

## **Micro Finance**

### *A Felicitator of Women Entrepreneurship*

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#### **Abstract**

*India is one of the oldest civilization of the world. It has been represented as the progressive cotre of people. We introduced the world to female form of worship, in form of shakti, in form of rivers, in form of deities. India is a country that mantra's have been chanted, women has been worshipped as a deity Today, the development of any country is based on development of women and their active participation in the main stream of development process. The UN commission observed 'women who contribute half of the world's population by virtue of an accident of birth, perform two-thirds of the world's work, receive one-tenth of its income and owns less than one-hundredth of its property'. The empowerment of women and improvement of their status and economic role needs to be integrated into economic development programs, as the development of any country is inseparably linked with the status and development of women. Micro finance, an important strategy which emerged in the nineties for poverty alleviation and empowerment, has been extremely relevant for women. The Microfinance Movement has created a vision of increasing numbers of women borrowers who have successfully established a model of economic*

*selfreliance leading to social change. Microfinance empowers women not only economically but also socially and within the family. Simply earning a small amount of money, through access to capital to start a small business, can increase women's confidence and empower them through greater economic independence and security.*

*This paper tries to link between Micro Finance and Women Entrepreneurship especially in rural areas. The aim of this paper is to examine recent trends of Micro Finance towards Women empowerment and discuss the future emerging issues.*

## INTRODUCTION

In India, women produce 30% of all food commodities consumed but get only 10% of the property or wealth of the country. The UN commission observed that women, who contribute half of the world's population by virtue of an accident of birth, perform two-thirds of the world's work, receive one-tenth of its income and owns less than one-hundredth of its property.

Today, the development of any country is based on development of women and their active participation in the main stream of development process. It has been observed that apart from managing household, bearing children, rural women bring income with productive activities ranging from traditional work like working in factories or running small and cottage businesses. They have also proven that they can be better entrepreneurs with a competency of good managers in all spheres of life. So, it is necessary to make rural women empowered by enabling them to be in the central part of any human development process. Over the decades, various strategies have been adopted to empower rural women. This is particularly true in rural areas.

That gender inequalities are a major factor impeding progress towards the Millennium Development Goals of poverty reduction, where women don't have proper guidance and assistance. As a result, rural women are often more vulnerable to poverty than men.

There is adequate evidence from various studies undertaken so far that the role of women in building a new society is inevitable. Access to economic independence can change the long tradition of suppression of women and denial of opportunities. Many women forums and organizations are trying to bring the women together for developmental works like *The Working Women's Forum (WWF)*, established in Madras in 1978, have brought together over 13,000 poor urban women around the issue of credit. The WWF was set up to enable women who live in the slums of Madras work as small-scale traders and vendors to obtain low interest loans to expand their businesses. WWF provides loan to group, comprised of 10-20 women from the same area who act as mutual guarantors for the loans of all group members. Over 7000 women have received loans, about 2800 new jobs/ businesses have been created, and earnings have increased an average of 50% in existing enterprises. *The Self-Employed Women's Association (SEWA)* is an Ahmedabad-based union of women workers established in 1972. It helps in creating alternative economic organizations of workers in terms of access to capital, markets, raw materials, and knowledge and skills; upgrading skills through training and social security. *Shri Mahila Griha Udyog Lijjat Papad, or Lijjat*, is established as a small group of seven women in 1959. Lijjat's main product is papad. It has acted as a catalyst in empowering poor urban women across India during the last four decades. Today Lijjat has more than 40,000 members in 62 branches

