

# Impact of Environmental factors on access to finance for women entrepreneurs in selected areas of Uttarakhand

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## Abstract

**Purpose** –The objective of this study is to examine the environmental factors faced by women entrepreneurs and to evaluate the impact of these factors such as social, cultural and economic background of women entrepreneurs in Uttarakhand region

**Design/methodology/approach** – The researcher has divided the two major districts of Uttarakhand in to north zone and south zone using stratified sampling. Of these two strata the researcher has collected the primary data by using questionnaire method. Total of 100 questionnaires are selected for the main study and appropriate higher order statistical test is applied.

**Findings** – The study suggests that the access of financial services to women entrepreneurs is very challenging and constricted. The study also suggests different methods that could be implied for providing better access to financial services for women entrepreneurs.

**Practical implications** – The study is focused on women entrepreneurs and evaluates the environmental factors that hinders the growth of MSMEs in Uttarakhand region

**Keywords:** Gender, Women Entrepreneurs, Finance, Uttarakhand region , MSMEs

## Introduction

Entrepreneurship is today considered to be a relevant vehicle for economic development and women contribute to it significantly worldwide. The Reason for highlighting the issue on the access to finance of women entrepreneurs is that while there are about more than 10 million formal women-owned Micro, small and medium-sized enterprises (MSMEs) in emerging markets (representing more than 40% per cent of all MSMEs in emerging markets), the average growth rate of women's enterprises is significantly lower than the average growth rate for MSMEs run by men (Bardasi et al., 2011; Nichter and Goldmark, 2009; Mead and Carl, 1998). Access to finance is repeatedly identified as a major constraint to women entrepreneurs (Bardasi et al., 2011; Blanchard et al., 2005), and, therefore, the issues involved in improving access to finance for women-owned businesses is the central issue highlighted in this paper. It also aims to recognize versatile financing models that can provide a chance to be replicated on

developing nations searching to increment the chances of women-owned organizations as the individual's countries further create their private segment.

The past few decades have seen an increase in the number of women starting their own companies in many countries. For example, in Canada nearly 65% of the new businesses were started by women (Comper, 1991) Women are increasingly turning to entrepreneurship as a way of coping with the "glass ceiling" that seems to prevent them from reaching top managerial levels in organizations (Morrison, et al, 1987). Others find that entrepreneurship provides them with greater satisfaction and flexibility (Belcourt, et al, 1991). The trend also has been seen in several Asian countries such as Indonesia and Singapore (Lieuanan, 1992). However, as Patel (1987) notes, the entry of women into business is a "recent development in the orthodox, traditional socio-cultural environment" (P. 172) of Indian society. While exact statistics are hard to come by, a decade ago, the proportion of businesses set up and operated by women was only around 1 per cent (Patel, 1987) This is much lower than the figures found in western nations. Several studies in Canada and the United States indicate that the problems facing male and female entrepreneurs are different. As Birley (1989) notes, while general models of entrepreneurship (such as the one proposed by Cooper, 1981) may hold true for both men and women, entrepreneurship is an activity that is situationally and culturally bound. The role of women has traditionally been seen (by both men and women) to be that of wife and mother. This, combined with the lack of prior employment and managerial experience faced by many women (Hisrich & Brush, 1984; Fisher, et al, 1993), may result in differing market entry choices in the case of female entrepreneurs. Women also bear most of the responsibility for childcare and home management and these responsibilities often lead to work family conflicts. Identifying the constraints and limitations which prevent women with entrepreneurial skills from starting their own businesses is an important aspect of economic development especially in countries such as India. While there have been several studies on women managers in India (e.g., Kishore, 1992; Mishra, 1986; Vaz, 1987), there have been very few on women entrepreneurs.

This study aims to fill that gap in the literature by examining women entrepreneurs from the state of Uttarakhand in northern India. It examines the start-up and current problems facing women entrepreneurs in Uttarakhand. It also looks at their reasons for starting a business and the factors that led to their success as entrepreneurs. The present paper will also compare the finding from the study to those from western nations.

