

## **CHAPTER- 7**

### **ROLE OF FINANCIAL INSTITUTIONS IN THE DEVELOPMENT OF WOMEN ENTREPRENEURSHIP**

**FIFTH OBJECTIVE:** To examine the role of financial institutions in women entrepreneurship development

#### **7.1: Importance of financial institutions:**

Entrepreneurship development is an important criterion for economic development of a country. It is a vital tool of an economy. From the beginning of the Five-Year Plan, Government of India has been giving emphasis on the scope of entrepreneurship, and related developments. The financial sector has a great importance in the whole entrepreneurship development pie of a country. Financial institutions act as the mediators that look after the transfer of resources from the net savers to net borrowers (i.e. from those who spend less than their earnings to those who spend more than their earnings). Financial institutions have been the major source of short, medium and long-term funds for the economy. Such institutions offer a variety of financial products and services so as to fulfil different needs of the commercial sector. These institutions generally give financial assistance to buy sheds, industrial plots, required capital at low rates of interest, to attend counselling sessions, etc. The main objective of the financial institutions being established, is to create positive climate for the regular growth of the women entrepreneurs and should foster them and make them flourish. The present study aims at highlighting the measures taken by the financial institutions with respect to the development of women entrepreneurs.

(Charumathi, 1991) reported that the banks and financial institutions, traditionally, viewed women entrepreneurship as more doubtful propositions than men in the

entrepreneurship. (Pal, 1997) in a study on Women Entrepreneurship and the need for financial sector reforms found out that the lack of affordable credit from the formal financial sector was the most important challenge for women entrepreneurship.

Singh & Saxena, (2000) revealed that the women were assisted by the government for entrepreneurship development through financial assistance in the form of term loans, as well as concessions in the form of subsidies, and the capital loan for self-employment, etc. Kumar, (1998) reported from Bangalore that the Centre for Entrepreneurship Development (Canara Bank's) provides training to women and helps them in setting up small industrial units, besides providing assistance for marketing their products. Bindya, (2001), who studied on the Women and Agriculture, revealed that the Regional Rural Banks (RRBs) are playing a pivotal role in empowering the rural women through various credit schemes for entrepreneurship developments. Financial institutions, which provide assistance to the entrepreneurs, are divided into two categories, namely, governmental institution and the non-Governmental institution. Khandker, (1998) estimated the effects of micro finance on savings and borrowings, and his studies revealed that the micro finance not only induces voluntary savings, but also increases involuntary savings.

Kumar Anil & Kote Honnakeri, (2012) analysed the impacts of Micro finance through SHGs and Bank Linkage Programmes on the rural people, especially, on women. This study showed that the effects of micro finance were constructive with respect to the eradication of poverty and the development of rural entrepreneurship.

The financial institutions are established to create positive climate for the regular and steady growth of entrepreneurship and should foster them and make them flourish. These institutions generally provide financial assistance to buy sheds and also industrial plots, required capital at low rates of interest, to attend counselling sessions, etc. The present study aims at highlighting the opportunity of serving women entrepreneurs, and lists the various measures taken by the financial institutions in access to provide financial assistance to the women entrepreneurs.

#### Government Institutions:

A variety of financial institutions have been set up at the national level to accomplish the requirements of the entrepreneurs. They are basically SIDBI, IDBI, IFCI Ltd., ICICI, IVCF, IFCI, Venture Funds Ltd and investment institutions like GIC, UTI, LIC, etc.

Technical and Financial assistance have been provided to the women entrepreneurs, through various institutions like DIC, SEF, NAYE, SIDBI, SIDO, WCFC, NISIET, etc. by the government. Different financial institutions have special financial schemes for the women entrepreneurship development.

### **7.2 Financial Schemes for Women Entrepreneurship:**

With a view that women entrepreneurs should come forward in the industrial field to become self-sufficient, government and financial institutions announced various schemes to provide financial assistance.

