Role of Financial Institutions in the Development of Women Entrepreneurship

Neha Pandey¹ and M.A. Ansari²

¹. Ph. D. Scholar, ². Associate Professor, Dept. of Agric. Communication, College of Agriculture, G B Pant University of Agric. & Tech., Pantnagar-263145, Uttarakhand

Corresponding author e-mail: pandeygitu2@gmail.com

ABSTRACT

Entrepreneurship as an ingredient of economic development is now recognized. A number of financial institutions provide support to women entrepreneurs for their innovative and imaginative scheme of activities aimed at skill development for income and employment generation in different sectors. Besides, the society should also facilitate the growth of women by recognizing their talents and abilities. There has been a substantial growth in women’s involvement in the economic activities all over the world over the past few decades. For this both the government and non-government agencies have to play a vital role. Despite the efforts of governmental and non-governmental organizations, the women entrepreneurs are facing many problems. It has been pointed out by many research studies that more than 70% of the problems faced by the women entrepreneurship are related with credit. Financial institutions have historically viewed women entrepreneurs as more doubtful preposition than men entrepreneurs. Today there is a greater awakening among women. If given the opportunity, they will deliver the results. It is therefore essential to encourage educated young women to entrepreneurial streams with financial, technical and scientific assistance. Hence, an integrated approach is necessary for making the movement of women entrepreneurship a success. Governmental and Non-governmental organizations should make more focused and directed efforts, and initiate specific programmes for women entrepreneurship development. Entrepreneurial development programmes should train, motivate, enhance and shape-up individual skills of women having market potential. The EDPs and MDPs can become a vital link for harnessing vast and untapped human skills to channelize them towards accelerating the gender mainstreaming and position women entrepreneur on par with men entrepreneurs.

Key words: Finance; Financial Institutions; Entrepreneur; Enterprise; Entrepreneurship;}

Entrepreneurship as an ingredient of economic development has been recognized long ago in 1950. It was since then substantial amount of research has gone into this sphere. It is well known fact that entrepreneurs are born but they can also be made through innovative and creative interventions. However men and women at large are not showing sufficient of entrepreneurship skills and the women’s position is more critical. Therefore, they should be helped particularly where women entrepreneurs are prone to face more hurdles. The focus on the contribution of women in direct productive work was first brought out in 1970 by Ester Boserup in his book “Women’s Role in Economic Development”. This work of Boserup is a complication of his research experience in India. It also provided a conceptual framework for research on Women and Development. Around the mid 1970’s, neo-Marxist feminists and dependency theorists began looking at the relationship between women and development rather than the strategies for integrating women in economic development. However, lack of understanding of women’s work in developing societies, and Western biases in development projects reinforced the division between public and private spheres of women lives. Women and development like women in development focused on productive sector, and aimed at skill development for income generation.

Financial Institutions: A number of institutions collect funds from the public and place them in financial assets such as deposits, loans and bonds rather than tangible
property. Various financial institutions and banks are playing a significant role in the development of women entrepreneurship. Some of them are described below.

**Governmental Institutions:** Regional Rural Bank, Cooperative Societies, Khadi and Village Industries, National Agriculture Bank for Rural and Development operate in rural areas whereas National Small Business Development Corporation, Research Development Corporation, National Institute for Entrepreneurship operates in urban areas. However, Small Industries Development Corporation, National Small Industries Corporation, Small Industries development of India, Industrial financial Corporation of India functions in rural as well as urban areas.

Tiwari et al (1981) found that the government was assisting the women for entrepreneurship development by providing financial assistance in the form of term loans, interest, subsidy, unsecured loans and concession in the form of subsidies in the capital, self employment loan etc. Kumar (1998) reported from Bangalore that Canara Bank’s Centre for Entrepreneurship Development gives training to women and helps them to set up small industrial units besides providing assistance for marketing their product. The assistance by the government to women entrepreneurship has been provided through various institutions like SIDO, DIC, EDI, NAYE, NISIET, SIDBI, SEF, WCFC and commercial banks etc.

