

The Impact of Microfinance on Women Entrepreneurs in Uttarakhand, India

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Abstract

This research paper explores the impact of micro financing on women entrepreneurs in the state of Uttarakhand in India. The state is spread over 13 districts of hilly and Terai terrain and its 47% of total population comprises of women. Almost two-third of its total population resides in the rural areas, where poverty and daily grind of eking is extremely challenging. Women have been strong pillars in development of the state and entrepreneurship amongst women is one of the ways towards economic independence and subsequent empowerment. Entrepreneurship is a way to bring a transformation in the economic, social, political and legal status of rural women folk. The status of rural women in Uttarakhand and elsewhere has always remained marginalized due to low literacy level and lack of avenues to gain economic independence. This particular research endeavour explores the different dimensions of entrepreneurship amongst women in the state of Uttarakhand, India. A demographic profile of 100 women entrepreneurs availing the micro financing schemes, nature of occupation pursued and major obstacles faced has been identified in the terai region of Uttarakhand through a structured questionnaire. Simple statistical tools have been used for analysis and interpretation.

Keywords: *Uttarakhand, Terai, women, entrepreneurship, microfinance, economic independence, empowerment.*

Introduction

Microfinance includes a gamut of financial services for individuals and households that provide assistance in economic upliftment and a chance for better standard of living. Microfinance is not a recent phenomenon. This approach was first adopted by Dr. Muhammad Yunus for reduction of poverty and promoting economic development in Bangladesh. Due to its tremendous contribution toward alleviation of poverty, he was awarded the International Nobel Peace Prize in the year 2006. Microfinance provides the

necessary impetus for women entrepreneurs who lack the indispensable financial resources needed for the venture to be successful. It provides financial impetus and skill enhancement initiative. Entrepreneurship is the process of setting up a new business activity or reviving an existing one. It is a means of creating wealth and jobs. Women entrepreneurs are business owners or creators who are working towards enhancing their economic strength and social position in the society. Women entrepreneurship has come a long way in the state. The resultant empowerment of women is extremely crucial as it plays a pivotal role in bringing in the much needed gender equality. It is not only a way to gain security and self sufficiency but also a path which brings prosperity and gainful employment for self and others in agrarian economy like that of Uttarakhand.

Uttarakhand was carved out in the year 2000 from the hill districts of Uttar Pradesh and has two prominent regions of Garhwal and Kumaon. The women of the state have always been the torch bearers and have played a significant role in the formation of the state and its developmental activities like the “Chipko Andolan”. The society has a traditional outlook with a contemporary approach. In past women have actively participated in the agriculture and related work in hills and rural areas. With passing times women have become more aware and more conscious of their rights and position. With the spread of education they have become more pragmatic and careful in the choice of ways and methods that would lead to increase in their economic and social well being.

Micro financing here comes as a useful mechanism providing financial support to procure raw material, machines and equipments to fulfill the needs for working capital to rural women who have traditionally remained marginalized. It also provides training and skill development to improve the usage of this small finance to overcome the various challenges and enhance their ability of loan repayment.

Literature Review

Kishore N. Choudhary (2011) advocated the enhanced role of women entrepreneurs. It plays a pivotal role in bringing improvement and enhancing their status socially and economically. **Padhi et. al. (2014)** identified the different reasons for starting of new venture. Self identity is an important reason that can be explained as deep desire for recognition that is significant in giving rise to an entrepreneurial venture. Innovative thinking

too, is equally another important reason for sparking an entrepreneurial venture. Education which is a means of emancipation gives the necessary confidence to start new ventures.

Cohen (2002) argued that the microfinance institutions need to be more client focused. **Kabeer (2001)** emphasized that empowering women by microfinance needs to be more than a mere accessory. It needs to consider strategic or structural gender specific changes. In case of women the focus is on gainful employment that also brings sustainable development. Sustainable development is the need of the hour so that the future generations could also enjoy the limited resources. **Iyer and Krishna (2003)** considered empowerment to increase the capacity of individuals and groups to make them effective in terms of nature, process and outcomes. Women entrepreneurship plays an important role in the economic development of a country. **Ochola and Okelo (2013)** found that women entrepreneurs enhance livelihoods within the family and lead to cumulative wealth creation at the national level. However, literature also states that due to low literacy rates the women entrepreneurs in country like India need to be taught and trained to be more productive. **Karnani (2007)**.