across 17 Indian states. Only women can become members of Lijjat. Remuneration is the same for everyone, and profits and losses are shared equally among the member sisters. *Mann Deshi Mahila Sah Bank Ltd., Mhaswad, Maharashtra* is established in 1997. It is the first rural women financial institution which received a banking license from RBI where 100% of its clients were women. It is also the first bank in the country to have more than 2000 members from backward castes. The bank estimated that by 2008, it will reach 270000 clients. Access to market, information, and technical know how and social support services are as important as money. Women are not bankable because of the lack of assets in their name and when a family acquires an asset. So an asset right is fundamental in women's financial and social security. Each MDMSB loan program is designed to help women transfer family assets into her name. The educated women do not want to limit their lives in the four walls of the house. They demand equal respect from their partners. However, Indian women have to go a long way to achieve equal rights and position because traditions are deep rooted in Indian society. Despite all the social hurdles, many women have become successful in their works. These successful women have made name & wealth for themselves with their hard work, diligence, competence and will power, for example, Indian born American businesswoman, Indra Krishnamurthy Nooyi born October 28, 1955 is the Chairperson and Chief Executive Officer (CEO) of PepsiCo, one of the world's leading food and beverage companies, Dr. Kiran Mazumdar Shaw-Chairman & Managing Director of Bioon Ltd., Anu Aga – This woman became the Chairperson of Thermax Engineering after the death of her husband Rohinton Aga Bombay Management Association awarded

her Management Woman Achiever of the Year Award 2002-2003. Sulajja Firodia Motwani-Joint Managing Director of Kinetic Engineering Ltd, she is the in charge of the Company's overall business developmental activities. Ekta Kapoor-creative head of Balajji Telefilms. She has been synonymous with the rage of soap operas on Indian TV, after her most famous venture 'Kyunki Saas Bhi Kabhi Bahu Thi', which started airing on STAR Plus in 2000, Simone Tata-with her visions, she changed a small unknown cosmetics company, one of the subsidiaries of Tata Oil Mills, into one of the leading cosmetic companies of India. Lakme changed the face of Indian fashion and cosmetics forever, Vidya Manohar Chhabria-the wife of late Manohar Rajaram Chhabria, is now leading Jumbo Priya Paul Group, a Dubai based \$1.5 billion business conglomerate, Priya Paul (born 1967), is a prominent woman entrepreneur of India, and currently the Chairperson of Apeejay The Park Hotels chain of boutique hotels.

In a recent survey it is revealed that the female entrepreneurs from India are generating more wealth than the women in any part of the world. The basic qualities required for entrepreneurs and the basic characters of Indian women, reveal that, much potential is available among the Indian women on their entrepreneurial ability. This potential is to be recognized, brought out and exposed for utilization in productive and service sectors for the development of the nation.

## **WOMEN ENTREPRENEURS: INDIAN SCENARIO**

Traditionally, entrepreneurship has been considered as an inborn trait of the individual. In 17th and 18th century it denotes those who risked their wealth in a business enterprise.

In the later half of 1970's, the emergence of new generation entrepreneurs lead to rapid changes in the thinking of entrepreneurship development as part of poverty reduction program. The different models of entrepreneurship development assumed that, with a given level of aptitude and training, any individual could be gradually brought in to the stream of entrepreneurship. Joseph Schumpeter defined as "any one in any type of society who evolves a new technical, artistic, or social program and puts it into practices". Various studies revealed that there are three major stages in the entrepreneurial process i.e. creating, nurturing and nourishing, these are the same for men and women, there are however, in practice, problems faced by women, which are of different dimensions and magnitudes, owing to social and cultural reasons. The gender discrimination that often prevails at all levels in many societies impact the sphere of women in industry too, and a cumulative effect of psychological, social, economic and educational factors act as impediments to women entrepreneurs entering the mainstream. In this respect, SHG's approach has enabled rural women to avail the credit and its effective utilization for promoting sustainable livelihood and earnings.

