

# CHAPTER – I

## INTRODUCTION

### **The Theme of the Study**

In India, most of the women living in rural areas are illiterate and trapped in a vicious circle of poverty and deprivation. It is, therefore, recognized that the women have to be provided with vital educational and health inputs, if they are to become a powerful force in the society and gain foothold in the developmental process. The socio-economic problems of women vary according to the strata to which they belong.

The term 'entrepreneur', being a French word, refers to business enterprises organized by individuals either independently (sole trader) or collectively i.e. a firm or a body of corporate enterprises. These business communities are separated from professionals and employees. They contribute either their own capital or capital of general public, namely, shareholders or members.

Entrepreneurs are persons who initiate, organize, manage and control the affairs of a business unit by effectively combining the factors of production for supplying goods and services in their chosen fields of activity, may be agriculture, small trade, industry or even servicing. Entrepreneur is one, who always searches for changes, responds to them and exploits them to create an opportunity. Entrepreneur always innovates, and innovation is a specific instrument in the hands of entrepreneurs.

'Entrepreneurship is the function of seeking investment and production opportunities i.e. organizing an enterprise to undertake a new production process, raising capital, hiring labour, arranging the supply of raw material, finding site, introducing new techniques and commodities, discovering new sources of raw materials and selecting top managers of day today operation of the enterprises'. 'Entrepreneurs have the willingness to assume risks in undertaking an economic activity. It may involve an innovation but not necessarily so. It always involves risk taking, decision making, although neither risk nor decision making may be of great significance'

Entrepreneurship is the key to rapid economic growth of a country. Entrepreneurship is caused basically by motivation. Motivation is a process by which a need or desire is aroused. A country with able entrepreneurs will always go faster on the path of industrialization as compared with a country which has no able entrepreneurs. Today, participation of women in economic activities and their role in the process of economic development has been recognized throughout.

### **Micro-Finance for Economic Development of Women**

Finance is one of the most crucial inputs for economic activity, growth and development of any economy. Provision of financial services to the poor and underprivileged sections of the society has always been the focus of various programmes which are run by the government since independence. Despite having a wide network of rural bank branches in India which implemented specific poverty alleviation programmes that sought creation of

self employment opportunities through bank credit, a large number of the poor, especially women, continued to remain outside the field of formal banking system. Therefore, a need was felt for alternative policies, systems and procedures, saving and loan products, other complementary services and new delivery mechanisms, which would fulfill the financial requirements of the poor, especially of the women members of such households, with the main emphasis on the social and economic uplift of women.

The concept of micro credit has emerged in India as a new mechanism of lending over the past few years. Micro Credit has evolved as a powerful mechanism to deliver financial services, particularly credit to the section of the community that have been excluded from the services of the main stream institutions. Prof. Muhammad Yunus explains the role of micro credit in facilitating women potential as, 'women have plans for themselves, for their children and for their homes. They have a vision. While a man wants to enjoy himself, the availability of finance to women ensures that resources and profits generated are ploughed back into the development of household and family.

Micro credit has come to be recognized and accepted as one of the new development paradigms for alleviating poverty through social and economic empowerment of the poor with the focus on empowering women. Micro credit is emerging as a powerful instrument for poverty alleviation in the new economy. It is a powerful instrument and has improved access of rural poor specially women. The SHG-Bank linkage program had offered greater opportunity for closer interaction between bank and group members.

There is significant improvement in the recent years and the concept has picked up with the constant support of the state government, banks and NGOs.

### **The role of Women in Developed Countries**

In almost every developed or industrialized country, women are mostly employed in white collared jobs. There has been a shift from agricultural and industrial occupations to the service sectors, due to the emergence of modern industrial society. The percentage of women in the labour force in these countries ranges from approximately 30 percent to 48 percent being the highest in the centrally planned economies. It has been found out that even within the developed countries there is considerable variation in the pattern of women labour participation. They can be broadly divided into following groups.

They are;

- i. In Australia, Canada, France, Sweden and the U.S. women's participation ratio has increased by more than 33 percent
- ii. In Denmark and Finland the female participation rates have been more or less stable.
- iii. The level of working women declined in the following countries namely Belgium, Italy and Japan. In the developed countries too, wage discrimination according to sex still continues. It is also found that married women's wage is much lower than that of unmarried women. At least in 14 out of 16 OECD countries,

women have been found to experience more unemployment than men.

