

# Strategies for Empowering Rural Women through Viable Entrepreneurial Ventures through Micro Credit

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**Abstract** This paper is based on role of viable entrepreneurial ventures to be developed in the women entrepreneurs in rural areas. Women's development is directly related with national development. The effective management and development of women's resources, their abilities, interests, skills and other potentialities are of paramount importance in human resources development. Rural women entrepreneurship plays a catalytic role in activating the factors of production leading to an overall economic development in India. Entrepreneurship development and income generating activities are a feasible solution for empowering women. It generates income and also provides flexible working hours according to the needs of homemakers. Economic independence is the need of the hour. This paper makes a strong case for entrepreneurial ventures as a new development paradigm for bringing about gender equity among rural women in India by creating self-employment opportunities through microcredit. This study is based on the premise that poor women can internalize production possibilities in groups only. They are better – equipped to overcome the negative social pressure and gender biases operating against them through ventures identity and activity.

**Keywords** Rural Women, Viable Entrepreneur, Micro Credit, Venture, Women Empowerment

## 1. Introduction

The emergence of rural women entrepreneurs and their contribution to the national economy is quite visible in India. The number of rural women entrepreneurs has grown over a period of time, especially in the 1990s. The empowerment of women is one of the central issues in the process of development of countries all over the world. Tamilnadu has a glorious tradition of recognizing the importance of empowering women over several centuries now. Empowerment is a multi-faceted, multi-dimensional and multi-layered concept. Women's empowerment is a process in which women gain greater share of control over resources

– material, human and intellectual like knowledge, information, ideas and financial resources like money – and access to money and control over decision-making in the home, community, society and nation, and to gain power. Women are a significant economic entrepreneurial force whose contributions to local, national and global economies are far reaching. Women produce and consume, manage businesses and households, earn income, hire labor, borrow and save, and provide a range of services for businesses and workers. Yet, the value of their contribution is either missed in economic accounting or simply suppressed in economic planning. The first observation is that common people and especially women are rising to establish and grow their own economies in response to the failure of the state and markets. This is giving rise to an embryonic smallholder, where households and communities have effectively designed their own small “businesses” by behaving in ways that differ from the assumptions common in economic models. A second development setting is the emergence of grassroots differentia organization manifesting through institutional transformation. In this case, people do what is practically possible to look after their families, with little reference to government and policy. A third relevant pattern hinges on the counter rise of markets as seen through super market is action deriving substantial reinforcement and benefits from the weakness of the state and the economic struggles of the majority.

While considerable research has been conducted on the reasons why women dominate the informal economy and their inclination to operate small ventures (Mcpherson, 1998)<sup>1</sup>, less is known of the practical constraints they face at production and in the market place. While government has attempted to promote women, much of the interventions have been through micro-projects than full reforms of policies that hinder women's enterprises. At the same time, development agencies have responded to the need for women to earn incomes by making relative small investments into income generating projects which more often than not fail because they are motivated by welfare and

<sup>1</sup> Doing Business, 2009. The International Bank for Reconstruction and Development / The World Bank 1818 H Street NW Washington, DC

not development concerns (Mehra, 1997). The research therefore sought to establish the costs and benefits on women of an environment that remain unfriendly for women to do business. The question then is what is the meaning of women empowerment? Women empowerment is defined as the ability to increase the capacity of women to become more self-reliant and act in confidence. The term empowerment has different meanings depending on the socio-economic, political and cultural context in which it is presented. Overall empowerment can be perceived as a process or as outcome/goal and can take place at different levels (individual and community). The World Bank (2001) defines empowerment as the expansion of freedom of choice and actions and increasing one's authority and control over the resources and decisions that affects one's life. Empowerment is when women gain the ability to take ownership and control of their lives, in an environment that provides opportunities for making choices. While empowerment depends on women, through consciousness raising, participation, and self-organization, it can also be facilitated through education, capacity building, training and other measures.

## 2. Growth of Women Entrepreneurs in India

Nature has made a division of labour entrusting upon men and women different responsibilities for the betterment of the process of evolution. The women, the mother, have been the symbol of continuity of culture, tradition and religion, being the binding force of the family system.