- **Annapurna Scheme:**

This scheme is the brain child of the State Bank of Mysore, which focuses on those women entrepreneurs, who are setting up their foot in the food catering industry in order to sell packed meals, snacks, etc. The amount granted as a loan under this scheme can be used to fulfil the working capital needs of the business-like buying utensils and other kitchen tools and equipment. Further, the maximum amount of money is granted is ₹50,000 which has to re-paid in 36 months on instalments.

- **State Bank of India Stree Shakti Package:**

The SBI is a pioneer in financing of small-scale industries and other priority sectors. The bank helps technically trained and experienced women entrepreneurs to set up new and feasible industrial projects. This loan scheme

helps the technocrats, including those unable to meet the normal margin requirements under the liberalized scheme, to set up viable industrial projects. The applicants must hold a degree / diploma in Engineering / technology or a degree in Business/ Industrial Management / CA /Cost Accountancy with adequate experience. To make the assistance to women entrepreneurs more effective and ensure a wide coverage, the bank has introduced “Stree Shakti Package” for women only. To translate this hope into reality, the Department of Women and Child Welfare has taken up various projects directed towards the advancement of women. Governments at the Centre as well as the State designed several schemes and programmes for the support of entrepreneurs in general, and for women entrepreneurs in particular. The schemes of the Government of India include the Support for Training and Employment Programme (STEP) aims to raise the incomes of rural women by upgrading the skills in the traditional sectors, such as dairy, animal husbandry, sericulture, handloom and social forestry. Since the inception of the programme in 1987 about 3.32 lakh women have been benefited through 61 projects at the end of March 2000. This scheme is offered by most of the SBI branches. It is meant for the women, who have 50 percent share in the ownership of a firm or a business and has taken part in the state-agencies-run Entrepreneurship Development Programmes (EDPs). This scheme offers 0.50 percent interest rate in case of a loan, which is more than Rs. 2 lakhs.

- **Lead Bank’s Scheme:**

The main emphasis of this scheme is to encourage self-employment to all those who had the technical skill to engage themselves in a productive activity but were unable to do so for lack of finance and infrastructure. Such loans are available to all women above 18 years of age and having fixed place of work well versed in the activity proposed to be undertaken. The amount of loans in such cases must be need based but up to a maximum of Rs.7500.

Entrepreneurship Development Programmes for women are also arranged by some lead banks.

- **Bharatiya Mahila Bank Business Loan:**

Under this loan, financial assistance (MICRO loans, and SME loans) is provided to women entrepreneurs, who are looking forward to start new enterprises in the fields of the retail sector, against the property. The highest amount of loan amount that can be sanctioned is Rs. 20 crores that might go to the manufacturing industries. A concession is also available to the extent of 0.25 percent interest rate, and it usually varies from 10.15 percent and more. In this scheme, Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE), there is no collateral security for the loan amount up to Rs. 1 crore.

- **Dena Shakti Scheme:**

Under this scheme, Dena Bank provides loans to those women entrepreneurs, who are engaged in the field of retail stores or small enterprises, agriculture, and manufacturing units; and need financial assistance. The maximum loan amount that can be sanctioned under this scheme is Rs. 20 Lakhs for the retail trade at the interest rate of 0.25 percent; whereas Rs 50, 000 can be provided under the microcredit system to those working for education and housing sector.

- **Udyogini scheme:**

The Punjab and Sind Bank have offered this scheme to give women entrepreneurs financial assistance of Rs.1 lakh. It is meant for those women entrepreneurs who are involved in the retail, small business enterprises, and agriculture. They will get concessions and flexible interest rates to the women between the age group of 18-45 years, but the family income of the beneficiary

is also taken into consideration and is set at Rs. 45, 000 per annum or SC/ST women.

- Cent Kalyani Scheme:

This scheme is provided by the Central Bank of India to basically help those women who are in the starting phase of a new enterprise or expanding with modification as an existing enterprise. The loan amount facilitated by this scheme can be used by women to run mainly micro, small and medium enterprises; village and cottage industries; useful for self-employed women; agriculture and allied activities; retail trade; and government-sponsored programmes. No collateral security or guarantor, and the processing fees are needed under this scheme. The maximum amount that can be granted under this scheme is Rs. 100 lakhs.