## Literature Review

Cooper (1981) proposed that three factors influence entrepreneurship antecedent influences (i.e., background factors such as family influences and genetic factors that affect motivation, skills and knowledge), the "incubator organization" (i.e., the nature of the organization that the entrepreneur was employed in just prior to starting a business, the skills learned there), and environmental factors (e.g., economic conditions, access to venture capital and support services; role models). Research from western nations indicates that women and men differ on some of the above factors. For example, women have greater difficulties in acquiring venture capital, lack financial resources and skills (Aldrich, 1989, Hurley, 1991); have fewer informal support systems and networks (DeWine and Casbolt (1989), and have less direct, relevant experience than men (e.g., Stevenson, 1986). Other obstacles faced by women entrepreneurs include being accepted as a woman in business, lack of a role model, lack of professional interaction, difficulties in gaining the confidence of their clients and suppliers, lack of adequate training, and lack of related experience (Belcourt, et al, 1991, Collette & Aubry, 1990, Goffee & Scase, 1985, Hisrich & Brush, 1986, Kent, 1988, Lee-Gosselin and Grise, 1990, Timmons, 1986).

While these are important issues, many researchers feel that tension between personal lives and career pursuits is the most significant problem that women entrepreneurs face (e.g., Belcourt, et al, 1991, Lee- Gosseling & Grise, 1990, Neider, 1987). For example, Neider (1987) found in a study on female entrepreneurs in Florida that tension between personal life and career was a major problem for these women. Husbands are generally not very involved in their wives' businesses, are not supportive of them (e.g., Decarlo & Lyons, 1978; Flesher & Hollman, 1980; Goffee and Scasse, 1985) and expect them to continue with their household duties despite the demands of their business (Goffee and Scasse, 1985). This, perhaps, is not surprising for until recently, women were confined to private, domestic roles. The role of the entrepreneur did not conform to the traditional roles that women were expected to play in society. These factors, and others, may result in female owners facing more work family conflicts than their male counterparts. While the major reasons for starting a business are similar for men and women, some differences have also been found. For example, according to Lavoie (1992), potential for financial gain was not the primary motivating factor for women; women were more likely to start a business for the challenge and opportunity for self-fulfilment. Other researchers have suggested that women are more likely to start a business for

control over the quantity and quality of work and as an option to limitations in career advancement (Belcourt, et al, 1991; Berard & Brown, 1994; Charest, 1994).

## **Importance of Women Entrepreneurs**

Women entrepreneurship to date represents an important engine of economic growth for developing countries as it has a leading role in generating productive work, achieving gender equality and reducing poverty; thus, the analysis of its main characteristics can be useful for developing successful entrepreneurship-

Related policies and for understanding a country's competitiveness and growth potential. In developed and developing economies, women are starting businesses at a faster rate than their male counterparts and are making significant contributions to job creation and economic growth. It is estimated that there are about more than 10 million formal MSMEs with at least one woman owner in developing countries (International Finance Corporation (IFC), 2011).

As the

rate of Women entrepreneurial activity in developing countries is equal to 45.5%, a percentage much higher than that generally registered in developed countries (GEM, 2010) – or socially – as the immigrant entrepreneurship phenomenon is today frequently considered to be a “quiet revolution” – and the lack of categorization of the most important results, this work aims at systematizing both

theoretical and empirical findings on the characteristics of women entrepreneurs both coming from and/or operating in developing countries, thus contributing to extending our understanding of the women entrepreneurship domain. Although these numbers are impressive, Women Entrepreneurs are constrained by barriers such as limited access to finance, which impedes both growth and development. In addition, women tend to face issues of rights and voice. Such barriers create distortion and often result in a situation where women's economic activities are under-resourced and undercapitalised, thereby reducing the overall aggregate output and inhibiting economic growth. Understanding the barriers women's businesses face and providing solutions to address them is necessary for countries to further leverage the economic power of women in order to promote growth and the attainment of development goals.

## Importance of Women Entrepreneurs access to finance

Access to and cost of finance is often ranked as one of the most constraining features of the business environment by MSMEs (Beck, 2007). Several recent studies find evidence that minority- and women-owned businesses face discrimination in loan approval and interest rates (Asiedu et al., 2012; Blanchard et al., 2008; Blanchflower et al., 2003). It is also suggested that women are being asked for more collateral than men for loans, being charged higher interest rates, and being refused loans more frequently than men (Hertz, 2011). Financial access enables existing firms to expand by helping them to exploit growth and investment opportunities. In particular, access to finance contributes to growth through the entry of new firms and the creation of a thriving private sector with efficient distribution of resources, and is particularly good for firm growth, especially for small businesses. Increasing access to finance for women business owners is a sound strategy for financial institutions as they look to increase their business with MSMEs. The response to women's lack of access to finance has largely been focused on increasing women's access to microcredit. However, as Women Entrepreneurs grow, they need financial products and services that go beyond microcredit.

### Objectives of the study

India is a country of diverse culture and language, so study was limited to the state of Uttarakhand. This state was chosen due to researcher's familiarity with the culture of Uttarakhand.

