



# A Study on the Role of Banking in Women Entrepreneurship Development in India

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## Abstract

Recently present Government of India (Modi Govt.) has made a call for make in India and encourages young Indian talents to start their own new business or undertake ventures. After that many new entrepreneurs came forward to start business. At the same time the role of financial institution increased as they should meet the need of financial assistance to new startup company. Entrepreneurship development is a concept that has to do with the formation, financing, growth and expansion of business or enterprises in 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. In the last two decades, women-owned businesses have picked up a high pace in India. The emergence and growth of women-owned enterprises have greatly contributed towards the economic growth and development of India. In our country most of the women enterprises are related to service sectors. Women entrepreneurs have contributed not only for economic development but also provided opportunity for employment especially for women job-seekers. 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 focused 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, growth, support, business enterprises, women entrepreneurs.*

## 1. Introduction

Entrepreneurship has been one of the most popular subjects that have aroused the interest of students and young entrepreneurship in large measure. The importance of the subjects is magnified manifold in today's economic climate. Entrepreneurship introduces a critical element of dynamism into an economic system. The issue of getting finances for the small businesses and entrepreneurs is always been in debate and remain unresolved in many countries due to unavailability of qualified venture capitalists. The developing and emerging economies set the micro finance banks for this purpose, however, it is argued that the owner and entrepreneur faces many problems like collaterals, documentation, etc. Even banks have problems while granting loan and recovering loan. So this study is conducted to know the problems faced by both banks and borrowers i.e. entrepreneurs.

Various studies say that Female entrepreneurship matters for individuals, for communities and for countries. Studying female entrepreneurship contributes to our understanding of entrepreneurship and human behavior in general, and allows researchers to ask questions that shed light not only on why women behave the way they do but also on the linkages between entrepreneurship and wealth creation, employment, human capital accumulation, labour market dynamics and many others. Women entrepreneur may be defined as a woman or group of women who initiate, organize, and run a business enterprise. In terms of Schumpeterian concept of innovative entrepreneurs, women who innovate, imitate or adopt a business activity are called "women entrepreneurs". Kamal Singh who is a woman entrepreneur from Rajasthan, has defined woman entrepreneur as "a confident, innovative and creative woman capable of achieving self-economic independence individually or in collaboration, generates employment opportunities for others through initiating, establishing and running the enterprise by keeping pace with her personal, family and social life." The Government of India has defined women entrepreneurs based on women participation in equity and employment of a business enterprise. Accordingly, the Government of India (GOI2006) has defined women entrepreneur as "an enterprise owned and controlled by a women having a minimum financial interest of 51 per cent of the capital and giving at least 51 per cent of the employment generated in the enterprise to women." However, this definition is subject to criticism mainly on the condition of employing more than 50 per cent women workers in the enterprises owned and run by the women. In nutshell, women entrepreneurs are those who think of a business enterprise, initiate it, organize and combine the factors of production, operate the enterprise and undertake risks and handle economic uncertainty involved in running a business enterprise and assumes to accept all business risks.

## 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, mainly 3P's, Pickle, Powder and Pappad. But with the spread of education and passage of time women started shifting from 3P's to modern 3E's i.e., Energy, Electronics and Engineering. Skill, knowledge and adaptability in business are the main reasons for women to emerge into business ventures. Women Entrepreneur is a person who accepts challenging role to meet her personal needs and become economically independent. A strong desire to do something positive is an inbuilt quality of entrepreneurial women, who is capable of contributing values in both family and social life. With the advent of media, women are aware of their own traits, rights and also the work situations. The challenges and opportunities provided to the women of digital era are growing rapidly that the job seekers are turning into job creators. Many women start a business due to some traumatic event, such as divorce, discrimination due to pregnancy or the corporate glass ceiling, the health of a family member, or economic reasons such as a layoff. But a new talent pool of women entrepreneurs is forming today, as more women opt to leave corporate world to chart their own destinies. They are flourishing as designers, interior decorators, exporters, publishers, garment manufacturers and still exploring new avenues of economic participation.

## 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 barrier 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.

#### Limitations

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

#### 5. 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.

## 6. 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 brings 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 Ministers Rojgar Yojana (PMRY)
- Entrepreneurial Development programme (EDPs)
- Management Development programmes
- Womens 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
- SIDBIsMahila Udyam Nidhi
- Mahila Vikas Nidhi
- SBIs Stree Shakti Scheme
- NGOs Credit Schemes
- Micro & Small Enterprises Cluster Development Programmes (MSE-CDP).
- National Banks for Agriculture and Rural Development Schemes
- Rajiv Gandhi Mahila Vikas Pariyojana (RGMVP)

## 7. Status of women entrepreneurs in India

Entrepreneurship is considered as one of the most important factors contributing to the development of society. India has been ranked among the worst performing countries in the area of women entrepreneurship in gender-focused global entrepreneurship survey, released in July 2013 by PC maker Dell and Washington based consulting firm Global Entrepreneurship and Development Institute (GEDI). Of the 17 countries surveyed India ranks 16th, just above Uganda. Countries like Turkey, Morocco and Egypt has outperformed India. Status of higher education in women in India came out to be lower than most countries in the world. At present, women's entrepreneurial role is limited in the large scale industries and technology based businesses. But even in small scale industries, the women's participation is very low. As per the third all-India census of Small Scale Industries, only 10.11% of the micro and small enterprises were owned by women, and only 9.46% of them were managed by women. While the number of women operating their own business is

increasing globally, women continue to face huge obstacles that stunt the growth of their businesses, such as lack of capital, strict social constraints, and limited time and skill.

