate status; as a result they lack confidence in their own capabilities. Male domination constricts their opportunities.
2. The financial institutions are skeptical about the entrepreneurial abilities of women. The bankers put unrealistic and unreasonable securities to provide loans to women entrepreneurs. According to a report by the United Nations Industrial Development Organization (UNIDO), "despite evidence that women's loan repayment rates are higher than men's, women still face more difficulties in obtaining credit, often due to discriminatory attitudes of banks and informal lending groups".
3. The women entrepreneurs suffer from inadequate financial resources and working capital because they lack access to external funds due to their inability to provide tangible security. Very few women have tangible property in hand.
4. Women's family responsibilities bar them from becoming successful entrepreneurs. Having primary commitments for children, home and older dependent family members, few women can devote all their time and energies to their business.
5. The success of women entrepreneurs in business depends on the support the family members extended to women in the business process and management which is rarely realized.
6. Lack of knowledge of availability of the raw materials and low-level negotiation and bargaining skills are the factors, which affect women entrepreneurs' business adventures.



7. Many women in developing nations lack the education needed to spur successful entrepreneurship. They are ignorant of new technologies or unskilled in their use, and often unable to do research and gain the necessary training (UNIDO, 1995). The studies indicate that uneducated women do not have the knowledge of measurement and basic accounting.
8. The low level of education and confidence leads to low level achievement and advancement motivation among women. Low-level risk taking attitude is another factor affecting women's decision to engage in business operations and run a business concern.

SUGGESTIONS

Following efforts can be made to promote effective development of women entrepreneurs.

1. For all developmental programmes of the government, women should be considered as a specific target group.
2. Adequate vocational training programme on management skills and decision making should be organized for women that enable them to understand the production process and business management.
3. Skill development organized in women's polytechnics and industrial training institutes should be put to work in training-cum-production workshops.
4. Training on professional competence and leadership skill should be extended to women entrepreneurs to remove psychological barriers like lack of self-confidence and fear of success through the aid of committed NGOs, psychologists, managerial experts and technical personnel.
5. Government should give preference to goods and services produced by women entrepreneurs in procurements for its departments to provide them marketing and sales assistance.
6. State finance corporations and other financing institutions should by statute extend purely trade-related finance to women entrepreneurs.
7. The financial institutions should provide more working capital assistance both for small-scale ventures and large-scale ventures initiated by women entrepreneurs.
8. Repeated gender sensitization programmes should be held to train financiers to treat women with dignity and respect as persons in their own right.
9. Infrastructure, in the form of industrial plots and sheds, to set up industries and marketing outlets for the display and sale of products should be provided by state-run agencies to women entrepreneurs on preferential basis.



10. District Industries Centres and Single Window Agencies should have Women Entrepreneur's Guidance Cell to assist women to handle the various problems of their trade and business.
11. Non-Government Organizations can be involved in entrepreneurial training programmes and counselling of women.

CONCLUSION

In the above discussion it is clear that micro finance plays an important role in rural industrialization and development of entrepreneurship among the rural women. Both micro-finance as well as micro-enterprise has the common objective of poverty alleviation and creation of employment opportunities for the rural poor and therefore there is a need for both of them to come together and act for the larger objective of poverty alleviation.

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