A self-help group is conceived as a sustainable people's institution that provides the poor rural women with space and support necessary for them to take effective steps towards achieving greater control of their lives. This strategy had fetched noticeable results world over. Finance and its delivery through self-help groups have also been taken as a means for empowerment of rural women. Through organizing informal self-help groups (SHGs), rural women in India are provided credit and extension support for various production-

oriented income generating activities. These activities usually include garment making, embroidery, food processing, bee keeping, basketry, gem cutting, weaving, and knitting. The process adopted for formation of the group has major influence over the way the group would evolve overtime. Importantly, women's participation in women's self help groups in its various activities is important for meeting out the broad objectives of micro-financing and effective functioning of SHG's. The SHGs at ICICI bank are all women, as are the shakti ammas at HLL. The women are entrepreneurs responsible for saving and accessing credit. In the case of CEMEX, the company works only with women. Amul, a milk cooperative, depends on women for their milk origination in villages. Women also collect the cash for the milk and therefore have achieved a new social status. Informal groups empower rural women to manage rural industries and make decisions collectively for their common economic interests. Informal self-help groups in rural areas serve to empower women, and provide a basis for the provision of credit and other support for various production and income-generation activities.

Women have also traditionally been involved in the informal economy, working in family businesses without formal position. Women are also considered as poor credit risks by the financial institutions. As women do not have any land, property or assets in their name, they are not able to produce the required papers for access to formal credit. One of the objectives of the credit for empowerment approach entails building capabilities of the group to increase the credit absorption and the sustainable livelihood. This approach assumes that women would be empowered by resending their economic

**Table 1:** Size of the Registered MSME Sector

<i>Details of Working Enterprises</i>	<i>Micro</i>	<i>Small</i>	<i>Medium</i>	<i>Total</i>
Number of Manufacturing enterprises	974609	57666	2828	1035103
Number of service enterprises	501072	15915	402	517389
Total Number of MSMEs	1475681	73581	3230	1552492
%age distribution of total units	95.05	4.74	0.21	100.00
%age share of manufacturing units	94.16	5.57	0.27	66.67
%age share of service units	96.85	3.08	0.08	33.33

Source: Fourth All-India Census of Micro, Small & Medium Enterprises,

**Table 2:** Status of Woman Enterprises/Enterprises Managed by Woman/Woman Employment (All India)

S. No.	Parameters	Distribution			Percentage Distribution		
		Registered	Unregistered	Total	Registered	Unregistered	Total
1	Number of rural enterprises	704551	12808326	13512877	45.38	52.18	51.77
2	Number of woman enterprises	215036	1704938	1919974	13.85	6.95	7.36
3	Number of enterprises managed by woman	156753	N.A.	156753	10.10	N.A.	N.A.
4	Employment by male	7339372	41275333	48614705	79.74	82.13	81.76
	Employment by female	1864292	8981706	10845998	20.26	17.87	18.24
	Total	9203664	50257039	59460703	100.00	100.00	100.00

Source: Fourth All-India Census of Micro, Small & Medium Enterprises.

problem in society. However, developing entrepreneurship, especially among rural women's pose challenges. Rural women face strong cultural barriers that often restrict them to their homes and limit their mobility. There are a number of other obstacles for women entrepreneurship, especially in the rural context. Women tend to pursue business strategies that weigh household maintenance and risk reduction heavier than men. They also tend to give less emphasis to enterprise growth, preferring to invest profits in their families than in expanding their enterprises.

Women depend on MSMEs as a source of livelihood essentially because national governments fail to meet their requirements for survival and entrepreneurial aspiration.

economic have actively engaged and earn their livelihood in small enterprisers where government policies, regulations, owner's business skills, availability of finance, appropriate business trainings, and market matter most for their survival.

### IMPACT OF MICROFINANCE ON WOMEN ENTREPRENEURSHIP

In one study in India, 54 per cent of women entrepreneurs had started their business with their own personal savings and some financial assistance from their spouse, 23 per cent received finances from their parents, 13 per cent from relatives and friends and only 10 per cent from government agency and nationalized banks.

