

## **UNIT 18: ENTERPRISE DEVELOPMENT**

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## **18.1 INTRODUCTION**

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In this Unit entrepreneurship is defined in the Indian context with reference to women entrepreneurs. All over the world women face various problems when they venture into any entrepreneurial activity but emergence of women entrepreneurs is viewed in terms of their socio-economic emancipation. In this endeavour they get a lot of support from the microfinance institutions and self-help groups which also perform mentoring roles. Suggestions are also provided for effective development of women entrepreneurs.

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## **18.2 OBJECTIVES**

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After studying this Unit, you should be able to:

- define entrepreneurship in the Indian context;
- analyze the situation of women as entrepreneurs in India;

- discuss various problems of women entrepreneurs in India;
- describe the process women's empowerment through institutions of microfinance and self-help groups with the help of Indian and global case studies; and
- explain measures that could be undertaken for the development of women entrepreneurs.

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### **18.3 CONCEPT OF ENTREPRENEURSHIP**

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Entrepreneurship is the backbone of national progress. Any country cannot achieve higher levels of development without entrepreneurship. It is one of the catalytic forces that propel economic growth by fostering initiative, innovation, accumulation and distribution of wealth. Entrepreneurial development plays an important role in industrial production, employment generation and exports. This Unit aims at defining entrepreneurship, condition of women in India as entrepreneurs, women in micro-finance institutions, and Self Help Groups, and problems faced by women as entrepreneurs in India as well as broad monitoring strategies.

The word 'entrepreneur' is derived originally from the French word "entreprendre" which means an organizer of musical or other entertainment. Oxford English Dictionary also defined the same as director or a manager of a public musical institution. In the opinion of A.H. Cole "Entrepreneurship is the purposeful activity of an individual or a group of associated individuals, undertaken to initiate, maintain or aggrandize profit by production or distribution of economic goods and services".

According to Schumpeter, “Entrepreneurship is based on purposeful and systematic innovation. It includes not only the independent businessman but also company directors and managers who actually carry out innovative functions”. David H. Hold observes, “An Entrepreneur seeks to reform or revolutionize the pattern of production by exploiting an invention or more generally an untried technological possibility for providing a new commodity or providing an old one in a new way, by opening up a new source of supply of material or a new outlet for problem. It essentially consists in doing things that are not generally done in the ordinary course of business.”

In a conference on Entrepreneurship held in United States, the term ‘entrepreneurship’ was defined as, “Entrepreneurship is the attempt to create value through recognition of business opportunity, the management of risk-taking appropriate to the opportunity and through the communicative and management skills to mobilize human financial, and material resources necessary to bring a project to fruition” .

ILO (1982) describes that “entrepreneurs are people who have the ability to see and evaluate business opportunities; to gather the necessary resources to take advantage of them; and to initiate appropriate action to ensure successes”.

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#### **18.4 WOMEN ENTREPRENEURS**

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The Government of India has defined Women Entrepreneurs based on women’s participation in equity and employment of business entrepreneurs. Accordingly, a woman’s enterprise is defined as “an enterprise owned and controlled by a woman having a minimum financial interest of 51 per cent of the capital and giving at least 51 per cent of employment

generated in the enterprise to women”. The clause of giving at least 51 per cent of employment generated in the enterprise to women was dropped in 1891.

For becoming a successful entrepreneur, women should explore the prospects of starting new enterprise, undertaking risks, introducing new innovations, coordinating administration, controlling business and providing effective leadership in all aspects of business. “Today, women entrepreneurs represent a group of women who have broken away from the beaten track and are exploring new avenues of economic participation. Women’s entrepreneurship is the process where women take the lead and organize a business or industry and provide employment to others. Women endowed with high drive, creativity, innovations and desires for achievements take up the challenging role of entrepreneurship.”

Across the world, the number of women starting their own business is on the increase. In the West, women are increasingly turning to entrepreneurship as a way of coping with the ‘glass ceiling’ that seems to prevent them from reaching top managerial positions in organizations. They find that entrepreneurship provides them with greater satisfaction and flexibility. “Women with higher education view entrepreneurship as a challenge, while women with no education background find entrepreneurship merely a means for earning money.”

