

Microcredit and Women's Entrepreneurship: As a Pathway to Financial Freedom and Social Change

Radha Thangarajan¹, Dr.J. Merlin Sheela Magdaline², Sreelakshmi AR³, Lalitha⁴, Binila B Chandran⁵

1. Assistant professor, Department of Commerce, St. Claret College Autonomous, Bengaluru, Karnataka, India.
2. Professor, Department of Commerce, DMI St. Eugene University, Zambia.
3. Assistant Professor, Gopalan School of Commerce, Bangalore, Karnataka, India.
4. Assistant Professor, Department of Commerce and Management, Dayananda Sagar College of Arts, Science and Commerce, Bengaluru, Karnataka, India.
5. Assistant professor, Department of Commerce, St. Claret College Autonomous, Bengaluru, Karnataka, India.

ABSTRACT

Micro credit is considered as a powerful tool to eradicate poverty and improve the standard of living of people especially women. Several financial institutions including NABARD have been providing financial support by way of micro credit to those, who are normally excluded from formal financial sector. Several NGO's and MFIs are assisting those people in order to create a group and find their own IGA's. This study is primarily attempting to find out the financial and social benefits gained by women entrepreneurs after joining the micro credit programme and how it contributes their financial and social empowerment. The sample frame used in this study is stratified random sampling. Interview schedule was prepared to collect data directly from the respondents who were running micro enterprises or conducting Igas. It was found that micro credit programme improves their profit earning capacity and thereby it improves the decision making capacity and social benefits to the participants. Despite these advantages, they are facing several operational and marketing problems which curtail the effectiveness of the programme.

Keywords: Micro Credit, Women Empowerment, Micro Enterprises, Financial Freedom

1.INTRODUCTION

Micro credit is considered as a revolutionary tool to fight poverty in different parts of the world. It provides access money to neglected sectors of the society. Micro credit means small amount of loan provided to people especially to women belonging to backward area, on a "group wise" basis. Self Help Groups (SHG) are formed by these people by contributing small amounts of savings in order to establish Income Generating Activities (IGA) with the help of governmental agencies and NGO's who in turn provide micro credit and linkage loans with the help of banks. The main object of such loans is to empower women financially and socially by way of setting up micro enterprises and conducting various IGAs.

2.REVIEW OF LITERATURE

Benjamin F Lyngdoh and Ambika P Pati (2013) in their study 'micro finance and women empowerment; a case study of matrilineal Tribal society of India' points out that micro finance has a positive impact on women empowerment in matrilineal tribal society. It also contributes the effectiveness of such programmes in socio political outcomes.

Sarumathi S and Dr. Mohan. K (2011), in their study finds that the members, especially women gained self-confidence and skill improvement after joining micro credit programme. This programme brings economic improvement, peace and happiness either directly or indirectly

Kumar Dhanonjoy, Hossain Afjal *et.al* (2013) opines that, increased economic activity and the control over income as a part of micro finance programme improved the knowledge, women skills, mobility and support networks. However, influence from their family regarding the use of micro credit and the marketing problem of products they produce retard the effectiveness of the programme

Jency S, Siniya. A (2016) in their study finds that lack of adequate working capital is the major problem faced by women while running their operations. Increased cost of marketing leads them to focus on direct marketing system,

which sometimes adversely affecting their business. There is the absence of sufficient information regarding various schemes of subsidies and policies of government to support micro enterprises.

3.SIGNIFICANCE OF THE STUDY

In India participation of women in entrepreneurial activities are growing rapidly. It is considered as an essential tool to improve economic growth. Nearly 50 % of Indian women are participating in entrepreneurial activities either directly or indirectly. Government introduced several development and assistance programme to women in order to encourage and support them rather than providing different schemes of subsidies. Despite these efforts initiated by different sectors, India still ranked 70 out of 77 countries, where favorable conditions for women entrepreneurship exist. Micro credit programme is a powerful tool to provide support to women, especially belonging to backward region.

Governmental programme called Kudumbasree and various NGOs are playing a pivotal role in the area of women upliftment in Kerala. Through SHG-Bank Linkage programme and other supporting facilities, they are helping women to start and nurture their own micro enterprises or IGAs. It enables women to make savings of their own, which will enable them to improve standard of living, better social status and improvement in decision making. This study is relevant because it attempts to present a clear picture of women entrepreneurship by studying profit- saving pattern and problems of women entrepreneurs.