The study aims to fulfil the following objectives:

1. To examine the problems faced by the Women Entrepreneurs of Uttarakhand in the early stage of business.
2. To examine the impact of environmental factors on access to finance for women entrepreneurs.
3. To provide a profile of the women entrepreneurs in Uttarakhand.

### Research Methodology

In Uttarakhand, the researcher contacted the local government agency in charge of developing and assisting women entrepreneurs, and local women entrepreneurs' associations. Using the lists provided by these organizations and after discussions with the people in charge of these organizations, a possible list of women entrepreneurs was developed. Only firms that had been

in operation for at least five years and employed at least two other workers were included in the study. The data was collected through in depth personal interviews with the respondents. The interviews were two to three hours in length, and were followed by visits to the stores/production facilities in order to gain a better understanding of their operations. A questionnaire was used to guide the researcher during data collection but the focus was also on collecting qualitative data through open-ended questions. The study is part of an effort to develop case studies on successful women entrepreneurs in India; hence, the focus was on in-depth research as opposed to having a large sample size. In Uttarakhand, data was collected from two regions i.e. Garhwal and kumauon region . The cities were chosen based on discussions with the agencies and were based on the number of women entrepreneurs in the area. The final sample consisted of 70 women. Three areas of work-family conflict (in their roles as spouses, parents and homemakers) were measured using a Likert scale. Each type of conflict was measured using five different statements. The items measured time-based and strain-based work-family conflicts for measuring the problems faced at start-up and at the time of the interview, a list of 15 problems were provided and the respondents were asked to check as many as were applicable. Information on reasons for starting a business and success factors were measured using open-ended questions. In each case, the interviewees were asked to provide their top two answers. Almost all of the research mentioned above was based on samples drawn exclusively from the developed world. Given the differences in cultural, economic and technological environment between a developing nation such as India and the developed world, it is likely that some of the findings mentioned above may not be applicable to the Indian woman entrepreneur. For example, the research in developed nations indicates that most work-family conflict centres on the support (or lack of it!) received from one's spouse in child care and household activities. However, in several developing nations (including India), women have access to paid household help and higher levels of family support (due to the joint family system that is prevalent). Also, besides their parental and spousal roles, women in these nations have several other roles to play (e.g., daughter, sister, and inlaw) and these may also take up considerable amounts of their time and effort. For example, Naik (1992) found that Indian women managers spent a considerable amount of their time on these social role demands.

## Results and discussion

The majority of the women entrepreneurs studied were operating their businesses as private limited companies that were 100% owned by themselves. Only a 28.6% were partnerships- and 71.4% were 100% owned by self. The women were mostly young with nearly 74% being under 44 years of age. Over 90% were married with most being married over 10 years. They were fairly well educated with over 50% holding a university degree. Very few (34.5%) had previous experience of any type before they started their own business. Most of the women were in manufacturing sector with most being involved in the manufacturing of garments, leather goods or food items. It is noteworthy that over 50% of the respondents had a parent and/or spouse who was a business owner. Most (71.4%) operated their business as a sole proprietorship of the rest only three were in partnerships with their spouses. Some of these findings are similar to those found in other nations but there are some interesting differences. The respondents in this study had extremely low previous work experience level; however, several had families with business connections. The proportion of married women in this sample is also considerably higher than those found in other countries. For example, several studies in other countries indicate that women entrepreneurs are less likely to be married (Bowen and Hisrich, 1986; Shim and Eastlick, 1998; Stevenson, 1986) than their male counterparts. Also, the number of women operating manufacturing firms is higher than found in most western studies (e.g., Buttner and Moore, 1997).

**Table- 1****Characteristics of sample**

		<b>Number of Respondents</b>	<b>%</b>
<b>Type of Business</b>	Manufacturing	<b>42</b>	<b>60</b>
	Retailer	<b>4</b>	<b>5.8</b>
	Wholesaler	<b>8</b>	<b>11.4</b>
	Service	<b>8</b>	<b>11.4</b>
	Other	<b>8</b>	<b>11.4</b>
<b>Number of Full-time Employees</b>	5 or under	<b>30</b>	<b>42.8</b>
	6-10	<b>8</b>	<b>11.4</b>
	11-20	<b>20</b>	<b>28.5</b>
	21+	<b>12</b>	<b>17.3</b>
<b>Ownership</b>	100% Self	<b>50</b>	<b>71.4</b>
	Partnership	<b>20</b>	<b>28.6</b>
<b>Source of Funds</b>	Self	<b>28</b>	<b>40</b>
	Spouse/family	<b>5</b>	<b>7</b>
	Banks	<b>32</b>	<b>45.7</b>
	Other	<b>5</b>	<b>7.3</b>
<b>Age</b>	25-34	<b>20</b>	<b>28.5</b>
	35-44	<b>32</b>	<b>45.7</b>
	45-54	<b>10</b>	<b>14.2</b>
	55+	<b>8</b>	<b>11.6</b>
<b>Business Connections</b>	Parent in business	<b>12</b>	<b>17.1</b>
	Spouse in business	<b>20</b>	<b>28.5</b>
	Parent & spouse	<b>8</b>	<b>11.4</b>
	Other family	<b>6</b>	<b>8.5</b>
	None	<b>24</b>	<b>34.5</b>