### **Role of Women in India**

In India, entrepreneurship plays a vital role in economic development. Entrepreneurs serve as catalysts in the process of industrialization and economic growth. The entrepreneur is the key to the creation of new enterprises that energize the economy and rejuvenate the established enterprises that make up the economic structure. Entrepreneurs are indeed important and critical in the development process. They perform central mediating role between the larger society and a single operating unit. They are the ones who have shown that genius is sweat and toil and sacrifice and that natural resources gain value only by the ingenuity and labour of man.

In the process of industrial development, especially in small business, entrepreneurship has acquired special significance in the context of economic growth in a rapidly changing socio-economic and socio-cultural climate both in developed and developing countries. Entrepreneurship development among men and women solves the problems of unemployment and under employment, effecting equitable distribution of income and wealth, increasing the per capita income and the gross national product and above all, improving the quality of life.

Entrepreneurship is regarded as one of the important determinants of the industrial growth of any region. The entrepreneurial performance varies from society to society depending upon the industrial climate, material resources and the responsiveness of the socio-political system.

## **Micro Credit and Micro Finance**

Micro credit and Micro finance are relatively new terms in the field of development. In the literature, the term Micro-Credit and micro-finance are often used interchangeably, but it is important to highlight the difference between both terms. Micro credit as defined by the Grameen Bank, symbolizes small loans extended to the poor for undertaking self-employment projects that would generate income and enable them to provide employment for themselves and their families. The defining criteria used are thus the size of loans and the targeted population comprising micro-entrepreneurs, particularly women micro-entrepreneurs, from low income households. These loans are generally offered without any collateral security.

On the other hand, micro-finance is a financial service of small quantity provided to the entrepreneur, particularly women micro-entrepreneurs, from low income households. These financial services may include saving, credit, insurance, leasing, money transfer, equity transfer etc. i.e. any type of financial services provided to customers to meet their financial needs with the only requirement that (1) Transaction value is less (2) Customers belong to the poor strata of society.

After the great success of Grameen Bank of our neighboring country Bangladesh, the concept of microfinance has gained momentum. Micro credit/ Microfinance have been defined by the 1997 Micro credit Summit as 'Programmes that provide credit and other financial and business services (including savings and technical assistance) to very poor persons'.

Microfinance has emerged as a powerful tool to provide micro funds to very poor people for poverty alleviation in the economy.

Micro finance is a provision of thrift, credit and other financial services and products of very small amount to the poor in rural, semi-urban and urban areas for enabling them to raise their income levels and improve living standards. According to the UN, in 2002 almost one-fifth of the world population (i.e. 1.3 billion people) was living in extreme poverty, earning less than one dollar per day.

Microfinance is being considered as an important poverty alleviator tool all over the world. In many developing economies, especially during the past 10 years, microfinance has been introduced and the concept is gaining momentum. The attention of Microfinance and its role in reducing poverty was further increased when M.Yunus received the Noble Peace Prize. According to him, the poor themselves can create a poverty free world and provision of credit can create self employment instantaneously.

Why wait for others to create a job for you? A recent study among 518 Microfinance Institutions in Africa, Latin America, Eastern Europe and Asia reveals that the majority of the microfinance institutions are found in countries such as Bangladesh, India, Indonesia and Thailand. Sixty percent of the total poor of the world lives in Asian countries. The extension of services of Microfinance Institutions to poor people in the most populated countries in Asia, such as India and China, is relatively low.

**Micro Credit helps to uplift the poor Women in Tamil Nadu**

Tamil Nadu is among the fast developing states in India. Though agriculture is a main occupation for rural sector of the economy, the urbanization in the east is thirty years old due to the development of secondary and tertiary sector. Since agriculture is a seasonal occupation the people tend to remain idle during rest of the year. However, the SHG movement has become popular in the village, which has helped in inculcating the feeling of self help among the rural masses. Self Help Groups is one of the important concepts of micro credit. 'Poor people represent a vast untapped market opportunity'. Keeping this fact in mind, the banks and other financial institutions have enlarged their scope of credit. Now, these institutions are providing credit even to those who were called unbankable because of poor credibility.

The objective behind Micro-credit is to increase the urban access to banking services and target credit at some specific activities and certain disadvantaged groups. Micro-credit empowers the poor people and protects them from moneylenders. "(Micro-Credit) is based on the premise that the poor have skills which remain unutilized or underutilized. It is definitely not the lack of skills which make poor people poor. Charity is not the answer to poverty. It only helps poverty to continue.