4.STATEMENT OF THE PROBLEM

Women empowerment stands for providing an environment where women can participate in both personal and social decision making. It also means providing more access to financial, economic and legal resources in order to ensure equal rights. Micro credit plays an important role in women empowerment by bringing them into the light of financial inclusion. This study is conducted to know the financial and social empowerment gained by women entrepreneurs through micro credit programme. Study primarily analyzes the financial performance of various micro enterprises /IGAs run by women. It also studies the financial and social benefits received by them.

5.OBJECTIVES OF THE STUDY

The main objectives of the study are

1. To identify the availability of micro credit for micro enterprise / IGAs to the members of SHGs.
2. To evaluate the financial performance of microenterprises / IGAs run by women using micro credit in Changanassery Taluk.
3. To examine the financial and social empowerment of women through various benefits received.
4. To analyze the problems faced by women entrepreneurs.

6.HYPOTHESIS OF THE STUDY

- H₀ : There is a correlation between loan and profit of the sampling units.
- H₀ : There is a relationship between benefits derived by the respondents.
- H₀ : There is no significant difference between rankings of problems faced by sampling units

7.RESEARCH METHODOLOGY

The study is based on both primary and secondary data. To collect data, a well structured interview schedule was prepared. Various forms of discussion with SHG members also make part of the study. Secondary data sources like books, magazines, websites etc., have also been used to gather information.

SAMPLE DESIGN

Changanassery Taluk of Kottayam district has been purposely selected for the study. Kottayam is the first district that attained 100% literacy in India. Changanassery Taluk contains 15 villages of which 5 villages representing different strata's, namely Kurichy, Vazhappally, Thrikkodithanam, Vazhoor and Changanassery were selected for the study. 8 women SHGs from each village were selected and those members who are running micro enterprises/IGAs from each

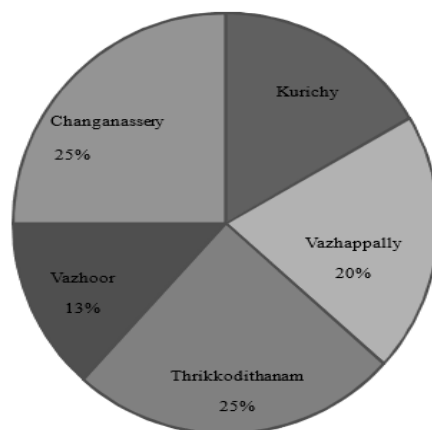
selected SHG, constitute 60 samples for data collection.

TABLE 1: SAMPLE DESIGN FOR THE STUDY

Villages	Women selected	SHG	No. Of members	Percentage
Kurichy	8		10	18%
Vazhappally	8		12	20%
Thrikkodithanam	8		15	25%
Vazhoor	8		8	13%
Changanassery	8		15	25%
Total	40		60	100%

Source: Primary data

PIE CHART 1: SHG MEMBERS IN CHANGANASSERY TALUK



ANALYSIS TOOLS

1. Percentage
2. Ranking
3. Chi-square Test
4. Friedmans Test
5. Correlation analysis

8. ACTIVITY BASED CLASSIFICATION OF SAMPLE UNITS

Table 2 shows the activity-based classification of sampling units from sampling areas. Out of sixty sample units 18 sample units are engaged in food production, 15 sample units are running retail, 9 are engaged in farm activities, 9 are doing agriculture as their IGA and 9 are engaged in animal husbandry activities.