In India, women entry into business is a new phenomenon. Women entry into business, or say, entrepreneurship is traced out as an extension of their kitchen activities mainly to 3 Ps, viz., Pickles, Powder and Pappad. Women in India Plugged into business for both pull and push factors. Pull factors imply the factors which encourage women to start an occupation or venture with an urge to do something independently. Push factors refer to those factors which compel women to take up their own business to tide over their economic difficulties and responsibilities.

In India, Kerala is a state with highest literacy (including women literacy) reflecting a congenial atmosphere for the emergence and development of women entrepreneurship in the state. Like Kerala, an increasing number of women are entering the business in the state of Maharashtra also.

## 3. Review of Literature

Her integration of women in economic development received attention for the first time in the Sixth Plan document, which contains a separate chapter on "Women and Development". It states that major thrust of the Sixth Plan in the field of welfare of women is their economic up-liftment through greater opportunities for salaried, self

and wage employment. For this purpose, appropriate technologies, services and public policies will be introduced. The technological package will include imparting new skills and upgrading existing skills. The service package will pay attention to training and credit needs and the marketing (Sixth Five Year Plan, 1980-85)<sup>2</sup>. The significance of this problem was further realized in the successive plans. The plan documents cited that attempts would be made to expand women employment in the household sector by providing adequate support in the areas of technology up gradation, training, credit, raw material and marketing. A decentralized approach for providing these facilities will help considerably in the expansion of women's employment in these sectors.

As a result, second half of eighties witnessed an unprecedented spurt in policy perspectives on women. The National Perspective Plan for women (1988-2000) which is comprehensive all round projection for women's development in India and the report of the National Commission on Self-employed Women and Women in Informal Sector have also made far reaching recommendations in terms of un-energized sector particularly issues, constraints and strategies for women. After realizing the potential of women entrepreneurship in attaining the inclusive growth, scholars carried out a few studies. Vinze (1985) has conducted a sociological study on women entrepreneurs of Delhi. It covered 50 industrial units spread over different estates and having different kinds of enterprises. Apart from furnishing details regarding enterprises, labour employed and resulting output were also computed. In addition, information concerning women entrepreneurs was also presented. The important aspects such as their social, educational and technical background and motivation were studied in-depth. Findings of this research suggest that women from low and middle income groups with moderate education and experience in manufacturing entered recently in small-scale industries in large number. All of them received financial assistance from banks. Yet, an urgent need to regulate, streamline and coordinate the procedures was strongly felt by the women entrepreneurs.

Another study by Kamla Singh (1992)<sup>3</sup> was carried out to understand the entrepreneurial development among women in three districts of Haryana. These were Hissar, Gurgaon and Faridabad. The sample covered 64 women entrepreneurs involved in manufacturing, trading and services. In addition, 102 managers and field level personnel from different agencies were also interviewed. Results of this study show that majority of the entrepreneurs opted for trading type of enterprises. However, their inclination towards manufacturing and services was increasing. Most of the respondents had high motivation. They belonged to middle class families of Baniyas and Punjabies. It is reported that women entrepreneurs faced problems in acquiring financial

<sup>2</sup> Five Year Plan, Document(1980-85), Planning Commission, Government of India, New Delhi.

<sup>3</sup>Kamla Singh, "Women Entrepreneurs": Ashish Publishing House, New Delhi, 1992

assistance, technical guidance, in arranging raw material, machinery and equipment. They also indicated towards marketing problems.

Arya (2006)<sup>4</sup> has assessed the impact of training and assistance provided under the Integrated Wasteland Development Project on income, employment and social status of rural women in Patiala district of Punjab. She has found that implementation of the programme has improved income and social status of women. A paper by Joshi (2006)<sup>5</sup> has focused on the impact of the Watershed Development Project on women in Uttaranchal. Results of this paper suggest that project interventions helped in mainstreaming women in development through income generation and enhanced social status.

Hapke (2006)<sup>6</sup> has evaluated the impact of a development programme implemented by Parivartan for female-headed households. The programme package consisted of three key components, viz, income generation, adoption of technology for drudgery reduction and organization of women. Rope making, snack and cereal production were initiated as economic activities. He has reported that programme has affected economic and social life of rural women. They have begun to interact with people in the village. Women perceived four types of changes in their lives as a result of participation in the programme. First, they have started earning. This has helped them to take better care of themselves and their children. Second, they have learnt new skills. Third, they felt that their status within the village has improved. Thus, presence of Parivartan has influenced lives of rural women and changed the overall climate for the women within the villages.