## 8. Financial Institutions Assisting Women Entrepreneurship in India

For the past several years, financial institutions have been playing a pivotal role in giving financial assistance and consultancy services to women entrepreneurs and making them satisfied. These institutions include: i) National Small Industries Corporation (NSIC), ii) All-India Development Banks (AIDBs), viz. IDBI, IFCI, ICICI, IIBI, IDFC and SIDBI, iii) Specialized Financial Institutions (SFIs), viz. Exim Bank and NABARD, iv) Investment Institutions, viz. LIC, GIC, NIC, NIA, OIC, UII and UTI, v) Regional/ State-Level Institutions, viz. NEDFI, SIDCs and SFCs, vi) Commercial Banks, vii) Co-operative Banks, etc

## 9. Role of Banks in Women Entrepreneurship Development

Banks are one of the primary pillars of Indian economy and, therefore, are an ideal agent to play a key role in women empowerment and promoting women entrepreneurs as concerned. We have number of Public sector banks in India, which have their presence even in the remote corners of the country. They have traditionally been first and foremost support structure for women as far as their financial needs are concerned. The schemes and facilities related to educational financing at a very early age or financial assistance for setting up livelihood or stable source of income in youth; banks have always played a very important role in enhancing financial inclusion of women in the Indian economy. All major public sector banks have announced women centric and women only financing and loan schemes that offer financing opportunities at lower interest rate and relaxed loan rules for the benefit of women entrepreneurs. Despite, all the best efforts from the government and PSU Banks, women still remained away from banks and its services due to social and cultural barriers that prevent women to access the banking services. If we look at the comparative statistics regarding women in the banking sector, it paints a rather gloomy picture. With women holding only 24% of total operational bank accounts in the country and 28% of total deposits; the participation of women in the banking sector is definitely not at an acceptable level. Especially when it comes to credit supplied, only 12% of individual bank loan accounts belonged to women, which clearly shows a disparity of two genders in access to banking services.

### 9.1. Commercial Banks & Sustainable Development of Women Entrepreneurs

Commercial banks have provided assistance to women entrepreneurs to a large extent. This has directly led to the:

- Increase in Income
- Growth of Assets
- Improved Standard of living
- Increase in Women's Decision-making Power
- Increase in Community Participation

The reasons behind non-participation of women in Banking Sector are:

- Lack of knowledge regarding the banking services
- Non-availability of banking services in remote areas
- High formalities to be fulfilled to avail loan
- Lack of women-centric banks

## 9.2. 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:

**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.

**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.

## 10. Challenges faced by women entrepreneurs in India

- 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)
- 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.
- 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.

- iv. **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.
- v. **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.
- vi. **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.
- vii. **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.
- viii. **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.
- ix. **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.

## 11. Findings

- 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.
- 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.
- 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.
- 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. The government must evolve appropriate policies to help women entrepreneurs. Networking facilities must be provided as well as adequate entrepreneurship awareness training should be provided using the help of local NGOs. Credit facilities must be made available and marketing help must be provided. All these will help foster a culture of entrepreneurship among women in India.

## 12. Conclusion

It can be said that today we are in a better position wherein women participation in the field of entrepreneurship is increasing at a considerable rate. Women sector occupies nearly 45% of the Indian population. At this juncture, effective steps are needed to provide entrepreneurial awareness, orientation and skill development programs to women. The role of Women entrepreneur in economic development is also being recognized and steps are being taken to promote women entrepreneurship. Entrepreneurship among women, no doubt improves the wealth of the nation in general and of the family in particular. Women today are more willing to take up activities that were once considered the preserve of men, and have proved that they are second to no one with respect to contribution to the growth of the economy. Women entrepreneurship must be molded properly with entrepreneurial traits and skills to meet the changes in trends, challenges global markets and also be competent enough to sustain and strive for excellence in them entrepreneurial arena.

The task of entrepreneurship development and financing is being shared by several agencies and institutions among which banks are the most important ones. Entrepreneurship development is the need of the hour, therefore authorities and the banks should actively involve themselves in this task. Banks benefit from their involvement in the development and financing of SMEs by increasing their client base and thus diversifying into new areas of business that will eventually reflect positively on the banks' portfolio. This is in addition to the positive outlook on the banks, as they are seen to be playing a key role in developing the community and the economy.

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