Entrepreneurship among women is as old as women themselves. In villages it is a well known fact that women supplement the family income by maintaining dairy, kitchen garden, poultry, tailoring etc. Women often possess adaptability, patience and dependability - the three essentials for attaining success. Since the turn of the century the status of women in India has been changing due to growing industrialization and urbanization, spatial mobility and social compulsions. “With the spread of education and awareness, women have shifted from kitchen, handicrafts and traditional cottage industries to non-traditional activities

accorded a higher status and capable of generating more income. Even the government has laid special emphasis on need for conducting special entrepreneurial training programmes for women to enable them to start their own ventures. Financial institutions and banks have also set up special cells to assist women entrepreneurs.”

The emergence of women entrepreneurs is to be viewed in terms of socio-economic emancipation of women. This entry of women into the world of business and entrepreneurship is an auspicious sign, which should be encouraged at all levels. The flexibility of the entrepreneurs’ work schedule and the possibility of working from home improve the viability of women-run enterprises.

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### **18.5 WOMEN ENTREPRENEURS IN INDIA**

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In India industrialization undertaken during the post-independence period has reduced the share of household industries like weaving, jute making, papad making etc. Mechanization of these industries has displaced women in all parts of India. It has increased the extent of unemployment and poverty among women. Migration of people from rural to urban areas has increased the extent of unemployment among women in urban areas. Therefore, it was felt necessary to promote employment opportunities for women, so that these women seeking jobs can be gainfully employed. In recent decades the country has undergone tremendous changes and has experienced higher rates of growth, increased facilities for education and training, new economic policy, positive approach of government, entrepreneurship development training facilities, changing socio-economic and political environment that has encouraged women to enter into entrepreneurial activity.

In the early 70's women who entered into entrepreneurial activities mainly got involved in producing traditional items like handicrafts, food processing and food products.

Participation of women as industrial entrepreneurs is comparatively a recent phenomenon. In 1975 after the declaration of International Women's Year the approach towards women entrepreneurs began to change. Today we can see that women are taking risks and entering into every industry and competing with their male counterparts. They are constantly looking out for new and innovative ways which lead to strong economic participation. Their adeptness, skill and knowledge, their acumen in business and desire to do something positive are among the reasons for women to establish and manage organized industries and take up challenging ventures.

In India the second half of the eighties witnessed an unprecedented spurt in Policy Perspectives on women. The National Perspective Plan for Women (1988-2000) which is a comprehensive all round projection for women and development in India and the report of the National Commission on self employed women and women in the informal sector came into existence. The "Shram Shakti" report also emphasized that women possessing skills, education, literacy and a sense of enterprise should be encouraged to take up self-employment programmes.

The 1991 Industrial Policy has envisaged special training programmes to support women entrepreneurs. Accordingly women entrepreneurs are receiving training through Entrepreneurship Development Programmes conducted by various institutions and organizations both at central and state levels. IDBI is one of the major promoters of women entrepreneurship development in India. In 1986 it launched a special scheme for women "SIDO" (Small Industries Development Organizations). During 1978-88 it conducted over 258 training programmes exclusively for women, thus benefiting over 9000 potential women entrepreneurs. National Science and Technology Entrepreneurship Development Board

(NSTEB) established in 1982 sponsors entrepreneurship development programmes many of which are exclusively for potential women entrepreneurs who are science and technology graduates. The Small Scale Industries (SSI) board in 1991 omitted the conditions of employing 50% women workers in enterprises run by women entrepreneurs. This provided a boost to women entrepreneurs to take up business and avail of facilities which are applicable to all SSIs.

**Check Your Progress Exercise 1:**

**Note:** i. Use the space given below to answer the questions.

ii. Compare your answer with the one given at the end of this unit.

1. Describe the need for developing entrepreneurship for women in India.

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## **18.6 ENTERPRISE DEVELOPMENT AND MICROFINANCE**

Microfinance is not a new concept. Savings and credit groups that have operated for centuries include the "susus" of Ghana, "chit funds" in India, "tandas" in Mexico, "arisan" in Indonesia, "cheetu" in Sri Lanka, "tontines" in West Africa, and "pasanaku" in Bolivia, as well as numerous savings clubs and burial societies found all over the world. In the 1900s, various types of larger and more formal savings and credit institutions began to emerge in Europe, organized primarily among the rural and urban poor. These institutions were known as People's Banks, Credit Unions, and Savings and Credit Co-operatives. The Raiffeisen banks and other savings and credit cooperatives that emerged in Europe in the nineteenth century catered to farmers and artisans. They were microfinance institutions in all but name. In Indonesia, another flagship of the microfinance movement is the village banking unit system of the Indonesian People's Credit Banks or The Bank Perkreditan Rakyat (BPR) opened in 1995. This is the largest microfinance institution in developing countries. This state-owned bank serves about 22 million microsavers with autonomously managed microbanks. The microbanks of BPR are the product of a successful transformation by the state of a state-owned agricultural bank during the mid-1980s. Between the 1950s and 1970s, governments and donors focused on providing agricultural credit to small and marginal farmers, in the hope of raising productivity, incomes and loan at subsidized rates. In the 1970s, experimental programme in Bangladesh, Brazil, and a few other countries extended tiny loans to groups of poor women to invest in micro-businesses. This type of microenterprise credit was based on solidarity group lending in which every member of a group guaranteed the repayment of all members. These "microenterprise lending" programmes had an almost exclusive focus on credit for income-generating activities targeting very poor (often women) borrowers.