A recent paper by Giusta and Phillips(2006)<sup>7</sup> has reviewed the literature on women entrepreneurs in developing countries. They have presented evidence from a case study undertaken during 2001 and 2002 in Gambia by examining the challenges faced by women entrepreneurs in the small enterprise sector. This case study found that women entrepreneurs were successfully engaging in livelihoods diversification and contributing significantly to their households through entrepreneurial activity. Women themselves made most of the decisions. But, gendered nature of the institutional framework affected women entrepreneurs at different stages in business development and this is generally overlooked in policies for the support of women entrepreneurs. Walokar (2006)<sup>8</sup> has carried out a detailed study on women entrepreneurs in Nagpur. This research has probed various dimensions related to women entrepreneurs

and their trades. These included socio-economic background of women entrepreneurs, nature of their enterprise and their perceptions about influence of involvement in the entrepreneurial activities on their families and themselves.

### 3. The Various Stake Holders Aiding Women Empowerment

Today, there are several stake holders working for rural women entrepreneurs' promotion in the country. It is observed that different stakeholders have promoted rural women entrepreneurs' with different expectations and understanding, and have sorted different parameters of quality of rural women entrepreneurs'. Further, it is necessary to identify a common ground and set appropriate benchmarks for rural women entrepreneurs' operation.

Family Support: To assess the support that the family members provide to overcoming the resistance from husband and other members of the family to rural women entrepreneurs pay savings, repay loan installment; enhancement of girls' attendance at school, ability to transform institutions, enhancement of ability to organize struggle, inducing participation in politics, participation in democratic institutions etc. are also used by different researchers.

#### Governmental Support Schemes

##### Federation of Indian Women Entrepreneurs (FIWE)

The organization educates and trains young aspirant, start-up women entrepreneurs for their right initiation into business and does awareness programs and business counseling to aspirant women. Besides, it provides hand-holding and networking opportunities to them as well as women interested in growing their business further and creates a launching pad to empower women in the regional economic framework and graduated from small to medium enterprises. To promote entrepreneurship among women and thereby empower them to join the economic mainstream. To enhance the Status of Women in the society, by creating a culture of Entrepreneurship amongst women, both in rural areas. To develop successful models of entrepreneurship for emulation world-wide.

##### Small Industries Development Bank of India (SIDBI)

This has been set up as an apex bank to provide direct/indirect financial assistance under different schemes, to meet credit needs of small business organizations. It coordinates the functions of other institutions in similar activities; recommend measures considered necessary for improving the productivity of small enterprises in the informal sector; generate more employment opportunities on a sustainable basis, particularly in the rural areas and enhance the competitiveness of the sector in the emerging global environment

##### Khadi and Village Industries

<sup>4</sup> Arya, Swaran Lata, "Rural women in Integrated Wasteland Development Project" in S.B. Verma et al edited, Rural Women Empowerment, Deep & Deep Publication, New Delhi, 2006

<sup>5</sup> Joshi Meenakshi, "Empowering Rural Women through Watershed Project" in S.B. Verma et al edited, Rural Women Empowerment Deep & Deep Publication, New Delhi, 2006.

<sup>6</sup> Hapke Holly M, "An Experiment in Empowerment" in Ranjna Kumari edited, "Women in Decision Making", Centre for Social Research, Vikash Publishing House, Delhi, 1992.

<sup>7</sup> Marina Della-Giusta, "Women Entrepreneurs in the Gambia: Challenges and Opportunities", Journal of International Development, No. 18, 2006.

<sup>8</sup> Deepak M. Walokar, "Women Entrepreneurs", Himalaya Publishing House, 2002

The KVIC is charged with the planning, promotion, organization and implementation of programs for the development of Khadi and other village industries in the rural areas in coordination with other agencies engaged in rural development wherever necessary. Its functions also comprise building up of a reserve of raw materials and implements for supply to producers, creation of common service facilities for processing of raw materials as semi-finished goods and provisions of facilities for marketing of KVI products apart from organization of training of artisans engaged in these industries and encouragement of co-operative efforts amongst them. To promote the sale and marketing of khadi and/or products of village industries or handicrafts, the KVIC may forge linkages with established marketing agencies wherever feasible and necessary.

