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## Micro Finance- An Tool to Elevate Women Entrepreneurship Performance.

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### ABSTRACT

*Micro Finance is becoming most popular as a powerful tool for elevating women entrepreneurship performance in the new economy. A majority of the microfinance programmes has come up with the goal of reducing poverty and empowering women entrepreneurs. In addition, an increasing number of microfinance institutions (MFIs) prefer women members as they trust that they are more accountable and trustworthy. Small enterprises in India suffer from a considerable deal of indebtedness and are subject to exploitation in the credit market via high interest rates and lack of convenient access to credit. During the past 25 years, the microfinance organisations have challenged the conventional financial sector. Today microfinance is very much in the agenda of public policy and it has been increasingly used as a vehicle to reach entrepreneurial goals. Microfinance programs like the Self Help Bank Linkage Program in India have been continuously promoting for their positive economic effect 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. The purpose of this paper is to clarify the limitation of microfinance programmes as the tool for women's empowerment and the type of support service necessary to maximize the contribution of microfinance service. This paper also highlights the potential hurdles in the development of women entrepreneurship. This paper also attempts to analyze the different ways to elevate the growth and development of Women Entrepreneurship Performance.*

**KEYWORDS:** *Microfinance, Women Entrepreneurs, Sustainability, Empowerment.*

### I. INTRODUCTION:

Microfinance is usually understood to bring about the condition of financial services to micro-entrepreneurs and small businesses, which has less access to banking and related services due to the high transaction costs linked with assigning these client categories. It is provided with very small loans to very poor families with the purpose to help them employ in fruitful activities or care for their very small businesses. Modern concept of micro finance was originated in Bangladesh and it has successfully implemented and the result of this is that, problem of unemployment has reduced.

Micro Finance for the poor and women has received extensive recognition as a strategy for poverty reduction and for economic empowerment. Increasingly in the last five years, there is questioning of whether micro credit is most effective approach to economic empowerment of poorest and, among them, women in particular. Development practitioners in India and developing countries often argue that the exaggerated focus on micro finance as a solution for the poor has led to neglect by the state and public institutions in addressing employment and livelihood needs of the poor. Credit for empowerment is about organizing people, particularly around credit and building capacities to manage money. The focus is on getting the poor to mobilize their own funds, building their capacities and empowering them to leverage external credit. Perception women is that learning to manage money and rotate funds builds women's capacities and

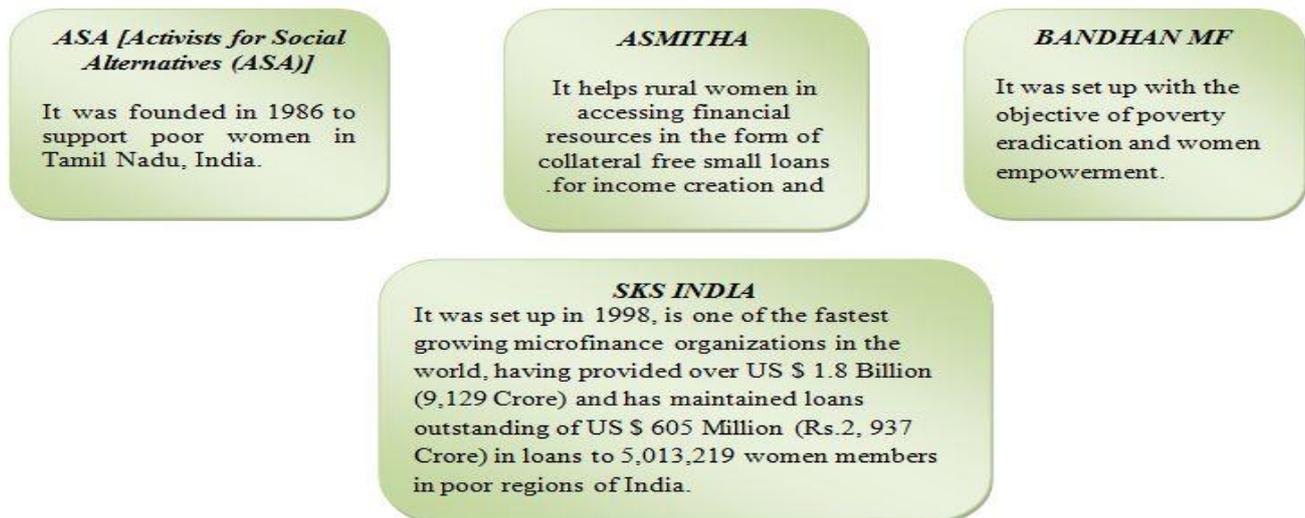
confidence to intervene in local governance beyond the limited goals of ensuring access to credit. Further, it combines the goals of financial sustainability with that of creating community owned institutions.

Microfinance institutions generally have the following characteristics:

- ) To provide small loans to the rural poor for the working capital requirements.
- ) Nominal assessment of borrowers and investments as compared to commercial banks.
- ) These institutions require compulsory savings and group guarantees but no collateral security is being demanded.