In 1972 the Self Employed Women's Association (SEWA) was registered as a trade union in Gujarat (India), with the main objective of "strengthening its members' bargaining power to improve income, employment and access to social security." In 1973, to address their lack of access to financial services, the members of SEWA decided to found "a bank of their own". Four thousand women contributed share capital to establish the Mahila SEWA Co-operative Bank. Since then it has been providing banking services to poor, illiterate, self-employed women. In Bangladesh, Professor Muhammad Yunus addressed the banking problem faced by the poor through a programme of action-research. With his graduate students in Chittagong University in 1976, he designed an experimental credit programme to serve them. It spread rapidly to hundreds of villages. Through a special relationship with rural banks, he disbursed and recovered thousands of loans, but the bankers refused to take over the project at the end of the pilot phase. They feared it was too expensive and risky in spite of his success. Eventually, through the support of donors, the Grameen Bank was founded in 1983 and now serves more than 4 million borrowers.

Through the 1980s, the policy of targeted, subsidized rural credit came under a cloud when evidence mounted of the disappointing performance of directed credit programmes, especially poor loan recovery, high administrative costs, agricultural development bank insolvency, and accrual of a disproportionate share of the benefits of subsidized credit to larger farmers. But in the 1990s two features - high repayment and cost-recovery interest rates - permitted some MFIs (Micro Finance Institutions) to achieve long-term sustainability and reach large numbers of clients. The 1990s saw growing enthusiasm for promoting microfinance as a strategy for poverty alleviation. The microfinance sector blossomed in many countries, leading to multiple financial services firms serving the needs of micro entrepreneurs and poor households. These gains, however, tended to concentrate in urban and densely populated rural areas.

What distinguishes microfinance from conventional finance is the claim to serve poor people who are generally people outside the reach of the formal financial market, while remaining sustainable. Microfinance promises to reduce poverty without perpetual subsidies. Microfinance is primarily associated with poverty reduction in developing countries, and over the past 15 years has become global, with schemes, programmes and government policies in every part of the world. Close to 90 countries have microfinance institutions (MFIs) with relative concentrations in Latin America and Asia.” (International Labour Office, Geneva, March 2002). It promises to use the market to attain a social good. The socio-economic benefits of microfinance are threefold -- job creation, poverty reduction and empowerment. Women entrepreneurs consider microenterprises attractive on account of low barriers to entry and flexible nature of work that makes it easy to combine gainful employment with domestic responsibility. Though women are taking up both traditional activities (handloom, knitting and embroidery, jam, jelly and pickle making) and also non-traditional activities like computer training, catering services, tour and travel, beauty parlour, etc, but yet the society at large continues to suffer from a variety of misconceptions, apprehensions and suspicions about women entrepreneurs in business and industry. And it is due to this image that financial institutions remain suspicious of women’s capability to set up an industrial enterprise. Microfinance institutions come to their rescue at this stage.

Today, the microfinance industry and the greater development community share the view that permanent poverty reduction requires addressing the multiple dimensions of poverty. For the international community, this means reaching specific Millennium Development Goals (MDGs) in education, women's empowerment, and health, among others. For microfinance, this means viewing microfinance as an essential element in any country's financial system.

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## **18.7 MICROFINANCE, SELF-HELP GROUPS AND WOMEN**

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Microfinance through self-help groups has proved to be a strategic measure for organizing women in groups and promoting savings and thrift habits to gain access to institutional credit for their socio-economic development and empowerment. The entire process of forming a group, of functioning in a sustained manner, of regulating finances, and being mutually accountable, is in itself projected as empowering. Microfinance institutions (MFIs) reach a high percentage of women. Out of total microfinance clients, 73 per cent in Latin America, 70 per cent in Africa and 88 per cent in Asia are women clients. Micro-loans not only empower women through group formation, they also have beneficial effects on the satisfaction of basic household needs. Research has shown that for every dollar earned with a micro-loan, a male borrower would spend 47 cents on food, health and child education, while a woman would spend 84 cents.

