



# Role of Financial Institutions in Women Entrepreneurship Development in India – A Study

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## **Abstract:**

The Government of India, led by Prime Minister Modi, has promoted the initiative of 'Make in India' and strengthened the nation's youth to embark on entrepreneurial ventures. In response, a considerable number of aspiring entrepreneurs have emerged, eager to establish their own businesses. Concurrently, the role of financial institutions has become more prominent, as they are expected to provide the necessary financial support to these newly established startups. Entrepreneurship development encompasses the creation, funding, growth, and expansion of businesses or enterprises within an economy. This paper will focus on the role of banks in the development of entrepreneurship also what are the problems that are faced by banks in granting loans along with their contribution of entrepreneurship in India. The study is purely based on secondary data which is collected through magazines, journals and various other sources of secondary data. Women-owned enterprises have grown rapidly in India during the last two decades. The emergence and growth of women-owned businesses has significantly contributed to India's economic growth and development. The majority of women-owned businesses in our country are in the service sector. Women Entrepreneurs have contributed not only to economic progress but also to job opportunities, particularly for women. However, it is to be taken into consideration that woman entrepreneurs have to face a lot of hurdles and problems especially in fund generation. A women entrepreneur should have a good source of knowledge with regard to finance. Finance is the backbone or lifeblood of any firm or of an organization, and the lack of adequate financial support makes it very difficult to carry forward the business activities. The present study will focus on the role of banks and their contributions in encouraging women entrepreneurs. This paper also made an attempt to know the present scenario of women entrepreneurship in India.

**Keywords:** Entrepreneurship, banks, hurdles, support, women entrepreneurs.

## 1. Introduction

In recent years, entrepreneurship has garnered significant attention from students and young entrepreneurs, particularly in light of the current economic climate. The importance of this subject is amplified due to the dynamic nature of entrepreneurship in introducing innovation and growth into an economic system. However, a persistent challenge faced by small businesses and entrepreneurs is securing adequate financing, which has remained unresolved in many countries. To address this issue, microfinance banks have emerged in developing and emerging economies. Nonetheless, entrepreneurs continue to encounter obstacles such as collateral requirements and documentation, which hinder their ability to secure loans. Moreover, banks themselves face challenges in granting and recovering loans, further complicating the process for entrepreneurs. This study aims to investigate the problems encountered by both banks and entrepreneurs in the context of small business financing.

Women entrepreneurship has been found to hold significant importance for individuals, communities, and nations. Through the study of female entrepreneurship, researchers can gain a deeper understanding of entrepreneurship and human behaviour in general, as well as the interplay between entrepreneurship and various economic and social factors. Female entrepreneurs can be defined as women who initiate, organize, and run a business enterprise, and can be categorized as either innovative entrepreneurs, imitators, or adopters of business activities. The Schumpeterian concept of innovative entrepreneurs specifically refers to women who create new products, services, or business models. Kamal Singh, a female entrepreneur from Rajasthan, has provided a more nuanced definition of a woman entrepreneur, which includes traits such as confidence, innovation, and creativity, as well as the ability to generate employment opportunities for others. This definition highlights the multifaceted nature of female entrepreneurship, which can involve balancing personal, family, and social responsibilities while still achieving economic independence and contributing to the broader economy. Overall, the study of female entrepreneurship can provide valuable insights into the complex interplay between gender, entrepreneurship, and economic development, and can inform policies and practices aimed at promoting women's economic empowerment and social inclusion. The Indian government has defined women entrepreneurs based on their participation in equity and employment in business enterprises. According to the GOI (2006) definition, a women entrepreneur is an enterprise owned and controlled by a woman with a minimum financial interest of 51% of the capital and providing at least 51% of the employment generated to women. However, this definition has faced criticism due to the requirement of employing more than 50% women workers in enterprises owned and run by women. In essence, women entrepreneurs are individuals who initiate, organize, and manage a business enterprise, assuming all the risks and uncertainties involved in running a business, while controlling a minimum of 51% of the capital and employing a significant proportion of women workers.