Banks have recognized the potential in rural banking and are now willing to lend to the poor. They are looking to tap the expertise of micro credit groups to create a new market. Banks have neglected this sector for so long and today they lack the capacity to service the small lenders. V.K. Chopra, Chairman and Managing Director, Corporation Bank, admits, "Lending without any collateral for commercial banks to the poorest of the poor is very difficult as banks do not have the expertise or facilities in these areas. That is why micro finance institutions should step in. Today's banks are flush with money. If micro finance institutions are strong, banks will readily lend to them."

According to Muhammad Yunus, managing director of Grameen Bank in Bangladesh, a pioneer in the practice of microcredit lending for women specially, "It has to do with the decision to have a separate bank for the poor people. From the beginning, I had complained about the banking system on two grounds. One complaint was that the banking system was denying financial services to the poor people through certain rules it had set up. The second allegation was that the banking system also was not treating women fairly.

Micro finance, an important strategy which emerged in the nineties for poverty alleviation and empowerment has been extremely relevant for women. The Microfinance Movement has created a vision of increasing numbers of women borrowers who have successfully established a model of economic self reliance leading to social change.

Micro-financing is a form of direct intervention, in enterprise development. Micro-credit activities by nature involve women, even the means by which micro-credit reaches the poor families are through women's groups. The

Self-Help Groups help women network and a mass collective power. Self-Help Groups members save money every week and women empowerment through credit takes place as a result of the enterprise start using the credit. Thus Micro finance serves as a powerful tool in rural development.

Microfinance, the provision of a wide range of financial services to the poor on a sustainable basis, has proved to be immensely valuable. There could be three contrasting approaches to microfinance and women's empowerment: the financial sustainability approach, the integrated community development approach, and the feminist empowerment approach. Another important approach of micro finance is Small and Medium enterprises approach as observed by The A S Ganguly committee\*\* that the traditional sources of credit flow to the SME sectors through the public sector banks, specialized financial institutions, etc., are unlikely to improve their services, at least in the short and medium term. The public sector banks have inherent problems in extending credit to the SMEs due to historical reasons. It is necessary to explore ways to overcome such traditional problems by financing Special Purpose Vehicles (SPVs) in the form of micro credit agencies dedicated to servicing SME clusters.

\*\*The Consultative Group of Directors of banks and financial institutions set up by the RBI to review the supervisory role of Boards of banks and financial institutions

Microfinance empowers women not only economically but also socially and within the family. Simply earning a small amount of money, through access to capital to start a small business, can increase women's confidence and empower them through greater economic independence and security. This in turn gives

them a chance to contribute financially to their household and community.

### **SOME SUCCESSFUL WOMAN ENTREPRENEURS**

The success of Shri Mahila Griha Udyog (Lijjat) (Shri Mahila Griha Udyog, is located in Mumbai, India and has 67 Branches and 35 Divisions in different states all over India. They have a wide range of food products manufactured by women) which has offered self-employment opportunities to women at all its 61 branches can be replicated. Any woman looking for work can approach any of Lijjat's branches and join the 40,000 plus strong team of Lijjat and earn INR 2,000 to INR 3,000 every month. This is a perfect business model which has gained strength with the growing numbers. The company has grown into a corporate with an annual turnover of more than INR 3 billion. Hindustan Unilever Limited (HLL) selected woman entrepreneurs Shakti Amma (It is a micro-enterprise scheme with a difference, aimed at underprivileged rural women. It has been set up by Hindustan Unilever Ltd in partnership with a number of development NGOs, microfinance institutions and government agencies) and equipped them with education and access to products. These women have not only earned earning capacities but have also become educators and facilitators. They have knowledge about the requirements of the villagers and the products as well. She is the salesperson, advisor and the supplier to the village. The Self Employed Women's Association Movement (SEWA) (an organization of poor, self-employed women workers. SEWA has a membership of nearly 700,000 members all of whom are women in the informal economy in all rural and urban sectors of work. Source: www.

sewa.org) is a living example to illustrate this point. Leadership of women with different skills and occupations has blossomed because of SEWAs integrated approach. The women have become the leaders of their own regional development programs.