In India efforts are made to combine economic and social upliftment of women by many organizations. For example Self-employed Women's Association (SEWA), Parisar Vikas of Stree Mukti Sangathana (Mumbai), MASUM (Pune), Sakti (Banglore), Mann Deshi Mahila Sahkari Bank (Maharashtra) in the voluntary sector and Mahila Samakhya programme in Andhra Pradesh, Uttarakhand, Karnataka and Gujarat, MAVIM in Maharashtra and Kudumbashree in Kerala in the government sector have been responsible for women's leadership in microfinance."

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## **18.8 CASE STUDIES**

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The two case studies conducted by Prof. vibhuti Patel on Non Government Organizations providing micro finance to women through self-help groups are given below:

### 18.8.1 Case Study of Sakti, Bangalore

When life of women in the communities where Sakti was working became miserable due to neo-liberal Macro economic policy and drought in Karnataka, Sakti, a Women's Rights Group decided to provide safety-nets through formation of Women's Self-help Groups (WSHGs) among the poorest of the poor women in Bangalore district. During 1998-2000, Sakti formed 317 WSHGs in 128 villages among the poor, disadvantaged (widows, single and deserted) and marginalized women.

In Bangalore, many local artisans had lost their livelihood base due to intrusion of readymade foreign goods into the rural markets. Influx of plastic ware rendered local potters unemployed. For instance, local mat makers and carpenters were finding difficulties and their livelihood was under threat as their products were being substituted by plastic and other machine-made goods. Sakti-supported WSHGs started giving loans to women to start new enterprise such as mulberry cultivation, seri-culture, dairy development. Initially, most of the WSHGs were charging 5% rate of interest per month. Eventually, the rate of interest was reduced between 3% to 2% after collection of a good amount of money. In the meetings, many women expressed their view that burden of interest was too high. The women have been borrowing money for availing education of children, petty business and meeting the expense of health services and marriages. The members feel that the WSHGs which have acquired Swarn Jayanti Gram Swarozgar Yojna (SGSY) loans should reduce the rate of interest to 1.5%.

In 2006, Sakti WSHGs were supported by several microfinance institutions and nationalized banks. State Bank of Mysore, Vijaya Bank, Indian Bank, Bank of India, Co-operative Bank, District Credit Co-operative Bank, Canara Bank, Gramin Kalptaru were

providing loans to WSHGs. Bridge Foundation was charging 13.5% rate of interest which was found to be too high. The nationalized banks were charging 9% and co-operative banks were charging 12% rate of interest.

Karnataka Urban Infrastructure Development Finance Corporation (KUIDFC) gets loans from World Bank and Asian Development Bank. As there are social/development/gender components in their programmes, matching grants were given for construction of low-cost toilets. Sakti had a supervisory role. Moreover, Sakti was asked to conduct leadership, health and gender training. From the financial assistance provided by KUIDFC, Sakti formed 77 SHGs in the urban slums, out of them 44 WSHGs are constituted by the poor Muslim women. A revolving fund of Rs. five thousand each was given to 50 WSHGs and 20 SHGs were given the revolving fund of Rs. 20000 each.

### **18.8.2 Case Study of MASUM, Pune**

MASUM started Women's Self-Help Groups (SHGs) groups in Parner block of Pune district in 1997 to initiate a saving and credit programme for rural women with an aim to strengthen the economic self reliance of rural women, empower women through creating access to credit and motivate them to gradually build their own resource base. Programmes of MASUM such as Women's Resource Development Programme (WRDC) and Bachat Gat were analyzed in detail. MASUM forms SHGs to facilitate monetary transaction, elects and gives training to office bearers of SHGs on matters related to maintaining saving accounts and its operating details.