## 2. Reasons for Women to Become Entrepreneurs

The glass ceilings are shattered and women are found indulged in every line of business. The entry of women into business in India is traced out as an extension of their kitchen activities, but with the spread of education and passage of time women started shifting to modern sectors like Energy, Electronics and Engineering. In the realm

of business, skills, knowledge, and adaptability are pivotal factors that enable women to emerge as successful entrepreneurs. The entrepreneurial spirit is inherent in women, who are driven by a strong desire to create positive impact in both their personal and social lives. With the advent of media, women are becoming increasingly aware of their rights and the opportunities available to them. The digital era has created a plethora of challenges and opportunities for women, leading many to transition from job seekers to job creators. Traumatic events, such as divorce, discrimination during pregnancy, or the corporate glass ceiling, can serve as catalysts for women to start their own businesses. Additionally, economic factors like layoffs can also motivate women to become entrepreneurs. However, it is important to note that the current era is witnessing a new wave of women entrepreneurs who are choosing to leave the corporate world to pursue their own goals and aspirations. These women are excelling in various fields, including design, interior decoration, exporting, publishing, garment manufacturing, and more. Their entrepreneurial ventures are not only contributing to the economy but also fostering innovation and creativity. As the business landscape continues to evolve, it is essential to recognize and support the growing pool of women entrepreneurs who are shaping the future of commerce.

### 3. Review of literature

The past 50 years have seen significant changes in the status and political weight of women entrepreneurs, as well as a rapid increase of interest and research on women entrepreneurship development. In fact, starting with the first papers in the early 1970s, research on female entrepreneurship has expanded to a variety of disciplines, methods and countries.

Studies conducted in the majority of the Western countries identify three main types of barriers against female entrepreneurship. First, the socio-cultural status of women, which identifies the primary role of women with family and domestic responsibilities and reduces the credibility of women intent on setting up businesses in a variety of ways. Then, the access to networks of information and assistance, which are often the main source of information and contacts, but which equally often comprise more or less overt mechanisms of gender exclusion (Aldrich et al., 1989). Finally, access to capital; whether women entrepreneurs apply to an institutional financier (a bank, a finance agency), a friend, a relative or even her spouse, they are likely to come up against the assumption that “women can’t handle money”. Deconstructing the gender assumptions implicit in the mainstream entrepreneurial literature finds an ally in research on minority-owned firms. The literature on these firms has shown that the presumption of their failure is due to psychological or racial non-conformity, not with discriminatory behaviour consequent on prejudices and stereotypes (Chotigeat et al., 1991; Butler, 1991; Feagin, 1987). These studies describe a “discrimination-in-lending” due to prejudices and stereotypes, although the argument usually adduced in defence of this explanation is that such businesses are economically less viable. Of interest is Thompson’s (1989) explanation for the persistence of the prejudice, namely that it springs from acceptance of the neoclassical view of a capitalist economy and its individualistic assumption. People who fail are individually responsible for their choices, or they do not possess the appropriate character traits. The difficulties encountered by women entrepreneurs, not only in gaining access to credit (Fay and Williams, 1993; Riding and Swift, 1990), testify to the (and construct a) difficulty in gaining access to resources made available. Against the background of the trends just described, attempts have been made to draw up typologies of women

entrepreneurs. If the best-known classifications are combined (Goffee and Scase, 1985; Cromie and Hayes, 1988; Monaci, 1997), it is possible to identify the following “ideal-typical” profiles of women entrepreneurs. The “aimless” young women who set up a business essentially as an alternative to unemployment. The “success-oriented” young women for whom entrepreneurship is not a more or less random or obligatory choice but a long-term career strategy. The “strongly success-oriented” women, usually without children, who view entrepreneurial activity as an opportunity for greater professional fulfilment or as a means to overcome the obstacles against career advancement encountered in the organizations for which they previously worked. The “dualists”, often with substantial work experience, who must reconcile work and family responsibilities and are therefore looking for a solution which gives them flexibility.

#### **4. Research Methodology**

The study is mainly based on the secondary data source which is collected from various research papers, journals, websites, magazines, and doctoral thesis. The present study has only focused on women entrepreneurship development, so there is wide scope for further research in the area of entrepreneurship development in India by comparing present status of men- women entrepreneurs in India. Also, present study has only focused on the role of banks for encouraging women entrepreneurs in India. However, there are number of options / schemes available for supporting women entrepreneurs in India. Also, primary data can be used for obtaining / enhancing better findings of the study.

#### **5. Limitations**

1. Only secondary data is used for this study
2. Limited time was available for the researcher to complete/present current study

#### **6. Objectives**

1. To study the role of banks in women entrepreneurship development in India.
2. To know the problems faced by banks in granting and in recovering of loans.
3. To know the challenges faced by women entrepreneurs in India.