- Mahila Udyami Nidhi Scheme:

The Punjab National Bank has launched this scheme with the objective of assisting the women entrepreneurs involved in small-scale industries, through granting them soft loans, which have to be repaid over a period of 10 years. Under this scheme, there are various plans for the purchase of auto rickshaws, two-wheelers, cars, and the starting up of day care centres, and beauty parlours. The highest amount granted under this scheme is Rs.10 lakh and the interest rate (%) depends upon the market rates.

- Orient Mahila Vikas Yojana Scheme:

The Oriental Bank of Commerce has designed this scheme for those women, who hold a majority of share (51% share) capital individually or jointly in a proprietary concern. For small-scale industries, the loan amount range between ₹10 lakhs to ₹25 lakh, and for this bracket there is no collateral security to be given. And, the period of repayment is 7 years. A concession on the interest rate of up to 2% is also given.

- **MUDRA Yojana Scheme for women:**

This scheme has been launched by the Govt. of India for both the groups of women and individual women, who want to start small new enterprises and businesses like tailoring units, beauty parlours, tuition centres, etc. as well as a group of women wanting to start a venture together. The loan doesn't require any collateral security. And, it can be availed as per three schemes: 1. Shishu—the loan amount is only ₹50,000. This loan amount can be availed by the entrepreneur during the initial stages of the business. 2. Kishor – the loan amount is between ₹50,000 and ₹5 lakhs, and it can be availed by those, who have a well-established enterprise. 3. Tarun –the loan amount is ₹10 lakhs, which can be availed by well-established businesses or enterprises to fulfil the purpose of their business expansion. Once the loan is granted, a Mudra card will be issued to an entrepreneur. This card functions the way as a credit card does, but the funds available in it are limited to 10% of the loan amount granted to the entrepreneur.

- **Stand- Up India Scheme:**

This scheme (was announced on 5th April 2016) facilitates bank loans between 10 lakhs and Rs. 1 crore. This loan amount is facilitating to at least one Schedule Caste or Schedule Tribe (ST) borrower and at least one-woman borrower per bank's branch for establishing a Greenfield enterprise. This Greenfield enterprise may be in the trading sector, services or the manufacturing sector. In case of non-individual enterprises, a majority of shareholding (51 percent), controlling and regulating stakes should be held by either an SC/ST or women entrepreneur.

- **Rashtriya Mahila Kosh (RMK):**

It was set up to fulfil the credit needs of the poor women, who get engaged in an unorganized sector, which are not adequately addressed by the formal financial institutions. RMK aims at the promotions of the small enterprises

among the poor women by providing credit as an instrument to the socio-economic change and the development through the provision of a package of financial and social development service for the development of women entrepreneurship.

- Khadi and Village Industries Commission (KVIC):

KVIC is a statutory organization that is engaged basically in promoting and developing Khadi and Village Industries, and its idea is to provide employment opportunities in the rural and backward areas with an objective of providing a backbone to these areas and strengthen their economy - which was created by an act of Parliament, Specialised financial Institutions are the institutions that have been set up to provide increased financial needs of commercials and trades in the area of venture capital, credit rating and leasing, etc.

- Formerly, IVCF was known as the Risk Capital & Technology Finance Corporation Ltd. It is a subsidiary of IFCI Ltd. And, it was set up with an objective of broadening the entrepreneurial base all over the country by facilitating funding to the ventures involving innovative products/ processes/ technology. In the beginning, it provided financial assistance by the way of soft loans to the promoters under its “Risk Capital Scheme”. The IFCI Venture Capital Funds Ltd., started to provide finance under “Technology Finance and Development Scheme” to projects for commercialization of indigenous technology for the new processes, products, markets or services since 1988.

- Mahila Udyami Nidhi (MUN):

This scheme is operated through the State Financial Corporation and State Industrial Development Corporation for providing equity type assistance to the women entrepreneurs for setting up the new industrial projects in the small sector. Capital assistance in the form of soft loan is provided to meet the gap in



the equity after taking into account the promoter's contribution to the project, and this is subjected to a maximum of 25 percent of the project cost with a ceiling of Rs.2.5 lakhs per project. The promoter's maximum contribution under this scheme is 10 percent of the total project cost.