### **Women's Resource Development Programme (WRDC) by MASUM**

Started in 1991 in Mal Shiras and Mavdi villages WRDC was modeled in line with Bangladesh, Grameen Bank. Currently, it has 5000 members and covers 18 villages. In this programme, meant for women, 6 to 10 women from the same neighbourhoods form a group and become members of "Streedhan". Each group selects a name and also elects a chairperson and secretary. Women have to save at least Rs. 10 a month. These savings earn an interest of 5% per annum and the member is free to withdraw her saving at any given point in time. For eligibility for a loan of Rs. 1000, women need to save for three months. This amount increased in the subsequent years. The loan is available at a low interest rate of 12% per annum and without any collateral. Only 2 members need to sign as guarantors. Larger loans of Rs. 10000 and above are made available for production purposes only to members who have saved money for three years and have had a good loan record. The initial loan amount has been deliberately kept small to allow women to manage funds and more importantly to dissuade men from taking an undue interest in the scheme.

Group meetings are held in the neighbourhood on a fixed date every month. Two local women in each village facilitate the group meetings. The group members decide who should receive the loan in the monthly meeting. All the monetary transactions such as disbursement of loans, issuing of receipts and all entries in the pass book are made during the meeting. The group meetings are also used to disseminate information on various social and health issues.

### **Bachat gat (Women's Self-help Saving Groups)**

In 1997 MASUM started SHGs in Parner block, with the aim to ensure the members a space to interact freely with one another in the process of saving money from their earnings. At present, it has 800 members and covers 8 villages.

A SHG is formed when 15-20 women come together to form a group, elect office bearers (President, secretary and treasurer) from among themselves and open an account in the name of the group. MASUM trains office bearers of SHGs to maintain individual forms and pass-books of all the members of the SHGs. These groups are entitled to loan facility from the bank after the group completes two years. In the interim period, the group resource to internal lending with its own accumulated savings and at times MASUM lends money to the group at the terms and conditions that are in accordance with those of the bank. The group, in turn, lends this money to its members at the interest rate of 2% per month. Generally loans upto the amount of Rs. 10000/- are given to individual members. Savings lodged with the banks earn interest at the current rate of interest offered by the bank.

The groups meet once a month to complete the various transactions of savings, repayment and fresh loans disbursement. They are able to independently maintain the pass-book and ledger entries and manage the accounts of their groups. The monthly meetings also provide an opportunity to disseminate information and have discussions on various health and social issues affecting the community.

### **18.8.3 Global Empirical Evidences in Support of Micro-Credit**

The empowering impact of microfinance has been documented globally by many researchers. Making a strong case for microfinance activities, Hashmi (2004) cites the following empirical evidences in support of micro-credit:

1. In Zimbabwe clients were able to maintain consumption levels in the face of rising food costs. Experience shows that this impact of poverty alleviation intensifies the longer clients stay with a given programme, thus reinforcing the benefits of counting in the programme.

2. CRECER (Credito Con Education Rural) in Bolivia found that incomes of two-thirds of its clients had increased after joining the programme.
3. Clients of BRAC (Bangladesh Rural Advancement Committee) who stayed in the programme for more than four years increased household expenses by 28 percent and assets by 112 percent.
4. SHARE (Society for Helping Awakening Rural Poor through Education) in India documented that 75 percent of its clients who participated for longer periods saw significant improvements in their economic well-being.
5. One of the first things poor people do with their new income from microenterprise is invest in their children's education. BRAC (Bangladesh Rural Advancement Committee), SEWA (Self-Employed Women's Association) and Save the Children (Honduras) saw that their clients' children were more likely to go to school, stay in schools longer and have lower drop-out rates.
6. Families with access to microfinance services have better health than those who do not.

**Check Your Progress Exercise 2:**

**Note:** i. Use the space given below to answer the questions.

ii. Compare your answer with the one given at the end of this unit.

1. Give names of a few institutions which are empowering women through micro-credit and self-help groups.

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## **18.9 MENTORING ROLE OF MICROFINANCE INSTITUTIONS AND SHG**

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This section is adopted from the work of Prof. Vibhuti Patel on Microfinance. Micro-finance Institutions have used several methods of mentoring to evolve women's leadership for development of organization, efficient governance and human resource development. Some of these innovative methods are as follows:

**18.9.1 Exposure Trip:** Most WSHG members gain a lot of knowledge by their exposure from other successful models of SHGs. For example, Kasturi from Sakti got inspiration from vocational training of women in unconventional areas such as masonry and construction work. She also got opportunity to attend workshops on AIDS awareness, gender training, legal rights and health issues.

**18.9.2 Vocational Training:** Microfinance model of Mahila Arthik Vikas Mahamandal (MAVIM), Government of Maharashtra gives the highest premium to capacity building through vocational training. It promotes carpentry, printing business, motor winding, cycle shop, buying and selling of paddy, making leather goods, bamboo craft, running hair cutting saloons and fishing among WSHGs (Balsaraf, 2007).