#### **7. Role of Indian Government in Promoting Women Entrepreneurs**

The government of India and its different agencies are playing key role in facilitating women empowerment and promoting women entrepreneurship with the support of NGOs. Despite concerted efforts of governments and NGOs still there are certain gaps among the woman population. Of course, we have come a long way in empowering women and hope, the Indian Government will bring up some more measures in motivating women entrepreneurs. The Government of India has launched various schemes for women entrepreneurs, few of them are as under:

- Integrated Rural Development Programme (IRDP)
- Khadi and Village Industries Commission (KVIC)
- Training of Rural Youth for Self-Employment (TRYSEM)
- Prime Minister's Rojgar Yojana (PMRY)



- Entrepreneurial Development Programme (EDPs)
- Management Development Programmes
- Women's Development Corporations (WDCs)
- Marketing of Non-Farm Products of Rural Women (MAHIMA)
- Assistance to Rural Women in Non-Farm Development (ARWIND) schemes
- Trade Related Entrepreneurship Assistance and Development (TREAD)
- Working Women's Forum
- Indira Mahila Yojana
- Indira Mahila Kendra
- Mahila Samiti Yojana
- Mahila Vikas Nidhi
- Micro Credit Scheme Rashtriya Mahila Kosh
- SIDBI's Mahila Udyam Nidhi
- Mahila Vikas Nidhi
- SBI's Stree Shakti Scheme
- NGOs Credit Schemes
- Micro & Small Enterprises Cluster Development Programmes (MSECDP)
- National Banks for Agriculture and Rural Development Schemes
- Rajiv Gandhi Mahila Vikas Pariyojana (RGMVP)

## 8. Status of Women Entrepreneurship in India

Entrepreneurship has been recognized as a crucial element in the advancement of society, and India, in particular, has been identified as a country with a below-par performance in terms of women's entrepreneurship. According to the Global Entrepreneurship and Development Institute (GEDI) and Dell's gender-focused global entrepreneurship survey conducted in July 2013, India ranks 16th out of 17 countries surveyed, with Uganda being the only country below it. This positions India as a country with a relatively low level of women's entrepreneurial activity compared to other countries. The survey findings suggest that the status of higher education for women in India is lower than that of many other countries, which may hinder their ability to engage in entrepreneurial pursuits. Moreover, the participation of women in large-scale industries and technology-based businesses is limited, with only a small proportion of micro and small enterprises being owned or managed by women. According to the third all-India census of Small-Scale Industries, only 10.11% of these enterprises are owned by women, and only 9.46% are managed by them. Despite the growing trend of women

starting their own businesses globally, women in India continue to face significant obstacles that inhibit the growth of their enterprises. These challenges include a lack of access to capital, rigid social norms, and limited time and skills. These constraints can hinder the ability of women to fully capitalize on the entrepreneurial potential that exists in India, thereby hindering the overall development of the country.

## 9. Financial Institutions Assisting Women Entrepreneurship in India

For a considerable duration, financial institutions have been instrumental in providing vital financial assistance and consultancy services to women entrepreneurs, contributing significantly to their satisfaction and success in various business ventures. This robust support network involves a diverse array of institutions, each playing a crucial role in fostering women-led enterprises. The notable entities in this landscape include:

- i. National Small Industries Corporation (NSIC):** NSIC, as a key player, facilitates financial support and advisory services tailored to the needs of women entrepreneurs, bolstering their growth and sustainability.
- ii. All-India Development Banks (AIDBs):** A group comprising institutions like IDBI, IFCI, ICICI, IIBI, IDFC, and SIDBI, AIDBs are pivotal in providing comprehensive financial solutions to women entrepreneurs, ensuring a diverse range of support.
- iii. Specialized Financial Institutions (SFIs):** SFIs such as Exim Bank and NABARD contribute to the financial landscape, offering specialized assistance that caters to the unique requirements of women in business.
- iv. Investment Institutions:** Institutions like LIC, GIC, NIC, NIA, OIC, UII, and UTI play a role in channeling investment into women-led enterprises, fostering financial stability and growth.
- v. Regional/ State-Level Institutions:** Entities like NEDFI, SIDCs, and SFCs at the regional and state levels actively engage in extending financial support and guidance to women entrepreneurs, acknowledging the importance of localized strategies.
- vi. Commercial Banks:** Mainstream commercial banks form a critical part of the support structure, providing accessible financial services to women entrepreneurs, thereby enabling their business ventures to thrive.
- vii. Co-operative Banks:** Co-operative banks contribute to financial inclusion by offering cooperative financial services to women entrepreneurs, fostering community-based economic growth.

This collaborative effort of diverse financial institutions signifies a comprehensive approach to empower and uplift women entrepreneurs, ensuring their financial needs are met through specialized services and targeted support programs.