TABLE 2: ACTIVITY BASED CLASSIFICATION OF SAMPLE UNITS

Activities	Kurichy	Vazhoor	Thrikkodithanam	Vazhoor	Changanassery	Total
Retail Units	2	3	3	3	4	15
Farm	2	1	3	1	2	9

Agriculture	4	2	2	0	1	9
Food production	2	4	2	2	8	18
Animal husbandry	0	2	5	2	0	9
Total	10	12	15	8	15	60

Source: Primary data

9. ANALYSIS OF THE AVERAGE AMOUNT OF CURRENT LOAN RAISED

Table 3 depicts the average amount of current loan raised by the sample units on the basis of activities. Out of 18 units engaged in food production 9 units have taken loan upto Rs 30000 each and 4 units have taken loan of more than Rs. 90000 each. Out of 15 samples engaged in retail, 8 units have taken loan up to Rs. 60000 each 4 units have taken more than Rs 90000 each as loan. In case of units engaged in farm activity, 4 units have taken loan up to Rs. 90000 each but only one unit has taken loan of more than Rs 90000. In agricultural units, 4 units have been taken loan of Rs 60000-90000 each. Out of 9 units engaged in animal husbandry, 6 units have taken loan up to Rs 60000 each.

TABLE 3: ACTIVITY BASED CLASSIFICATION OF SAMPLE UNITS SHOWING AVERAGE AMOUNT OF CURRENT LOAN CYCLE

Activities	Upto Rs. 30000		Rs. 30000-60000		Rs. 60000-90000		Above 90000		Total	
	No of sample	Average Amount	No of sample	Average Amount	No of sample	Average Amount	No of sample	Average Amount	No of sample	Average Amount
Retail Units	3	22000	5	55000	3	80000	4	126250	15	72400
Farm	2	20000	3	50000	3	70000	1	110000	9	56667
Agriculture	1	28000	3	40000	4	71250	1	120000	9	49444
Food production	3	25000	6	36667	5	77000	4	105000	18	61111
Animal husbandry	2	20000	4	45000	2	73000	1	100000	9	51778
Cumulative Total	11	115000	21	226667	17	371250	11	561250	60	291400

8. ANALYSIS OF TURNOVER, COST AND PROFIT OF MEMBERS

TABLE 4: TABLE SHOWING AVERAGE AMOUNT OF TURNOVER, COST AND PROFIT

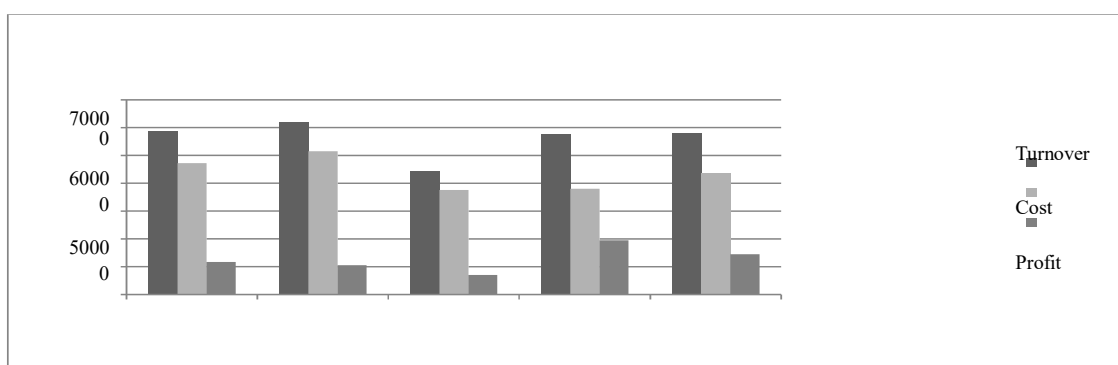
Activities	No of sample	Turnover (avg.amount)	Cost (avg.amount)	Profit (avg.amount)
Retail Units	15	58850	47200	11650
Farm	9	62000	51500	10500
Agriculture	9	44500	37500	7000
Food production	18	57500	38000	19500
Animal husbandry	9	58000	43500	14500
Cumulative Total	60	280850	217700	63150

Source: Primary data

Table 4 represents sales, cost and profit gained by the different units on the basis of their activity. Profit is the main aim of every business. It is also the criteria for the next level of loan to these units. Sales and cost are the two main factors which determine the profit. Therefore, it is important to analyze the turnover, cost and profit of these units in order to find out the financial empowerment of members. From the table it is revealed that, the units which are engaged in farm activities have highest average turnover i.e. Rs62000. Next come retail units with an average turnover of Rs58850 followed by animal husbandry units with Rs58000. Units with agricultural activities reported the lowest amount of

average turnover i.e. Rs44500. Cost of production and sales are high for Farm activities with an average amount of Rs51500, there for it affects their profit, and they made only an average profit of Rs10500, the second lowest profit compared to all sample units. Average amount of profit is high for food production unit's i.e. Rs 19500 for an average cost of Rs38000. Agriculture is considered as the riskiest activity with low sales, profit and high cost of production.