The WSHG members of Sakti in Yerhalli, rural Bangalore demanded that they should be supported to start STD booth as there was none in their village. The WSHG members in

Karnataka, Andhra Pradesh., Kerala, Tamil Nadu and Maharashtra are trained in dealership of petrol and diesel oil, management of fair price shops (Ration shops), readymade garment shops and stationery shops, running of flour mills, production of soap and detergent and extraction and sale of *neem* oil.

**18.9.3 Creation of Awareness about Women's Causes:** Generally SHGs do not extend loans for organizing dowry or for sex selective abortion etc. and women do not approach SHGs for such anti-women purposes because microfinance institutions like Sakti organize several awareness generation programmes on these subjects. In principle, the Sakti WSHGs do not support any causes that are detrimental to women's interest. For example, Stree Mukti Sanghatana which has dedicated itself to the women's cause, has developed lots of material in audio-visual forms such as theatre (its famous play *Mulgi Zali Ho* or *Beti Aayi Hai*), songs, CDs, poster exhibition etc. on various issues pertaining to women and children. All this was extensively used while conducting various awareness programmes in aspects of life like Equality, Solid Waste Management, Health, Importance of Education, Work Culture, Public Distribution System (PDS), Atrocities, and Effective Parenting at community level.

**18.9.4 Intervention in Cases of Wife-beating, Bigamy and Other Restriction:**

There are instances where SHG members contacted a lawyer and issued a legal notice to the husband who used to beat his wife. The wife was one SHG member's daughter. Similarly, one WSHG member asked village elders to intervene whenever there was conflict between two wives of a man. They were also asked to see that both the wives get share in his property.

WSHG members also felt that they could become more mobile without being dependent on men and could handle crisis situation with more courage and confidence after attending residential programmes organized by the microfinance institutions. One WSHG member

added that earlier they were blindly obeying their husbands but now they assert themselves. Besides, they are respected in the family as they are making financial contribution for the households.

**18.9.5 Monitoring schools:** WSHG members in Sakti are also active in School Development Management Committee (SDMC). Kamma from Netravati Mahila Sangh, one of the members of SDMC told, “We wake up dozing teachers, monitor the quality and distribution of mid-day meals and conditions of toilets.”

**18.9.6 Help in Getting Mortgaged Land Released:** Vikalpa in Tilakwada, Narmada district, Gujarat has done commendable work in the direction of economic empowerment of rural women through SHGs by using the tool of participatory action research projects. After having a detailed baseline done at the project village, the project identified around 31 acres of land which was mortgaged by small and marginal farmers. The families which were legal owners of the land became *de facto* landless because they were involved in concealed tenancy. The project through SHG federation provided them a revolving corpus to get back their mortgaged land with certain conditions.

**18.9.7 Environmental Sustainability and Social Empowerment:** Stree Mukti Sanghatana established two training centres in Chembur, Mumbai for training *Parisar Bhaginis* (Environment sisters) in bio-composting, vermiculture and gardening. As a trainer and facilitator, Stree Mukti Sanghatana secured work opportunities for solid waste collection and treatment in major public and private sector housing colonies and office premises. 250 trained *Parisar Bhaginis* successfully brought near zero-waste status in these colonies, campuses and also in the small housing complexes. The approach adopted by Stree Mukti Sanghatana in *Parisar Vikas* is found to be most sustainable as it imparts the beneficiaries with the knowledge and skills, advocates for their rights and helps them to be organized. It

combines economy, empowerment and environment. This helps *Parisar Bhaginis* to have increased bargaining power, better social organization, increased income and self-sufficiency.

**Check Your Progress Exercise 3:**

**Note:** i. Use the space given below to answer the questions.

ii. Compare your answer with the one given at the end of this unit.

1. What are the ways in which micro-credit institutions and self-help groups mentor women?

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### **18.10 CRITIQUE OF MICROFINANCE AND SELF-HELP GROUPS**

Main disadvantages of micro loans and microfinance institutions (MFIs) is that they have yet to prove that micro lending is more successful than welfare-style programmes in lifting people permanently out of poverty. According to studies by anthropologist Aminur Rahman and reporter Helen Todd (both of whom studied the **Grameen Bank** in Bangladesh) and a world-wide study of micro lenders sponsored by Oxfam, micro lenders regularly fail to help people attain permanent self-employment, often because they fail to ensure that the loans are actually used by their borrowers to start small businesses. The most disappointing fact is that such programmes have been unsuccessful in reaching the poorest individuals and even the most successful microfinance programs are unable to sustain themselves without additional aid. Besides, like any other development strategy, micro lending for the purpose of

developing small businesses is a complicated endeavour that requires a localized understanding of the particular economic, cultural, and social factors affecting entrepreneurial success.