## 10. Role of Banks in Women Entrepreneurship Development

Banks, serving as integral pillars of the Indian economy, emerge as crucial agents in the empowerment of women and the promotion of women entrepreneurs. With a widespread presence, including in the remotest corners of the country, public sector banks have historically constituted a fundamental support structure for addressing women's financial needs. Throughout various stages of life, from educational financing to establishing livelihoods, these banks have played a pivotal role in fostering financial inclusion for women in India. Public sector banks have taken proactive measures by introducing women-centric and women-only financing and loan schemes. These initiatives aim to provide financial opportunities to women entrepreneurs, offering lower interest

rates and relaxed loan rules. Despite these efforts, social and cultural barriers persist, hindering women's access to banking services. Comparatively, the statistics present a challenging scenario, with women holding only 24% of total operational bank accounts and 28% of total deposits in the country. The gender disparity becomes even more apparent in credit supply, where only 12% of individual bank loan accounts belong to women.

While government initiatives and efforts from public sector banks have been noteworthy, the existing gap in women's participation in the banking sector signals the need for more comprehensive strategies. Addressing cultural and social barriers is imperative to create an environment that encourages greater female participation in banking services, ensuring a more equitable and inclusive financial landscape for women across the nation.

### Commercial Banks and Sustainable Development of women Entrepreneurship

Commercial banks and sustainable development play crucial roles in supporting and empowering women entrepreneurs, contributing to their growth and fostering a more inclusive economic landscape. Here's how they can be beneficial:

#### 1. Access to Capital:

- Commercial banks provide women entrepreneurs with access to capital through various financial products such as business loans, credit lines, and microfinance.
- Sustainable development initiatives ensure that financial resources are allocated responsibly, supporting businesses that align with environmental, social, and governance (ESG) criteria.

#### 2. Financial Inclusion:

- Commercial banks contribute to financial inclusion by offering women entrepreneurs banking services, allowing them to manage finances efficiently.
- Sustainable development practices ensure that financial services are extended to marginalized and underserved communities, promoting inclusivity.

#### 3. Training and Capacity Building:

- Commercial banks often offer training programs and capacity-building initiatives to enhance the financial literacy and business acumen of women entrepreneurs.
- Sustainable development initiatives may include support for educational programs that empower women with the knowledge and skills necessary for sustainable business practices.

#### 4. Tailored Financial Products:

- Commercial banks can design and offer specialized financial products tailored to the unique needs of women entrepreneurs, such as lower-interest loans or flexible repayment terms.
- Sustainable development goals encourage the creation of financial products that align with environmental and social sustainability, fostering responsible and ethical business practices among women entrepreneurs.

## 5. Networking and Mentorship:

- Commercial banks can facilitate networking opportunities and mentorship programs for women entrepreneurs, connecting them with industry experts and potential collaborators.
- Sustainable development practices may involve fostering a community of like-minded businesses committed to sustainable growth, providing a supportive network for women entrepreneurs.

## 6. Economic Empowerment:

- Through access to financial resources and support, women entrepreneurs can contribute significantly to economic development, creating job opportunities and driving local economies.
- Sustainable development goals aim to create a balanced and equitable economic environment, ensuring that growth is environmentally sustainable and socially inclusive.

## 7. Corporate Social Responsibility (CSR):

- Commercial banks can incorporate CSR initiatives that directly benefit women entrepreneurs and promote their economic empowerment.
- Sustainable development practices within banks may involve aligning CSR activities with global sustainability goals, reinforcing the positive impact on both women entrepreneurs and the environment.

In essence, the synergy between commercial banks and sustainable development creates a conducive environment for the growth and success of women entrepreneurs. By aligning financial support with sustainable and socially responsible practices, these institutions contribute not only to the empowerment of women but also to the overall well-being of communities and the planet.

## 10.2 Problems faced by Banks in granting and recovering loans

There are various problems that are faced by banks while granting and recovering loans, the major problems faced by banks are:

a) **Problems of loan default:** Loans are classified as problem credits when they cannot be repaid. Problem loans and losses essentially reflect the difficult risk inherent in a borrower's ability and willingness to repay all obligations. The lending process by its nature is imperfect. Credit analysis may be incomplete or based on faulty data. Loan officers may ignore the true condition of borrowing with strong personal ties with the bank, and a borrower's ability to repay may simply change after a loan is granted. If management concentrates solely on minimizing losses, a bank will make virtually no loans; profit will shrink and the legitimate credit needs of customers will not be met. Lenders cannot completely eliminate risks, so more loan losses are expected. The objective is to manage losses well so that the bank can meet its risks and returns targets.

b) **Lack of collateral:** Collateral is a property or other asset that a borrower offers as a way for a lender to secure the loan. If the borrower stops making the promised loan payments, the lender can seize the collateral to recoup its losses. Since collateral offers some security to the lender if the borrower fails to pay back the loan, loans that are secured by collateral typically have lower interest rates than unsecured loans. A lender's claim to a borrower's collateral is called a lien. If banks granted loans without collateral security, then it will face severe



problems while recovering loans.