Kumar et. al. (2010) identified the lack of financial and marketing support as major problems faced by rural women entrepreneurs. **Arya and Ansari (2016)** identified some problems as lack of financial support, less risk bearing capacity, illiteracy, dual responsibility of business and family and lack of training and developmental support, the other constraints being mobility and infrastructure. The traditional patriarchal system of the Indian society that places male at dominant position results in taking the female led ventures less seriously. **Ocholah and Okelo (2013)** proposed a conceptual frame work to understand the factors that determine the loan repayment. The factors identified are market knowledge, financial availability, training on loan repayment and group membership.

Sultan (2015) stated that the women have been the focus of microcredit programs for betterment and empowerment but the complete benefit can only be achieved if social stigmas associated with patriarchal structure of the society may be diluted by exposing the beneficiaries to the outside world.

Research Methodology

Micro financing institutions are formed to provide the necessary impetus for growth to female entrepreneurs. This research adopts a descriptive and exploratory approach. An exhaustive literature review was done beforehand to prepare a questionnaire which was

administered with the help of selected volunteers in the Udham Singh Nagar district of Terai region in Uttarakhand. The data was collected from the rural women who have availed the small financial support in this district. 100 completely filled questionnaires were considered for the study. This research attempts to fulfill the following objectives for the rural women beneficiaries:

Objectives

- To understand the demographic profile of the women entrepreneurs.
- To understand the role of microfinance in accomplishing the objectives of women entrepreneurs.
- To understand the nature of activities pursued by them.
- To understand the challenges faced by women entrepreneurs.

Data analysis and interpretation

Table 1 below shows the educational qualification of our rural women respondents.

Table 1: Educational Qualification

	Frequency	Percent	Valid Percent	Cumulative Percent
No Formal Education	24	24.0	24.0	24.0
Primary School	48	48.0	48.0	72.0
Diploma Holder	7	7.0	7.0	79.0
Bachelor Degree	16	16.0	16.0	95.0
Master's Degree	5	5.0	5.0	100.0
Total	100	100.0	100.0	

24% of the microfinance beneficiaries entrepreneurs have no formal education, 48% are educated till primary school, 7% are diploma holders, 16% have a bachelor's degree and 5% have masters' degree.

Table 2 below shows the marital status. Marital status is important as it is an important indicator in determining the responsibilities.

Table 2 :Marital Status

	Frequency	Percent	Valid Percent	Cumulative Percent
Married	77	77.0	77.0	77.0
Not Married	6	6.0	6.0	83.0
Widow	17	17.0	17.0	100.0
Total	100	100.0	100.0	

77% of the surveyed females are married, 6% are unmarried and 17% are widows.

Table 3 below shows the profession/occupation pursued by female beneficiaries.

Table 3 :Profession/Occupation

	Frequency	Percent	Valid Percent	Cumulative Percent
Petty Retail trader	59	59.0	59.0	59.0
Wholesale trader	16	16.0	16.0	75.0
Valid Artisan	4	4.0	4.0	79.0
Handicrafts	4	4.0	4.0	83.0
Other	12	12.0	12.0	95.0
None, only farming	5	5.0	5.0	100.0
Total	100	100.0	100.0	

59% are working as petty retail traders, 16% as wholesale traders, 4% are artisans or engaged in handicrafts making, 5% are engaged in farming and 12% have opted for other activities.

Table 4 below shows the income of the family.

Table 4:House Hold Income

	Frequency	Percent	Valid Percent	Cumulative Percent
below Rs. 50,000	17	17.0	17.0	17.0
Rs.50,001 to Rs.1,00,000	35	35.0	35.0	52.0
Rs.1,00,001 to Rs. 2,00,000	17	17.0	17.0	69.0
Valid Rs. 2,00,001 to Rs. 3,00,000	19	19.0	19.0	88.0
Rs.3,00,001 to Rs. 4,00,000	6	6.0	6.0	94.0
Rs. 4,00,001 and above	6	6.0	6.0	100.0
Total	100	100.0	100.0	

17% have income below Rs.50,000 per annum.35% have income between Rs.50,001 to Rs.1,00,000. 17% have income between Rs.1,00,001 to Rs. 2,00,000, 19% have income ranging between Rs.2,00,001 to 3,00,000 and 6% respondents each have income level between 3,00,001 to 4,00,000 and 6% of the respondents have income above Rs.4,00,001 on annual basis.

Table 5 below shows the amount of loan applied by the surveyed respondents.