In the article “**Microfinance Misses the Mark**” Aneel Karnani an Associate Professor at the University of Michigan’s Ross School of Business points out that microloans are more beneficial to borrowers living above the poverty line than to borrowers living below the poverty line. This is because clients with more income are willing to take the risks, such as investing in new technologies that will most likely increase income flows. Poor borrowers, on the other hand, tend to take out conservative loans that protect their subsistence, and rarely invest in new technology, fixed capital, or the hiring of labour.

Microloans sometimes even reduce cash flow to the poorest of the poor, observes Vijay Mahajan, the chief executive of Basix, an Indian rural finance institution. One reason could be the high interest rates charged by microcredit organizations. Microcredit proponents argue that these rates, although high, are still well below those charged by informal moneylenders. But if poor clients cannot earn a greater return on their investment than the interest they must pay, they will become poorer as a result of microcredit, not wealthier.

Another problem with microcredit is the businesses it is intended to fund. A microcredit client is an entrepreneur in the literal sense. Although some microcredit clients have created visionary businesses, the vast majority are caught in subsistence activities. They usually have no specialized skills, and so must compete with all the other self-employed poor people in entry-level trades. Most have no paid staff, no assets, and operate at too small a scale to achieve efficiencies, and so make very meagre earnings. In other words, most microenterprises are small and many fail. The fact is, most microcredit clients are not microentrepreneurs by choice. They would gladly take a factory job at reasonable wages if it were

available. We should not call these poor as entrepreneurs. The International Labour Organization (ILO) uses a more appropriate term for these people: “own-account workers.”

Michael Miller of **The Acton Institute** highlights that while microfinance can play a role in development it is not a panacea for poverty, and the way it is practiced now can have serious unintended consequences that actually undermine development. Microfinance can be the first step on the ladder but macrofinance is needed too. For widespread and sustainable eradication of poverty, an attractive investment climate with secure property rights and rule of law are much more important in the long run. Microfinance is a stop-gap measure: development will have taken place when it is no longer needed.

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### **18.11 PROBLEMS OF WOMEN ENTREPRENEURS IN INDIA**

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Women in India encounter many problems to get ahead as an entrepreneur. Though a large number of schemes and programmes have already been in vogue in several states in our country, women entrepreneurs are still experiencing a plethora of problems which have resulted in restricting and inhibiting the expansion of women entrepreneurs. The problems that women face towards enterprise development at a community level are given below:

1. The greatest obstacle to women entrepreneurs is their lack of self-confidence. They accept a subordinate status, as a result they lack confidence in their own capabilities. Male domination constricts their opportunities.
2. The financial institutions are sceptical about the entrepreneurial abilities of women. The bankers put unrealistic and unreasonable securities to provide loans to women entrepreneurs. According to a report by the United Nations Industrial Development Organization (UNIDO), "despite evidence that women's loan repayment rates are

higher than men's, women still face more difficulties in obtaining credit, often due to discriminatory attitudes of banks and informal lending groups " .

3. The women entrepreneurs suffer from inadequate financial resources and working capital because they lack access to external funds due to their inability to provide tangible security. Very few women have tangible property in hand.
4. Women's family responsibilities bar them from becoming successful entrepreneurs. Having primary commitments for children, home and older dependent family members, few women can devote all their time and energies to their business.
5. The success of women entrepreneurs in business depends on the support the family members extended to women in the business process and management which is rarely realized.
6. Lack of knowledge of availability of the raw materials and low-level negotiation and bargaining skills are the factors, which affect women entrepreneurs' business adventures.
7. Many women in developing nations lack the education needed to spur successful entrepreneurship. They are ignorant of new technologies or unskilled in their use, and often unable to do research and gain the necessary training (UNIDO, 1995). The studies indicate that uneducated women do not have the knowledge of measurement and basic accounting.
8. The low level of education and confidence leads to low level achievement and advancement motivation among women. Low-level risk taking attitude is another factor affecting women's decision to engage in business operations and run a business concern.

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## 18.12 SUGGESTIONS

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Following efforts can be made to promote effective development of women entrepreneurs.