It creates dependency and takes away the individual's initiative to break through the wall of poverty. (Muhammad Yunus, Expanding Micro-credit Outreach to Reach the Millennium Development Goals, International Seminar on Attacking Poverty with Micro-credit, Dhaka, Bangladesh, January, 2003). It may also be considered a tool to give poor people the

opportunity to participate in the economic life. Micro credit helps in meeting the need of the poor people by combining the flexibility, sensitivity & responsiveness of the informal credit system with the strength of technical & administrative capabilities & financial resources of the formal credit institutions. It also helps in encouraging the banking activities, both on the thrift as well as credit sides, in a segment of the population that the formal financial institutions usually find difficult to cover.

Apart from it, Micro finance builds mutual trust and confidence between bankers and the rural poor people. Poor people appreciate Micro credit because they do not have any need to pledge something to lenders. It is the very nature of micro credit that no collateral security is required to be parked with the lender for getting monetary assistance. Moreover, this facility is quite convenient to unreached poor who are not having access to financial services in a desired manner. Another important thing is that the amount of loan is disbursed to the whole group which means each and every member of SHG shares the risk and burden of loan as a result of which everyone enjoys the loan facility with limited liability.

### **Statement of the Problem**

Generally speaking, a women entrepreneur may be defined as a woman or a group of women, who initiate, organize and run a business enterprise. According to Government of India, definitions of women

entrepreneurs are based on women participation in quality and employment of a business enterprise.

Micro – credit woman entrepreneur is one of the most important inputs in the modern economic development of a country. Micro-credit women entrepreneurial competence accelerates the economic growth. In India, state and private entrepreneurship co-exist. The small scale industrial sector and business are left completely to private entrepreneurs. It is therefore in this context that an increasingly important role has been assigned to the identification and promotion of entrepreneurs for this sector.

The role and importance of micro-credit women entrepreneurs now is well recognized that micro-credit entrepreneurs can be developed through appropriately designed entrepreneurs' development programmes. These programmes broadly envisage a three tier approach developing Achievement motivation and sharpening of entrepreneurial traits and behaviour, project planning and development and guidance on industrial opportunities, incentives and facilities and rules and regulation and developing managerial and operational capabilities.

Today, with the realization of the need and urgency of micro-credit women entrepreneurial development in the country, many new initiatives have emerged in the form of Entrepreneurship Development Programmes (EDPS). The programmes contributed significantly in increasing a pool of first generation for accelerating industrial and economic growth. The systematic and scientific approach adopted through EDP's has broken the

myth that entrepreneurs are only born and not made. Now it has been established that they can be developed too.

After careful examination of the above facts, different programmes have been launched under entrepreneurial education programme to develop the latent qualities of entrepreneurship among women and impart information on various aspects of micro credit enterprises, implementing them and successfully running the venture, resulting in job satisfaction and business satisfaction on the part of women micro-credit entrepreneurs. The micro-credit enterprises promoted entrepreneurial activities and led to higher probability of success in new ventures thus proving the impact of Entrepreneur Development programmes.

Women as micro-credit entrepreneurs are now successfully gaining importance in men's world because of their economic independence, combined with the challenge of doing something on their own and the encouragement they get from the members of their families. Their involvement in business, less aggressive nature, patience, humanity and gentleness compared to those of men under similar conditions, make women sound personal managers both outside and inside homes.

Generally a micro-credit woman entrepreneur is perceived as engaged in making pickles, masala powder and other household goods. Due to the efforts taken towards motivating women, they are now emerging as dynamic entrepreneurs and capable of running small and micro-credit enterprises, breaking away from the beaten track and are exploring new vistas of economic participation.

## **Reason for focus on Women**

The National Credit Fund for Women or the Rashtriya Mahila Kosh (RMK) is working exclusively for poor women. Its loans are available solely and entirely to this target group. The reasons for this are several; among the poor, the poor women are the most disadvantaged – They are characterized by lack of education and access to resources, both of which are required to help them work their way out of poverty and for upward economic and social Mobility. The problem is more acute for women in countries like India, despite the fact that women's labour makes a critical contribution to the economic growth - this is due to low social status and lack of access to key resources.

Evidence shows that groups of women are better customers than men. They are better managers of resources – benefits of loans are spread wider among the household if loans are routed through women – mixed groups are often inappropriate in Indian society – record of all-male groups is worse than that of all-women groups, everywhere.