### **FUTURE EMERGING ISSUES**

It has been observed that women in Self Help Groups working with ICICI Bank work with dignity as they decide which borrowers and projects will receive loans. The involvement of women in finance and bank operations has given them a new sense of achievement. Several studies have demonstrated that women in microfinance groups play a greater role in community service by organizing for social change, by participating in the community meetings and also by contributing financially for the community projects.

Micro-finance institutions are other than banks which are engaged in providing financial services to the poor. There are three types of lending technologies:

- (i) The document based and asset based conventional technology, which is followed by almost all existing banks.
- (ii) The group lending technology, which comes in various shapes and forms having its own advantages as well as drawbacks.
- (iii) Individual based lending technology is one where the Micro-finance institutions have to be very careful in assessing the repayments capacity of the borrowers. In fact, a major innovations in this area is that the MFI's have to train loan officers to assess the repayment capacity of the potential borrowers.

Today a large number of banks are also seeking help from the micro credit institutions. The

banks need to understand the requirements of the small borrower, their constraints, their culture, and their dreams. Micro financing is a totally new experience for them and they need to reach there fast. Micro-finance interventions are well-recognized world over, as an effective tool for poverty alleviation and improving socioeconomic conditions of the poor. In India too, micro-finance is making head way in its efforts for reducing poverty and empowering women in particular. The impact of micro-finance program through SHG's has been effective in making positive social change. These groups provide considerable social protection and income opportunities to the members. The SHG's have acquired a prominent status in maximizing social and financial returns. The promotion of income generation activities for the poor rural women is perceived as a powerful medium to resolve several socio-economic problems such as reduction in poverty, provision of goods and services appropriate to local needs, redistribution of income and opportunities in the community etc.

Women often lack access to training and experience in on how to participate in the market place and are therefore unable to market goods and services strategically. Thus, women-owned SMEs are often unable to take on both the production and marketing of their goods. In addition, they have often not been exposed to the international market, and therefore lack knowledge about what is internationally acceptable women on average have less access to education than men, and technical and vocational skills can only be developed on a strong foundation of basic primary and secondary education.

Women have fewer business contacts, less knowledge of how to deal with the

governmental bureaucracy and less bargaining power, all of which further limit their growth. Since most women entrepreneurs operate on a small scale, and are generally not members of professional organizations or part of other networks, they often find it difficult to access information. Most existing networks are male dominated and sometimes not particularly welcoming to women but prefer to be exclusive.

Women's businesses are not well represented in industry, trade or business associations. Both the leadership and the membership of chambers of commerce, business, traders and industry associations tend to be dominated by men, and few women join or reach leadership positions in the mainstream business organizations.

Part of the reason for women's organizational invisibility is the difficulty of finding sufficient time to attend meetings as well as manage their families. However, business associations rarely consider such needs when scheduling meetings, and few business conferences or trade fairs provide childcare or children's programmes in order to facilitate the participation of businesswomen.

## CONCLUSIONS

There is now hope that micro finance can be the most effective poverty alleviation tool. The understanding is that micro credit can help the poor reach their dreams of equal opportunities; however, it is not a magic wand. Every tool needs to be utilized in the right manner and method. The same reasoning applies to micro credit. In India, micro credit has worked largely through self-help groups. The groups are dominated by women, have simple rules - save, accumulate and give loans to each other. Globally, it is proving to be

one of the most effective strategies to reduce poverty. Micro finance lending institutions are currently estimated to reach some two million households in India. The micro-financing institutions need proper regulation and operation of business transactions. Therefore, RBI, SIDBI, NABARD and other organizations should evolve proper mechanism for monitoring, supervision, direction, appraisal and evaluation of micro-financial institutions as well as self help promotion institutions.

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