**Problems faced by Women Entrepreneurs:**

The women in this sample faced problems similar to those faced by female entrepreneurs in other nations. Cash flow problems were the most commonly stated issue with "inadequate working capital", "promoting the business", "lack of managerial experience" and "lack of time" being mentioned very frequently.



Since most of these women (51%) used their own funds or funds borrowed from spouse/family to set up their business, problems associated with inadequate working capital are to be expected. While 43% had taken loans from a financial institution, for a significant proportion (38%), this was only a part of their original investment and not the primary source of funds. As in the case of women in other countries, a significant proportion of these women (66%) had no previous experience in business- either as employees or as owners. This may account for many of the other start-up problems faced by these women.

When asked what their most serious current problems were, the most common answer was again, "cash flow", followed by marketing and employee management. This, again, is not very different from findings from other countries. This is also reflected in the areas in which the training, most (43%) wanted marketing-related training.

### **Reasons for starting a Business**

The women were asked why they started a business in the first place. The most common reasons were financial in nature. Ten women said that they were motivated by financial rewards; six of these reported that they started their business to help the family financially or because their husbands were unemployed. Thus financial benefit seems to be a key motivating factor. This is contrary to findings from developed nations like Canada (Lavoie, 1992). An almost equal number said that they were motivated by "pull" factors- e.g., needing a challenge, wanting to try something on their own, to be independent or show others that they are capable of doing well in business. Several others were motivated by their interest in a particular craft and having time on their hands to pursue their interests. For these women, the business often started as a hobby;

then, as their friends and relatives started purchasing some of their products, the hobby slowly grew into a full-fledged business operation. A final motivator seems to be the urge to do something for other people example, providing employment to others, to be good role models to their children or just the need to do "something worthwhile". While these can be called "pull" factors, the focus here seems to be on factors outside of themselves or their personal success. Studies from other countries- especially developed nations- indicate that individual "push" factors such as dissatisfaction with jobs is a significant motivating factor in the case of women entrepreneurs (Berard & Brown, 1994; Charest, 1995). It is interesting that the "push" factors here were primarily related with their jobs or facing the "glass ceiling". Unlike their

western counterparts, these women were not starting a business at the peak of their childbearing years (as found by Belcourt, et al, 1991). The findings also differ from those found in other nations which indicate that women are motivated more by the need for achievement (Shane, et al, 1991), challenge and self-determination (Buttner & Moore, 1997) than monetary reasons. Balancing work and family does not seem to have been a major motivating factor for these women. In fact, only one woman mentioned the time flexibility that having your own business would offer as a reason for starting her enterprise.

## Conclusions

This study examined the problems faced by women in Uttarakhand in the starting and operation of their business, their reasons for starting in business, their reasons for succeeding, and the Problems faced by these women. While many studies in western nations had examined the above issues in the context of women entrepreneurs, very few studies had focused on women from the developing world. This exploratory study indicates that there may be both similarities and differences between the experiences of women from the developing world and the developed world. Specifically, this study found that the start-up problems faced by women in both cases may be similar but there are important differences in other areas. There were some differences in all three factors that Cooper (1981) identified as having an influence on entrepreneurial activities. These women were different from women entrepreneurs from western nations on some antecedent conditions (e.g., support services). Differences in reasons for starting a business and succeeding in it were also found. Some of these differences may be due to socio-cultural differences between India and other nations. For example, the lower levels of work-family conflicts found in this study may reflect the stronger family support systems that these women had and the availability of low-cost household help. Others might reflect differences in economic factors. For example, the Government of India has set up several funding programs specifically for women entrepreneurs and this may account for the fairly large number of women who had used outside funding agencies to start their businesses. As this study was primarily exploratory in nature, further research with larger samples from other parts of India and other developing nations is required to gather more generalizable results.

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