The Government measures have attempted to help the poor by implementing different poverty alleviation programmes but with little success. Since most of them are target based involving lengthy procedures for loan disbursement, high transaction costs, and lack of supervision and monitoring. Since the credit requirements of the rural poor cannot be adopted on project lending approach as it is in the case of organized sector, there emerged the need for an informal credit supply through SHGs. The rural poor with the assistance from NGOs have demonstrated their potential for self-help to secure economic and financial strength. Various case studies show that there is a positive correlation between credit availability and women's empowerment.

#### **Providers of Microfinance for Rural women Entrepreneurship**



**Source: Insight on Microfinance: A primer for donors and investors**

In India (Ramasamy, 2009) women entrepreneurship can be regarded as “necessity entrepreneurship” rather than “opportunity entrepreneurship” women generally have smaller networks and less physical mobility than men, more when the women is either young or married women who need to take care of their families. With the emergence of Women entrepreneurs, their role to the national economy is visible in India.

Various special schemes for women entrepreneurs has been put into practice by the government bodies and allied institutions are provided below.

- ) **Schemes of Ministry of MSME**
- ) **Schemes of Ministry of Women and Child Development**
- ) **Schemes of Kerala State Women's Development Corporation**
- ) **Kerala Government's Women Industries Programme**
- ) **Delhi Government's Stree Shakti Project**
- ) **Schemes of Delhi CommiSSIon for Women (Related to Skill development and training)**
- ) **Incentives to Women Entrepreneurs Scheme, 2008, Government of Goa**
- ) **MagalirUdavi Scheme, Pudhucherry Government**

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## II. OBJECTIVES OF THE STUDY:

↳ To clarify the limitation of microfinance programmes as the instrument for women's empowerment and the type of support service necessary to maximize the contribution of microfinance service.

↳ To study potential difficulties in the development of women entrepreneurship performance.

## III. METHOD OF DATA COLLECTION

In this study, data have been taken from various secondary sources like:

↳ Internet

↳ Books

↳ Magazines

↳ Newspapers

↳ Journals

## IV. ANALYSIS AND INTERPRETATION

**4.1 (Objective 1):** To clarify the limitation of microfinance programmes as the instrument for women's empowerment and the type of support service necessary to maximize the contribution of microfinance service.

**Challenges faced by the women entrepreneurs** Challenges are faced by the women entrepreneurs due to many reasons. Some of the challenges faced by the women entrepreneurs include-

↳ Intense competition from similar products, limited knowledge, production and quality standards as well as low confidence and morale.

↳ Many women started their own business due to the adverse circumstances, such as loss of spouses, divorce or financial hardship.

↳ A risk averse mindset.

↳ Inadequate capital.

↳ Networking problem (i.e. with raw supplier to buyer of products)

↳ Low level of motivation and courage.

↳ Lack of support from male members (of the families) as well as banks

↳ Large requirements of training and sensitization of issues.

↳ Diversities of situations due to wide coverage.

### Overcoming the challenges

The challenges faced by the women entrepreneurs can be overcome with the help of the following measures-

↳ Creating the Importance of Entrepreneurship program and skills training, and MF and support under single roof.

↳ Training programme operating in several states helped NGOS-MFIs provide their microfinance clients different set of skills for successfully running enterprises.

↳ Provide micro credit for livelihood support and to micro enterprises development.

↳ Encouraging women entrepreneur to utilize the loans for productive purposes and have the potential to become entrepreneur.

↳ Establishing a network of SHG to serve as a "self-help community" for micro enterprises development activities.

↳ Social recognition of women leading an enterprise.

↳ Developing female mentors, trainers and advisors.

↳ Establishing sources of credit.

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**4.2 (Objective 2):** To study potential difficulties in the development of women entrepreneurship performance.

**4.2.1 Role of Microfinance Services:-**

**1. Do not restrict credit use:** - Access to financial services provides the poor with the opportunity to accumulate assets, to reduce their vulnerability to shocks (such as illness or death in the household, crop failure, theft, dramatic price fluctuations, the payment of dowries) and to invest in income-generation activities. It also enables them to improve the quality of their lives through better education, health and housing. One of the most important roles of access to credit is that it enables the poor to diversify their incomes. Most poor households do not have one source of income or livelihood. This may include growing their own food, working for others, running small production or trading businesses, hunting and gathering, and accessing loans.

“Ways to Overcome”

Microfinance organizations should allow for the fact that micro-entrepreneurs have a variety of uses for funds, not only for the activity for which a loan is formally given but also for household operations and other family enterprises. It would be too risky for the poor, particularly the poorest of the poor, to invest all their income in a single activity. Providers of quality financial services recognize this and place relatively few restrictions on loan use. Most microfinance organizations do not monitor client loans to ensure that the loan is being used for its stated purpose because they recognize that it is part of the survival strategy of poor clients to make an on-going stream of economic choices and decisions. The clients themselves know how best to manage their funds.