- Mahila Vikas Nidhi:

Under this, women wanting to start their businesses in the field like spinning, weaving, block printing, handlooms, handicrafts, bamboo products, knitting, embroidery products, etc. can avail a loan for it. SIDBI has developed this scheme and given this fund to be used for the entrepreneurial development among women, especially in the rural areas.

Besides these schemes, financial institutions like NABARD, KVIC, Cooperative Societies and RRBs provide loan to the women entrepreneurs for boutique, dairying, poultry, food processing and preservation, beekeeping, mushroom cultivation, spice process, restaurants, cafe, grocery, beauty parlour, and other cottage industries. These institutions provide loans to the women entrepreneurs up to Rs. 5 lakhs without any security. Various facilities include 13.5 percent rate of interest for the loan amount up to Rs. 2 lakhs, relaxation of registration and respective fees related to land mortgages are involved in the security for rural areas up to the limit of Rs. 3 lakh; in case of long-term loans, there is a convenient and easy instalments provision along with the provision of immediate case under a limit as the working capital; to increase the status of women, there is a provision of housing and consumption loans; and special credit schemes for the enterprises related to computer and other electronic equipment, which can be availed at easier terms. SHGs have a favourable impact on women entrepreneurship but still, women entrepreneurs faced unfavourable terms of credits.

For promoting micro entrepreneurial activities through SHGs in both rural and urban areas, micro financing has a great importance. Earlier, government implemented some of such schemes like TRYSEM, IRDP, and DWACRA. After the success of Grameen Bikas Bank Model of micro credit in Bangladesh, a paradigm shift took place since 1990 in almost all the countries of the world. These approaches were followed for the women entrepreneurship in particular, with a view of enhancing the women empowerment.

In the study area, Bandhan Bank as a micro financier plays a very important role in this case. It provides loan to the SHGs. Khandkar (2000) and Lathif (2001) have analysed that the increased availability of micro-credits to the rural poor through SHGs will enable rural households to take up larger productive activities that empower the poor women; reduce the dependence on exploitative local money lenders; and increase savings.

**Table – 7.1 Scheme-wise number of respondents during 2017-18 in Sonitpur district**

Schemes	Total no. of beneficiaries	No. of women entrepreneur	Rate of interest %	Total amount sanctioned (lacs)	Repayment
MUDRA	2824	1412	11	12,60,000	Regular
STAND-UP-INDIA	55	33	10.85	843.82	Regular
WCC	87	87	10	72	Regular
PMEGP	11	5	12.10	-	
SHGs	107500	10750		8412	Regular

Source: Lead Bank, UCO, Sonitpur

Above table no. 7.1 shows that most of the respondents were involved in SHGs. Though it is a group work, it helps to increase the entrepreneurial attitude among women. During the field study, it came to the notice that recently women entrepreneurs are eager to take financial assistance from the MUDRA scheme. The number of women entrepreneurs under this scheme was 1412 out of 2824 in 2017-18.

Moreover, the government allows a huge amount of money Rs. 12, 60,000 lakhs at the rate of interest 11 percent. The overall performance of MUDRA scheme is very satisfactory. Repayment of loans is also satisfactory. Besides MUDRA, SHGs has also great importance in the development of women entrepreneurship. The number of respondents in 2017-18 was 10750 and their repayment was also regular according to bank officials. In case of Stand-up India, WCC and PMEGP, the percentage of respondents were 60 percent, 100 percent and 45.45 percent respectively. According to the bank officials, women are more regular in debt repayment than men.