#### **Micro, Small and Medium Enterprises Development Organization**

Providing techno-economic and managerial consultancy, common facilities and extension services to the MSME sector. Conducting Entrepreneurship, Man-agreement and Skill Development Pro-grammas.

#### **National Bank for Agriculture and Rural Development (NABARD)**

NABARD was set up in 1982 to promote integrated rural development. Since then, it has been adopting a multi-pronged, multi-purpose strategy for the promotion of rural business enterprises in the country. Apart from agriculture, it supports small industries, cottage and village industries, and rural artisans using credit and non-credit approaches. It offers counseling and consultancy services and organizes training and development programmes for rural entrepreneurs.

#### **The Rural Small Business Development Centre (RSBDC)**

It is the first of its kind set up by the world association for small and medium enterprises and is sponsored by NABARD. It works for the benefit of socially and economically disadvantaged individuals and groups. It aims at providing management and technical support to current and prospective micro and small entrepreneurs in rural areas. Since its inception, RSBDC has organized several programmes on rural entrepreneurship, skill up gradation workshops, mobile clinics and trainers training programmes, awareness and counseling camps in various villages of India.

#### **Rural and Women Entrepreneurship Development (RWED)**

The Rural and Women Entrepreneurship Development programme aims at promoting a conducive business environment and at building institutional and human capacities that will encourage and support the entrepreneurial initiatives of rural people and women. RWE

provides the following services:

- Creating a business environment that encourages initiatives of rural and women entrepreneurs.
- Enhancing the human and institutional capacities required to foster entrepreneurial dynamism and enhance
- productivity.
- Providing training manuals for women entrepreneurs and training them.
- Rendering any other advisory services.

#### **The District Industries Centers (DICs)**

The District Industries Centers Programme was launched on May 1, 1978, with a view to providing an integrated administrative framework at the district level, which would look at the problems of industrialization in the district, in a composite manner. In other words, District Industries Centers is the institution at the district level which provides all the services and support facilities to the entrepreneurs for setting up small and village industries.

## **4. Entrepreneurial Ventures through Microcredit**

**Microcredit** is the extension of very small loans (**microloans**) to impoverished borrowers who typically lack collateral, steady employment and a verifiable credit history. It is designed not only to support entrepreneurship and alleviate poverty, but also in many cases to empower women and uplift entire communities by extension. In many communities, women lack the highly stable employment histories that traditional lenders tend to require. Many are illiterate, and therefore unable to complete paperwork required to get conventional loans. As of 2009 an estimated 74 million men and women held microloans that totaled US\$38 billion.<sup>9</sup> Grameen Bank reports that repayment success rates are between 95 and 98 per cent.<sup>10</sup>

Microcredit is part of microfinance, which provides a wider range of financial services, especially savings accounts, to the poor. Modern microcredit is generally considered to have originated with the Grameen Bank founded in Bangladesh in 1983<sup>11</sup> Many traditional banks subsequently introduced microcredit despite initial misgivings. The United Nations declared 2005 the International Year of Microcredit. As of 2012, microcredit is widely used in developing countries and is presented as having "enormous potential as a tool for poverty alleviation."<sup>12</sup>

<sup>9</sup>Microfinance Information Exchange, Inc. (2009-12-01). "Micro Banking Bulletin Issue #19, December, 2009, pp. 49". Microfinance Information Exchange, Inc.

<sup>10</sup>Jump up^ Grammen Bank report

<sup>11</sup> Jump up to:a b c d e f g h i Bateman, Milford (2010). Why Doesn't Microfinance Work?. Zed Books.

<sup>12</sup>Jump up^ Jason Cons and Kasia Paprocki of the Goldin Institute, "The Limits of Microcredit—A Bangladeshi Case", Food First Backgrounder (Institute for Food and Development Policy), Winter 2008, volume 14, number 4.