In an earlier research (Bindiya 2001) undertook a study on Women and Agriculture. He found that the Regional Rural Banks are playing an important role in empowerment of rural women through various credit schemes for entrepreneurship development. Various financial institutions have special financial schemes for women entrepreneurship development. These include KVIC, NABARD, Cooperative Societies and Regional Rural Banks. They provide loan opportunities to rural women entrepreneur for dairying, poultry, beekeeping, food processing and preservation, mushroom cultivation, spices process, potato chips, dalia and other cottage industries. These agencies provide loans to women entrepreneurship upto five lakhs without any security. Other facilities include, 13.5 percent rate of interest up to a loan of Rs. 2 lakh; relaxation of registration and respective fees related to land mortgages involved in security for a loan in rural areas up to the limit of Rs. 3 lakhs; convenient and easy installments in case of long term loans and provision of immediate case under a limit as working capital; loans for housing and consumption loans to raise status of rural women; and special credit schemes for enterprises related to computers and other electronic equipment at easier terms. The self help groups finally made the following recommendations, but still women entrepreneur faced unfavorable terms of credits.

**Non- Governmental Institutions:** World Assembly of Small and Medium Entrepreneurs, Xavier Institute for Social Societies are functioning in rural areas whereas National Association of Women Entrepreneurs and Executives, Indian Council of Women Entrepreneurs is working in urban areas. National Alliance of Young Entrepreneurs, Self Employed Women’s Association etc are having their presence in rural as well as urban areas.

There are many promotional governmental and non-governmental institutes/agencies functioning at national level for the promotion of entrepreneurship. These are also playing significant role in the development of women entrepreneurship.

**Financial Schemes for Women Entrepreneurship:** With a view that women entrepreneurs should come forward in industrial field and become self- sufficient, governmental and financial institutions have announced many schemes of providing financial assistance. Seed Capital Scheme- In order to start one’s own business this scheme is undertaken by the government. Mohanty (2004) suggested that various self-employment and income generating schemes such as IRDP, SEEUY, PMRY, SSI, KVI and DWCRA implemented in Orissa have made significant contribution towards economic empowerment and self- employment of women and development of women entrepreneurship. Important government agencies are Directorate of Industries, Khadi and Village Industries Board, Small Industries Service Institutions, Mahila Vikash Sambaya Nigam and Rashtriya Mahila Kosh were contacted for this purpose. The Rastriya Mahila Kosh mainly fulfills the credit needs of poor women particularly, those engaged in the unorganized sector not being adequately addressed by the formal financial institutions. RMK aims at promoting small enterprises among poor women through provision of credit as an instrument to socio-economic change and development through the provision package of financial and social development service for the development of women entrepreneurship. Gupta (1997) found that the empowerment of women central government of India has started Priyadarshani Yojna in...
the name of late Prime Minister Smt. Indira Gandhi. Through this scheme loan on minimum interest is provided to women for entrepreneurship development to improve their livelihood. As a pilot project this scheme has been launched in six districts: four districts (Raipur, Sitapur, Shravasti and Behraich) are in Uttar Pradesh and two (Sitamani and Madhubani) in Bihar.

Obstacles in Getting Financial Assistance by Institutions: Despite the efforts of governmental and non-governmental organization the women entrepreneurs are facing lots of problems. In various studies it was reported that more than 70% of the problems faced by the women entrepreneurs are related with credit.