## 11. Challenges faced by women entrepreneurs in India

**i) Legal constraints in family law:** The institutional and legal environment is critical to the growth of female-owned enterprises. Laws regulating the private sphere specifically those regarding marriage, inheritance and land can hinder women's access to assets that can be used as collateral when securing a loan.

**ii) Heavy household responsibilities:** leave a demand on women especially those in rural areas who have more children. They are required to perform their traditional role as housewives and therefore, they have fewer hours of free time than men, both during the weekend and on weekdays. An ILO report on women entrepreneurship identifies the following problems faced by women entrepreneurs.

**iii) Lack of family support:** Sometimes the family may make the women feel guilty of neglecting household duties in her pursuit of business obligations. Cultural traditions may hold back a woman from venturing into her own business.

**iv) Lack of capital:** traditional sources of finance like banks are reluctant to lend to women entrepreneurs especially if they do not have any male or family backing. This is especially true of lower income females. Women do not have adequate finance or legal knowledge to start an enterprise.

**v) Lack of confidence and faith:** lack of role models undermines the self Confidence of women entrepreneurs. The activity of selling is considered abhorrent to the female gender.

**vi) Lack of right public/private institutions:** Most public and private incentives are misused and do not reach the woman unless she is backed by a man. Also, many trade associations like ministries, chambers of commerce do not cater to women expecting women's organizations to do the necessary thing.

**vii) Conflicts between Work and Domestic Commitments:** Women's family obligations also bar them from becoming successful entrepreneurs in both developed and developing nations. "Having primary responsibility for children, home and older dependent family members, few women can devote all their time and energies to their business" (Starcher, 1996)

**viii) Gender gaps in education:** While women are making major strides in Educational attainment at primary and secondary levels, they often lack the Combination of education, vocational and technical skills, and work experience needed to support the development of highly productive businesses.

**ix) Lack of finance:** Access to finance is one of the most common challenges that entrepreneurs face and this is especially true for women who are further Women Entrepreneurship in India 1145 impeded by lack of personal identification, lack of property in their own name and the need for their husband's counter signature on many documents.

## 12. Findings of the study:

The challenges faced by women entrepreneurs in India are multifaceted, encompassing issues that range from societal norms to institutional barriers. One significant hurdle is the lack of family support, where women may experience guilt for seemingly neglecting household duties in pursuit of their business goals. Cultural traditions further exacerbate this challenge, restraining women from venturing into entrepreneurship. Additionally, the lack of capital acts as a formidable barrier, with traditional sources like banks exhibiting reluctance, especially when women lack male or family backing. This financial constraint is particularly pronounced among lower-

income females who may not possess the requisite financial or legal knowledge to initiate and sustain an enterprise.

Moreover, the scarcity of role models undermines the self-confidence of women entrepreneurs, perpetuating a perception that entrepreneurial activities, particularly those involving sales, are incongruent with the female gender. The absence of suitable public and private institutions compounds these challenges. Incentives often fail to reach women unless they are backed by a man, and many trade associations and chambers of commerce overlook women entrepreneurs, placing the burden on women's organizations to fill the void. To address these issues, the government must formulate appropriate policies, providing networking facilities, entrepreneurship awareness training through local NGOs, accessible credit facilities, and marketing assistance. These initiatives are crucial in fostering a culture of entrepreneurship among women in India, empowering them to overcome societal and institutional barriers and contribute significantly to economic growth.

### 13. Conclusion

The current scenario reflects a notable increase in women's participation in entrepreneurship, constituting nearly 45% of the Indian population. Recognizing the significant role of women entrepreneurs in economic development, there is a growing emphasis on providing them with entrepreneurial awareness, orientation, and skill development programs. Women are increasingly taking up activities traditionally considered the domain of men, contributing significantly to the nation's wealth and family prosperity. The changing trends and challenges in global markets require women entrepreneurs to be equipped with the necessary traits and skills, fostering excellence in the entrepreneurial arena.

Various agencies and institutions, with banks at the forefront, share the responsibility of entrepreneurship development and financing. In this context, active involvement of authorities and banks is crucial. Banks, by participating in SME development and financing, not only expand their client base but also diversify into new business areas, positively impacting their overall portfolio. This engagement positions banks as key players in community and economic development, garnering a positive outlook as contributors to both societal and economic growth.

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