Weaver Credit Card is a very effective program that gives a loan to weavers. It aims at providing sufficient and timely assistance from the banking institutions to the weavers to meet their investment requirements and also for working capital in a flexible and cost-effective manner. Under this scheme, a borrower can get a subsidy of a maximum of Rs.10, 000 in both rural and urban areas. In the study area, the Handloom and Textile department is very active. In 2015-16, Rs 51.07 lakh was sanctioned to 117 weavers out of 500 (targeted). In 2018-19, Rs. 72 lacs were sanctioned to 87 weavers. In Sonitpur district, there are 2 Weavers Extension Service Unit (WESU) one in Jamogurihat and another in Dhekiajuli. Besides, there are 3 Handloom Training Centres in the study area. These are – Sootea, Thelamora, and Chariduar.

In case of Stand-up India, (the loan amount under this scheme ranges between 10 lacs to 1 crore) field study revealed that most of the respondents took financial assistance in their names on behalf of their husbands or male close relatives. Generally, women run only SSIs in the study area. Moreover, there is no investigation or field survey from the financial institutions to investigate the proper utilization of money in this matter. Due to this, irregularity in the repayment of the loan has arisen.

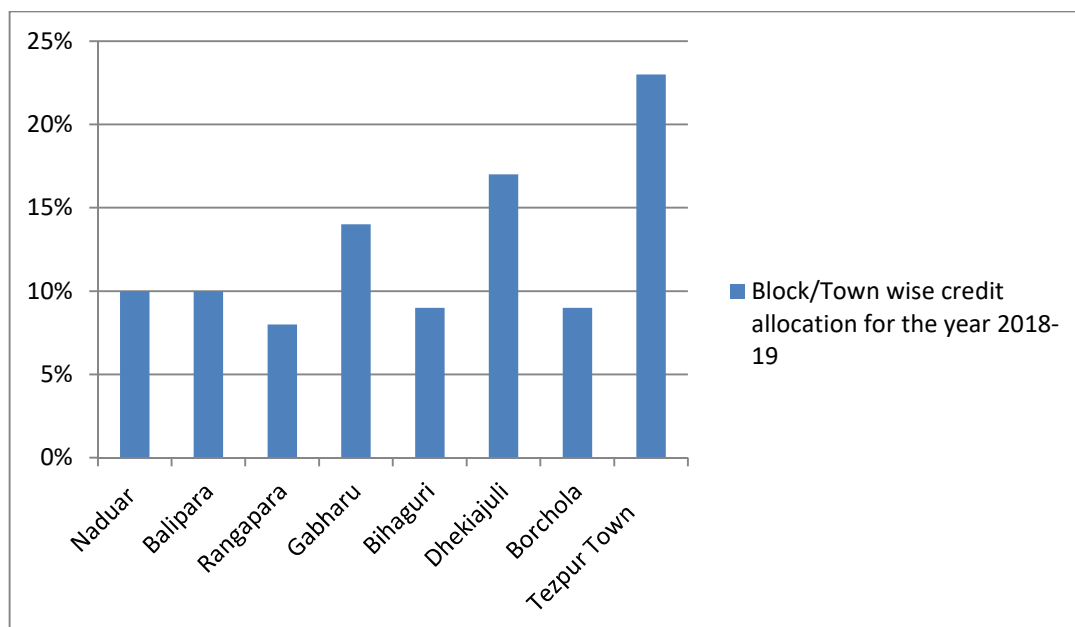
**Table – 7.2 Block/Town wise credit allocation for the year 2018-19, in Sonitpur district**

Sl.No.	Name of block	Percentage
1.	Naduar	10
2.	Balipara	10
3	Rangapara	8
4	Gabharu	14
5	Bihaguri	9
6	Dhekiajuli	17
7	Borchola	9
8	Tezpur town	23

Source: Lead Bank, UCO, Sonitpur

Above table – 7.2 shows that highest amount of money that is allocated in Tezpur town followed by Dhekiajuli, and Gabharu block. The number of registered women entrepreneurs is more than other blocks in Tezpur town. Moreover, in Dhekiajuli followed by Bihaguri blocks entrepreneurship activities are more than other blocks.