In addition to credit, problems like lack of collateral, lack of knowledge about procedure of availing finance, Lack of Training, Delay in obtaining finance, Under finance or inadequate finance, High rate of interest, Absence of grace period or moratorium, Reduce repayment period, Negative attitude. In another study by Charumathi (1991) reported that banks and financial institutions historically viewed women entrepreneurship as more doubtful prepositions than men entrepreneurship. Pal (1997) in a study on Women Entrepreneurship and the need for financial sector reforms found that the lack of affordable credit from the formal financial sector was the most critical constraint for women entrepreneurship. It was also revealed that women operating a business may approach a local financial institution, most probably the local bank. She will come across many barriers between her needs and the bank’s requirements which make access to credit more difficult than she would have imagined. Women faced other obstacles while dealing with commercial banks. For example, they often encounter barriers even to open a bank account so that they can increase their saving in order to finance their own expansion or provided security for a future loan. Coleman (2000) used data from the Federal Reserve Board and the United States Small Business Administration to assess the issues surrounding start up and operation financial capital for male and female business owners. The author found that women owned businesses were less likely to use external funding for the start up and operation of their businesses and they were more likely to rely on their personal funds. The author contends that they (i.e. lender banks and financial institutions) did not discriminate against the women business owners because of their gender.

Parihar and Singh (2006) studied the constraints faced by the women entrepreneurship in Jammu district of Jammu and Kashmir. The sample consisted of 240 women entrepreneurs. A large majority of women entrepreneurs (83.33%) favored the establishment of units at their homes and were reluctant to go too far-off. Further, 82.5% of women entrepreneurs faced financial problems since they could rarely provide collateral security, which was required to get bank credits and 62.5% of women entrepreneurs were not aware of the incentives meant for them. A significant portion i.e. 58.33% women entrepreneurs faced negative attitude of the society. In this study, only 82.5% women entrepreneurs faced problems on account of their counterparts rather they were found to be supportive. It was also observed that they faced problem of marketing of both raw material and finished goods. About 93% of women entrepreneurs revealed that the support of government was inadequate whereas 59.58% women entrepreneurs expressed that family constraints did not allow the women to be a successful entrepreneur. Given the situation, the questions that need to be explored further are: What are the credit related problems among women entrepreneurship development? , How many financial institutions actually give support to women entrepreneurs?, Whether women organization has knowledge or information about the women entrepreneurship run by the government?

Recently, Government of India launched more rational and motivational programmes for women entrepreneurship, but now a day’s women are facing lots of problem when she starts a business unit. Therefore financial institutions should be creating the conducive environment and enabling framework needed for healthy entrepreneurship. Financial institutions should be helpful to those women who intend to start a business unit for the first time. They should also be provided assistance – financial as well as technical when she choose to start a visible and viable project requiring managerial skills, credit related security, necessary financial support, appropriate training, subsidies, funds, saving opportunities, borrowing etc. Marketing facilities such as sales, purchases and other required support for timely start of a viable venture etc is also necessary for women empowerment.

CONCLUSION

For the proper development of women entrepreneurship in India, we have to evolve many more
strategies to suit the various conditions in different communities and regions. The various problems being confronted by women entrepreneurs can be solved in the following manner:-

1. Uneven
   - Ministries of finance and Central banks can play a key role in encouraging competition among a number of financial institutions within their country.
   - Government can also play a key role in promoting flexibility regarding collateral.
   - Financial institutions must recognize the potential of women entrepreneurs and develop special services for them.
   - Proper technical education to the women.
   - Improvement of identification mechanism of new women entrepreneurs.
   - Engaged organizations and agencies in EDPs should co-ordinate their activities effectively.
   - Assistance to project formulations.
   - Availability of adequate infrastructures to the women.
   - Free training facilities in the field of enterprises.
   - Avoid delaying attitudes by different EDP institutions.
   - Better co-ordination between financial institutions and women entrepreneurs.
   - For developing a proper co-ordination between executives of promotional agencies and viable women entrepreneurs.
   - Adequate data regarding market situation should be made available to the women entrepreneurs.
   - Adequate follow-up support to the women entrepreneurs.

The task ahead for EDP institutions is to communicate the noble message of women entrepreneurship development in most effective manner among the women aspirants of all regions and all classes. In the last, to ensure women entrepreneurship development, integrated efforts by various organizations and agencies are needed so that necessary assistance should be provided to prospective as well as existing women entrepreneurship.

REFERENCES