India is also fast becoming one of the largest micro-credit markets in the world, especially with the growth of women's savings and credit groups (known in India as Self help group) which are set to reach 20 million women by 2011. Here this research will focus on the problems and prospects of micro-credit women entrepreneurs in Thiruvannamalai District in Tamil Nadu.

Micro-credit in Thiruvannamalai District is emerging as a powerful instrument for poverty alleviation, in spite of several constraints in the study

area. It is a powerful instrument and has improved access of rural poor specially women.

So, a study entitled, 'Micro-credit women entrepreneurs in Thiruvannamalai District with special reference to problems and prospects', was undertaken.

### **Scope of Study**

The concept of enterprise is as old as human history and can be found in all strata of society. The spirit and skill of enterprise have transformed a street urchin to an illustrious personality, a landless labour to a wealthy landlord and the same spirit makes a marginal fisherman become the owner of a sophisticated fishing vessel. These entrepreneurs are determined persons who have a flair for initiating, organizing, managing and controlling the particular business that they specialize in. Such bright stars and their roles are more noticeable in modern society. An entrepreneur acts as a catalyst in an organized society by providing both products and services. It is stated that the Thiruvannamalai District is one of the major business centres and has vast potential for women entrepreneurs to establish an enterprise and to develop entrepreneurship. The present study concentrates on the role of Micro-credit women entrepreneurs in Thiruvannamalai District.

### **Objectives of the Study**

The overall objective of the study is to analyze the problems and prospects of the Micro-credit women entrepreneurs in small enterprises in Thiruvannamalai District. The specific objectives are;

1. To study the socio-economic background of micro-credit women entrepreneurs in Thiruvannamalai District.
2. To identify the factors influencing the performance of the Micro-credit women entrepreneurs in the study area.
3. To ascertain attitudes of Micro-credit women entrepreneurs in the study area towards gender related issues.
4. To analyses the behaviour of Micro-credit women entrepreneurs that increases their chances of advancing on the job.
5. To find out the characteristics associated with Micro-credit women entrepreneurs in the study area, and
6. To understand the problems, difficulties, and constraints faced by the Micro-credit women entrepreneurs in Thiruvannamalai District.

## **Hypothesis**

**Hyp. 1:** Push factors affect entrepreneurial direction of the respondents more than the pull factors in the study area.

**Hyp. 2:** Both push and pull factors affect satisfaction of the micro credit women entrepreneurs in the study area.

**Hyp. 3:** Financial factors significantly affect direction and satisfaction level of the micro-credit women entrepreneurs in the study area.

**Hyp. 4:** Micro-credit Women entrepreneurs have difficulty in procuring loans in the study area.

**Hyp. 5:** Psychological characteristics influence the direction and satisfaction of the respondents in the study area.

**Hyp. 6:** The Respondents are willing to take business risks.

**Hyp. 7:** Social support affects the Entrepreneurial Direction and satisfaction of the respondents.

**Hyp. 8:** The respondents in the study area have work-related problems.

**Hyp. 9:** The higher the level of entrepreneurial direction, the higher is the satisfaction level of the respondents in the study area.

### **Research design and methodology**

The study is exploratory cum evaluative in nature and following steps were taken to make it accurate and reliable:

This research work depends upon both primary and secondary data. The area selected for this study is Thiruvannamalai District in Tamil Nadu which has wide range of income and employment generating opportunities. Women in this area have the ability to start their own micro-credit

enterprises. Women run their enterprises successfully and prove their potentiality in the field of entrepreneurship.

The objectives set forth in this study had necessitated the researcher to look for the data. It is an exploratory cum evaluative study and hence there was the need for the collection of data. Even though the study comprises both primary and secondary data, primary data plays a very significant role to analyze the problems, difficulties and constraints faced by the women micro-credit entrepreneurs in the study area. Therefore, the study was mainly based on primary data alone. There were 300 micro-credit women entrepreneurs who were selected randomly in the study area, which consists of both rural and urban area without any discrimination. As the study was aiming to throw light on the social and economic conditions of micro-credit women entrepreneurs, the researcher had prepared an elaborate interview schedule in order to collect the necessary primary data. The researcher had individually met all the 300 respondents and collected the required necessary primary information for this study keeping the above stated objectives in mind. A checklist comprising questions relating to problems, difficulties and constraints encountered by micro-credit women entrepreneurs and relevant information was also collected by using specific statistical tools wherever necessary.