## 5. Scale of Micro-credit in India

There are several micro-finance implementing organisations in the government as well as non-government sectors. Leading national financial institutions like the Small Industries Development Bank of India (SIDBI) the National Bank for Agriculture and Rural Development (NABARD) and the Rashtriya Mahila Kosh (RMK) have played a significant role in promoting micro-credit. Small Industries Development Bank of India (SIDBI), an apex financial institution for the promotion, financing and development of small-scale industries in India, has launched a major project christened SIDBI Foundation for Micro Credit (SFMC) as a proactive step to facilitating accelerated and orderly growth of the micro-finance sector in India.

With over 11 million poor households accessing banking services including micro-credit through their 700,000 Self-Help Groups (SHGs), the SHG-bank linkage programme led by NABARD in India claims to be “the largest and fastest-growing micro-finance programme of the world”. Today, over 2,800 NGOs and 30,000 branches of 500 banks are associated with the programme. The size and types of implementing non-government organisations (NGOs) range from very small to moderately big organisations involved in savings and/or credit activities for individuals and groups. These NGOs adopt a variety of approaches, and tend to operate within a limited geographical range. A few like PRADAN, ICECD, MYRADA, SEWA operate on a larger scale and have been successful in replicating their experiences in other parts of the country; they also act as resource organisations. While a few lending organisations do lend directly to borrowers, most rely on self-help groups (SHGs) to provide the linkage with borrowers.

In the absence of accurate data to assess the size of the market, players in the micro-credit sector have resorted to rough estimations. Given that there are 75 million poor households in India, of which 60 million are in rural areas and 15 million in urban, estimates of the size of the market vary from setting an average financing requirement of Rs 2,000 per poor household to Rs 6,000 in rural and Rs 9,000 per urban household. This works out to a MF demand of around Rs 50,000 crore. And this does not include housing which can be estimated at another Rs 1,000 crore annually.

The growth and activity of MF agencies and NGOs -- which are usually the medium of finance dispensation and administration -- should be viewed against the backdrop of this huge market potential. By current estimates there are more than 2,000 NGOs involved in helping banks identify self-help groups to lend to under NABARD's Self-Help Groups-Bank linkage programme alone. According to published figures, the bank loans disbursed under this programme in fiscal 2002 were Rs 545.4 crore to around 240,000 SHGs. The average loan size per Self-Help Group was Rs 22,240.

Other agencies, like the Swayamsidha Project launched in 2001 under the Department of Women and Child

Development are garbed in the language of ‘women’s empowerment’ rather than in economic terms. Swayamsidha, or the Integrated Women’s Empowerment Programme (IWEP), no more than a recast Indira Mahila Yojana and Mahila Samridhhi Yojana, has the lofty aim of “holistic empowerment of women through awareness generation, economic empowerment and convergence of various schemes” through the formation of SHGs. The scheme, which aims to benefit almost 10 lakh women through 53,000 SHGs, has an outlay of Rs 116.30 crore, funded by the World Bank.

With micro-credit becoming financially viable, even commercial banks like ICICI and international banks like Citibank and Rabobank have entered the field. The benefits to the borrower in purely commercial set-ups need further evaluation.

## 6. Conclusions

Consider women as specific target group for all developmental programs. Adequate training programme on management skill should be provided to women community. The numerous opportunities and challenges faced by entrepreneurs have great bearing on the way the entrepreneurship will be carried out in near future. In a developing country like India where the unemployment rate is quite high it has become necessary for the government to initiate measures to foster innovation and establishing businesses leading to increase in the employment and reducing the poverty. Encourage women's participation in decision- making. Training on professional competence and leadership skill should be extended to women entrepreneurs.

The current wave of euphoria over micro-credit misses the salient question: Since a majority of people have neither the skills nor the inclination to be entrepreneurs, why are micro-enterprises proliferating? It has been clear for decades that the informal sector is a depository for the victims of the failure of the formal sector. As long as micro-enterprise development is offered as a substitute for meaningful social development, for employment that offers real security, for viable small-farm and enterprise production, and for fundamental changes in the economic policies prescribed by institutions such as the World Bank and IMF, it will only impede progress toward finding real answers to the very real problem of poverty.

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