**2. Provide access to financial services, not subsidies:-**

For microenterprises, the most common constraint is the lack of access to working capital to grow their business. Low-income entrepreneurs want rapid and continued access to financial services rather than subsidies, and they are able – and willing – to pay for these services from their profits. The returns from their economic activities are normally sufficient to pay high interest rates for loans and still make a profit.

Micro entrepreneurs value the opportunity to borrow and save with MFIs since they provide services that are cheaper than those that would normally be available to poor clients or that would be entirely unavailable to them. Moneylenders charge very high interest rates, often many times the rate charged by MFIs, and the moneylenders' terms may not be suited to the borrower. Micro entrepreneurs have consistently demonstrated that they will pay the full interest cost to have continued access to financial services from MFIs.

“Ways to Overcome”

MFIs cannot afford to subsidize loans. If the organization is to provide loans on an on-going basis, it must charge interest rates that allow it to cover its costs. These costs tend to be high because providing unsecured, small loans costs significantly more than loans in traditional banking. The costs to the institution include operating costs, the cost of obtaining the funds for loans, and the cost of inflation. MFIs cannot rely on governments and donors as longterm sources of funding. They must be able to generate their own income from revenues, including interest and other fees. Since the poor seek continued and reliable access to financial services and are able and willing to pay for it, it is advantageous to both the institution and the clients to charge interest rates that cover the cost of the services

**3. Financial services contribute to women's empowerment:-**

Women entrepreneurs have attracted special interest from MFIs because they almost always make up the poorest segments of society, they have fewer economic opportunities, and they are generally responsible for child-rearing, including education, health and nutrition. Given their particularly vulnerable position, many MFIs seek to empower women by increasing their economic position in society. Experience shows that providing financial services directly to women aids in this process. Women clients are also seen as beneficial to the institution because they are seen as creditworthy. Women have generally demonstrated high repayment and savings rates.

“Ways to Overcome”

MFIs interested in serving women should understand the specific needs of women clients and attract women as customers. Women often have fewer economic opportunities than men. Women also face cultural barriers that often restrict them to the home (for example, the institution of the veil, or purdah), making it difficult for them to access finance services. Women have more traditional roles in the economy and may be less able to operate a business outside of their homes. Women also tend to have disproportionately large household obligations. Loan sizes may need to be smaller, given that women's businesses tend to be smaller than men's. They tend to focus on trade, services and light manufacturing. Women's businesses are often based in the home and frequently use family labour. Loans to women should allow women to balance their household and business activities, for example, by not requiring that too much time be spent in meetings and holding meetings in convenient locations. The gender of loan officers may also affect the level of female participation in financial services, depending on the social context.

) Enhancing perceptions of women's contribution to household income and family welfare, increasing women's participation in household decisions about expenditure and other issues and leading to greater expenditure on women's welfare

) More general improvements in attitudes to women's role in the household and community

) Many programmes have had negative as well as positive impacts on women. Where women have set up enterprises this has often led to small increases in access to income at the cost of heavier workloads and repayment pressures.

) Within schemes, impacts often vary significantly between women. There are differences between women in different productive activities and between women from different backgrounds.

) Positive impact on non-participants cannot be assumed, even where women participants are able to benefit. Women micro-entrepreneurs are frequently in competition with each other and the poorest micro-entrepreneurs may be disadvantaged if programmes do not include them.

## V. FINDINGS

) Micro financial institutions play a very important and crucial role today to provide the micro-finance to the women entrepreneur. Mostly MFI provide the assistance to the women entrepreneur through MFI- bank linkage programme.

) From the current situation, we can understand that today the main focus of micro finance industry is to empower the woman that's why more loans are provided to woman and on easy terms.

) From the total SHG more SHG are coming in which only women are member because women can better run a business and his family.

) With the help of relationship data we can see that there are more percentage of women SHGs out of total SHGs. So that is good indicator for women entrepreneur.

) The loan distributed data show increase the % of loan amount to women as compare to last year. This show the economic development of women entrepreneur.

## VI. SUGGESTIONS

) Credit availability is most important for development but cannot by itself enable very poor women to overcome their poverty.

) Making credit available to women does not automatically mean they have control over its use and over any income they might generate from micro enterprises.

## VII. CONCLUSION

In Today's context we are in an enhanced position where women 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. Traditionally women have been marginalized. A high percentage of women are among the poorest of the poor. Microfinance activities can give them a means to climb out of poverty. Microfinance could be a solution to help them to extend their horizon and offer them social recognition and empowerment. Viability of micro finance needs to be understood from a dimension that is far broader- in looking at its long-term aspects too.

Short-term assistance programmes should be focussed 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. It is clear that gender strategies in micro finance need to look beyond just increasing women's access to savings and credit and organizing self-help groups to look strategically at how programmes can actively promote gender equality and women's empowerment. On the other hand, thank to women's capabilities to combine productive and reproductive roles in microfinance activities and society has enabled them to produce a greater impact as they will increase at the same time the quality of life of the women micro-entrepreneur and also of her family.

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