The collected information was very vast and as such, all of them were not required for the study. In order to cull out the necessary statistical data required for the study from the interview schedule, the researcher had prepared an elaborate and well structured master sheet. Further, the

researcher had prepared required Sub-Tables from the master table, hence the data sheets were 'Structured' in nature and character with relevant to the research. The necessary data were carefully collected, tabulated and formulated by making use of the interview schedule in very cautious manner. The scholar had spent eight full months, namely April 2010, to November 2010 for this purpose.

The collected data were to be processed further and consolidated suitably for the purpose of analysis. The work was carried out during December 2010 to March 2011. Further Sub tables were also carefully prepared to put them in order so that they could be meaningfully used for analysis and answering the objectives and research questions stated in this research work. The analysis was carried on by applying simple statistical tools like percentage and averages and suitable diagrammatic representations (Pie and bar diagram) were also used in the study wherever necessary. The calculations were done both manually and computerized research techniques. The results were carefully noted and they were interpreted rightly, keeping the stated objectives of the study in mind. The report was written in lucid language with scientific manner and the same is given in the analysis chapter.

### **Sample selection**

This study was conducted in Thiruvannamalai District in Tamil Nadu. Micro-credit Enterprises taken up for this research work were boutiques, beauty parlors, carpet making units, general stores, vegetables vending, fruits vending, flower vending, DTP-xerox shops, etc. To determine the sample size, a pilot survey of 300 respondents were randomly selected from both the rural and urban areas of the study area conveniently was conducted this research work meaningfully.

### **Data collection form and generation of scale items**

The data collection form was developed as per the guidelines of literature and extensive discussions with experts. The statements of the interview schedule was finalized after reviewing the existing literature which were stated in the review of literature in Chapter – II. Likert's 5-point scale (5–1) has been used for measuring attitudes, where 1 stands for strongly disagree, 2 for disagree, 3 for indifferent, 4 for agree, and 5 for strongly disagree. The negative items were reversed during data feeding process. Besides, the demographic profile items, the interview schedule comprised of statements namely, social factor, psychological factor, financial and economic factor, problems or barriers, satisfaction of micro-credit women entrepreneurs, entrepreneurial orientation, and entrepreneurial motivation. The selection of the respondent entrepreneurs in the study area was done on the basis of random sampling method without any discrimination from both the urban and rural areas of Thiruvannamalai District. Before analyzing the data it has been duly purified and validated with the help of exploratory and confirmatory factor analysis, the result of which are discussed.

## **Limitations of the Study**

All possible efforts were made to maintain objectivity, reliability, and validity of the study, yet certain limitations could not be ignored and are required to be kept in mind whenever its findings are considered for implementation. These are;

1. The sample was restricted only to the micro-credit women entrepreneurs of Thiruvannamalai District in Tamil Nadu.
2. The study has measured the factors affecting entrepreneurial orientation on the basis of the perception of the women micro-credit entrepreneurs that might have been guided by their likes and dislikes.
3. Even though the study is based on both primary and secondary data, the primary data plays a very potential role, because the secondary data were collected from the official records of the concerned departments. Further, this data were already used for some other purposes by somebody.
4. The primary data were collected from the sample respondents by the researcher through direct personal investigation method. But this includes lot of inconvenience like lack of co-operation from the respondents, lack of field survey facilities.
5. As the area of the study is also a vast one, therefore, any inferences or a conclusion drawn from the study is not universally accepted and it should be interpreted with caution.

6. Women micro-credit business enterprises includes number of factors like weaving clothes, Agarbathi manufacturing, papad making, Special bedspreads making, Embroidery, catering service, Pickle manufacturing, Florist shops and dry cleaning and supervising tailoring training, soap manufacturing etc. But these are not taken into consideration predominantly.
7. Even though both the primary and secondary data are very essential for the good research work, the researcher had concentrated mainly on primary data. However, there was not much of secondary data. This is the main limitation of the study.

### **Chapterisation**

There are six chapters involved in this research work. The first chapter deals with the theme of the study, statement of the problem, scope of the study, importance, objectives, hypotheses, methodology, limitations and organization of the study. The second chapter portrays the Review of Literature. The third chapter describes the profile of the study area. Chapter four explains an overview of micro-credit women entrepreneurs. Analysis and data interpretation are presented in the fifth chapter. Finally the sixth chapter ends up with summary, findings, conclusion and policy recommendations followed by Bibliography and Appendices.

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