Table 5: Loan Applied

	Frequency	Percent	Valid Percent	Cumulative Percent
less than Rs 10,000	12	12.0	12.0	12.0
Rs.10,001 to Rs 20,000	14	14.0	14.0	26.0
Valid Rs.20,001 to Rs.40,000	19	19.0	19.0	45.0
Rs.40,001 to Rs.1,00,000	55	55.0	55.0	100.0
Total	100	100.0	100.0	

12% have applied for a loan of Rs. less than Rs.10,000, 14% applied for a loan amount between Rs.10,001 and 20,000. 19% wanted to avail a loan amount of Rs.20,001 to Rs.40,000 and 55% applied for a loan of Rs.40,001 to Rs.1,00,000.

The loan amount received by the women entrepreneurs availing microfinance loan is shown in Table 6 below.

Table 6: Loan Received

	Frequency	Percent	Valid Percent	Cumulative Percent
less than Rs 10,000	15	15.0	15.0	15.0
Rs.10,001 to Rs 20,000	18	18.0	18.0	33.0
Valid Rs.20,001 to Rs.40,000	15	15.0	15.0	48.0
Rs.40,001 to Rs.1,00,000	52	52.0	52.0	100.0
Total	100	100.0	100.0	

15% got a loan of less than Rs.10, 000. 18% received a loan between Rs.10,001 to Rs.20,000. 15% of the surveyed respondents got a loan between Rs.20,001 to Rs.40,000. 52% of the respondents received a loan in between Rs.40, 001 to Rs.1,00,000.

The loan repayment capacity of the women entrepreneurs depends upon a number of factors. Based on literature reviewed, four factors have been identified as shown in table 8 below.

Table 8: Loan Repayment Capacity

	Frequency	Percent	Valid Percent	Cumulative Percent
Knowledge of the Market	34	34.0	34.0	34.0
Financial Knowledge	13	13.0	13.0	47.0
Valid Training/Skill development	28	28.0	28.0	75.0
Support from Family	25	25.0	25.0	100.0
Total	100	100.0	100.0	

The majority (34%) of respondents have expressed that the knowledge of markets is very important and determines ones loan repayment ability. Training and skill development is opted as another reason by 28% of the respondents. 25% feel support from family is most important and their loan repayment capacity depends on the same. 13% of respondents have expressed that financial knowledge determines their loan repayment capacity.

Entrepreneurial ventures are always associated with numerous challenges. The task becomes all the more challenging for women folk who have to fight against the patriarchal and male dominated system of the society and cope with load of dual responsibility of the venture and home. The lack of adequate training, education levels and support makes things worse. The different challenges faced have been identified as shown in table 7.

Table 7 :Some Challenges Faced

	Frequency	Percent	Valid Percent	Cumulative Percent
Low Risk Bearing Capacity	21	21.0	21.0	21.0
Illiteracy	17	17.0	17.0	38.0
Valid Dual Responsibility of Family and Business	26	26.0	26.0	64.0
Lack of Training	18	18.0	18.0	82.0
Lack of Marketing Support	18	18.0	18.0	100.0
Total	100	100.0	100.0	

21% of the respondents feel less risk bearing capacity is the biggest challenge. 17% have opted illiteracy as a hindrance, 26% feel that dual responsibility of family and business is a reason, 18% responded for lack of training and an equal percentage identified lack of marketing support as the major challenge faced.

Conclusions

The educational background of the surveyed respondents is very weak. More married women are involved and they have an additional responsibility of managing the family and entrepreneurial venture. The respondents availing microfinance loans are from financially weak sections of the society and are involved in petty retail trading by opening small shops that sell stuff at village level. The other significant activity includes one or many amongst growing organic agriculture produce, jam, papad, pickle and squash making. The availability of micro-credit puts such women in strong position to gain access to better food, schooling opportunities for children, nutrition, health, sanitation and expansion activities for self and family. The venture enables them to hope and achieve for better standard of living. The end result is hence their increased confidence level as they get more respect from the family and within community. The preferred loan amount is seen to be between Rs.40,000 to Rs.1,00,000. Knowledge of market and skill enhancement is particularly important in determining loan repayment. Amongst challenges arising out of entrepreneurial venture coping and managing the dual responsibility of family and business, is particularly significant, for the women microfinance beneficiaries in the terai region of Uttarakhand.

Limitations and Scope for future study

The study is conducted on a small sample of 100 respondents collected in the Udham Singh District of Uttarakhand. The findings are based on the responses of the sampled respondents. The role of Self Help Group is not highlighted as the response is collected directly from the beneficiaries. The opinions of the respondents are subject to prevailing conditions which may vary from time to time. The finding of the qualitative research where data is self collected is based on people's response at face value. The different challenges identified can provide vital inputs to decision makers. This study can be replicated with a larger sample size in a different geographic region including same or other variables.

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