**Figure – 7.1 Block/Town wise credit allocation for the year 2018-19**



Source: Lead Bank, UCO, Sonitpur

### **7.3 Non-Governmental Institutions:**

Non-governmental institutions play a significant role in the entrepreneurship development, both in urban and rural areas, and also in reaching out to the women even in the remotest areas. A large number of established NGOs are operating all over the India, and at the grass root level, smaller NGOs are working. Different banks can establish contacts with the local NGOs and cooperate with them to identify the needs of women entrepreneurs. Thus, it gives credit related information and guidance services. In Sonitpur district, there are various NGOs that are basically involved in the empowerment of women through entrepreneurship development along with the development of the downtrodden people. These NGOs take measures to increase the employment opportunities, income generation, enhancing quality lives of grass-root level community through the social entrepreneurship. These are mainly Kokila Vikas Ashram, Sunrise Social Welfare Society, and Humanities Foundation for India's North East, Balipara Tract & Frontier Foundation, Institute of Integrated Resource Management, etc. Tezpur Mahila Samitee is a leading and old NGO in this case. Basically, this NGO provides training facilities to the women in different sectors like weaving, tailoring, embroidery, knitting, etc. for self-employment. In India, the World Assembly of Small and Medium Entrepreneurs; Xavier Institute for Social Societies are functioning in the rural areas. National Association of Women Entrepreneurs is working in the urban areas. National Alliance of Young Entrepreneurs, Self-Employed Women's Association etc. are functioning in rural as well as urban areas.

### **7.4 Problems faced by women entrepreneur in getting financial assistance from organized financial institutions:**

Women entrepreneurs are facing lots of problems in getting financial assistance from different financial institutions. These are as follows:

- Field study revealed that around 60-70 percent of the problems faced by women entrepreneurs are credit related.

- Moreover, along with credit, other challenges like collateral, lack of knowledge about the procedure of availing finance, delay in obtaining finance, inadequate finance, high rate of interest, low repayment period, negative attitude, absence of grace period, etc.
- This study also revealed that women operating a business may approach a local financial institution, like a local bank, Mahajan, landlord, etc. Generally, women will come across many problems between her needs and the bank's requirements, which make the process of credit more difficult than she would have imagined.
- Women have to face other problems while dealing with the commercial banks. In the study area, it came to know that most of the respondents took loans under the Stand-up India scheme from the financial institutions in their names, but practically it was utilized by their husbands or near relatives. Though the field survey by bank officials is necessary, but the survey has not been done regularly and also properly. Since this is going on, there is a lack of proper evaluation of utilization of money at regular time periods which discourages respondents to take required money from banks and effects on repayment of their loans.

### **7.5 Observation:**

According to bank authority, the debt repayment of most of the respondents (90 percent) is almost regular, only 10 percent loan repayment is irregular due to utilization of loan amount by husband / near relatives which is taken in the name of their wife / women entrepreneurs.

## **Chapter Summary:**

During investigation, it came to know that most of the respondents did not take financial assistance from the government as well as non-governmental institutions. Due to the ignorance, illiteracy, collateral, lengthy procedural complicity and not getting the facilities on time, low repayment period, respondents were not able to avail loans from financial institutions. At present financial assistance are provided by SBI, UCO, UBI (Medium- and long-term loan), Bandhan bank (short term loan), co-operative credit societies, etc. which are quite important for promotions and development of the entrepreneurship, but the participation rate of women was very nominal (only 23.07 percent). The government has to launch more rational and motivational programmes for women entrepreneurship development.

Different financial institutions should create a conducive environment. An enabling framework is needed for healthy and sound entrepreneurship. These institutions should be helpful to those women, who want to start a venture for the first time. They should provide financial and technical assistance to those women who choose to start a project requiring managerial skills, necessary financial support, credit related security, training, subsidies, savings, borrowing opportunities, etc. Marketing facilities such as sales, purchases and other related and required support for timely start of an enterprise should also be rendered.

Therefore, from the above analysis it can be concluded that the role of financial institutions is not encouraging and sufficient to convey the message for the women to take up entrepreneurship and the available financial aids. More liberal policies must be introduced and the procedural complicity should be minimized for entrepreneurship development among women.