1. For all developmental programmes of the government, women should be considered as a specific target group.
2. Adequate vocational training programme on management skills and decision making should be organized for women that enable them to understand the production process and business management.
3. Skill development organized in women's polytechnics and industrial training institutes should be put to work in training-cum-production workshops.
4. Training on professional competence and leadership skill should be extended to women entrepreneurs to remove psychological barriers like lack of self-confidence and fear of success through the aid of committed NGOs, psychologists, managerial experts and technical personnel.
5. Government should give preference to goods and services produced by women entrepreneurs in procurements for its departments to provide them marketing and sales assistance.
6. State finance corporations and other financing institutions should by statute extend purely trade-related finance to women entrepreneurs.
7. The financial institutions should provide more working capital assistance both for small-scale ventures and large-scale ventures initiated by women entrepreneurs.
8. Repeated gender sensitization programmes should be held to train financiers to treat women with dignity and respect as persons in their own right.
9. Infrastructure, in the form of industrial plots and sheds, to set up industries and marketing outlets for the display and sale of products should be provided by state-run agencies to women entrepreneurs on preferential basis.

10. District Industries Centres and Single Window Agencies should have Women Entrepreneur's Guidance Cell to assist women to handle the various problems of their trade and business.

11. Non-Government Organizations can be involved in entrepreneurial training programmes and counselling of women.

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### **18.13 SUMMING UP**

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The Unit discusses the importance of entrepreneurship in the industrial development of the nation. Broadly, this Unit focuses on the recognition of women as entrepreneurs in India. Women entrepreneurs has encouraged by different civil society bodies working through agencies like microfinance institutions and SHGs. The problems like male dominance, inaccessible loans, inadequate financial resources and lack of family support are some of the limitations that women encounter in the course of enterprise development.

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### **18.14 GLOSSARY**

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**ILO (International Labour Organization):** ILO is the world's only tripartite multi lateral agency dedicated to bring decent work and livelihood, job related security and better living standards to the people of both poor and rich countries. There are four strategic objectives of ILO : To promote and realize standards and fundamental principles and rights at work, create greater opportunity for women and men, to secure decent employment and income, enhance the coverage and effectiveness of social protection for all, strengthen tripartism and social dialogue.

**UNIDO (United Nations Industrial Development Organization):** UNIDO is a specialized agency of the United Nations. Its mandate is to promote and accelerate sustainable industrial development in developing countries and economies in transition

and work towards improving living conditions in the world's poorest countries by drawing on its combined global expertise and resources.

**IDBI (Industrial Development bank of India Limited):** IDBI is a public sector Bank established in the year 1964 as a Development Financial Institution. In the year 2004 DFI (Development Financial Institution) was converted into a banking company as well as project financing for industries, development of identified backward areas, emergence of new spirit of enterprise and evolution of a deep and vibrant capital market. At present IDBI concentrates on corporate, retail, SME and agri products and services.

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### **18.15 ANSWERS TO THE QUESTIONS IN CHECK YOUR PROGRESS**

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#### **Check Your Progress Exercise 1:**

1. In India industrialization undertaken during post-independence period has reduced the share of household industries like weaving, jute making, papad making etc.

Mechanization of agriculture and industries has displaced women in all parts of India. It has increased the extent of unemployment and poverty among women. Therefore it was felt necessary to promote employment opportunities for women through enterprise development, so that women seeking jobs can be gainfully employed.

#### **Check Your Progress Exercise 2:**

1. A. Sakti, Bangalore, B. MASUM, Pune, C. SEWA, Ahemdabad, D. Vikalpa in Tilakwada, Narmada district, Gujarat D. Stree Mukti Sanghatana, Mumbai.

#### **Check Your Progress Exercise 3:**

1. Microcredit institutions and self-help groups mentor the women through exposure trips, vocational training, creation of awareness about women's causes, intervention in cases

of wife-beating, bigamy and other restriction, monitoring schools, help in getting mortgaged land released, environmental sustainability and social empowerment.

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### **18.17 QUESTIONS FOR REFLECTION AND PRACTICE**

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1. Define the concept of entrepreneurship and discuss women's empowerment in relation to enterprise development.
2. Discuss the mentoring role of microfinance institutions and SHGs in the context of development of women entrepreneurs.
3. Analyze women's empowerment by citing case studies.
4. Explain with examples how microcredit institutions and self-help groups mentor women.
5. Write a note on emergence of microcredit institutions and self-help groups. What are their shortcomings?