FIG 1: AVERAGE AMOUNT OF TURNOVER, COST AND PROFIT



9. RELATIONSHIPS BETWEEN AVERAGE AMOUNT OF LOAN AND AVERAGE AMOUNT OF PROFIT

TABLE 5: TABLE SHOWING AVERAGE AMOUNT OF LOAN AND PROFIT

Activities	Loan (avg.amount)	Profit (avg.amount)
Retail Units	72400	11650
Farm	56667	10500
Agriculture	49444	7000
Food production	61111	19500
Animal husbandry	51778	14500
CumulativeTotal	291400	63150

Source: Primary data

H₀ : There is a correlation between loan and profit of the sampling units.

Table 4 shows the activity based classification of average amount of loan availed and average amount of profit gained by the sampling unit. In order to analyze the impact of loan on profit, correlation method was used. Calculated value (r) is 0.26 and it shows positive correlation exists between amount of loan and profit made by sampling units. Hence H₀: There is correlation between loan and profit of the sampling units, can be accepted.

10. ANALYSIS OF BENEFITS DERIVED BY THE MEMBERS

In order to analyze the social empowerment gained by the members, it is essential to understand the gains or benefit derived by them through this program. Five variables such as learning new skills, decision making, improvement in relationship, improvement in social status and self-confidence were identified as the factors which determine the social empowerment. Ranking method has been adopted and the respondents were asked to rank the variables on the basis of their preference. Highest preferred variable gets the weights of 5 and lowest get the weight of 1. Majority of the respondents opined that they gained new skills after joining the programme. Chi-square test was adopted to identify the relationship of weighted scores.

TABLE 6: BENEFITS RECEIVED BY THE MEMBERS

S.I NO.	Benefits	Weighted score	Percentage	Rank
1	Learning New Skills	260	28.57	1
2	Decision Making	140	15.39	5
3	Improvement in Relationship	170	18.68	3
4	Improvement in Social Status	180	19.78	2
5	Self confidence	160	17.58	4
	Total	910	100	

Ho: There is a relationship between benefits derived by the respondents.

Since the calculated value (45.592) is higher than the Table value (9.4877) at 5% level of significance, we accept the alternative hypothesis that there is no goodness of fit between observed and expected values. That is there is no relationship between benefits derived by the members.

10. ANALYSIS OF THE RANKING OF PROBLEM FACED BY MEMBERS

TABLE 7: RANKING OF PROBLEM FACED BY MEMBERS

Activities	Kurichy	Vazhappally	Thrikkodithanam	Vazhoor	Changanasery
Marketability Problems	38	30	46	44	34
Negative attitude of banks	28	34	42	38	40
Delay in operation	46	38	36	28	34
Lack of awareness	44	40	34	36	38
Lack of support	24	38	26	34	30

Source: Primary data

It is also very important to analyze the problems faced by the women entrepreneurs in order to get an exact picture of their empowerment. Table 7 shows the area wise classification of the weighed ranks of problem faced by members. Five attributes or variables identified as marketability problems, negative attitude of banks, delay in operation, and lack of awareness and support constitute their problems. Ranks were assigned on the basis of preference. Friedman test has been conducted to analyze the rankings of problem face by sampling units.

H₀: There is no significant difference between rankings of problems faced by sampling units
Friedman Test:

Calculated value (2.24) is lower than table value (9.4877) at degree of freedom 5-1=4 and level of significance .05, we accepted the null hypothesis that there is no significant difference between rankings of problems faced by the samplings units.

11. FINDINGS OF THE STUDY

1. It has been observed that majority of the members availed loans ranging between Rs. 30000 to Rs. 60000.
2. All units are making profits by running micro enterprises or IGAs.
3. Study finds that, turnover and the cost incurred by the units are directly related. This adversely affects the profitability of the units.
4. There is correlation existing between average amount of loan availed and average amount of profit generated by the sampling units
5. Besides of financial benefits, women entrepreneurs also gained several social benefits such as learning new skills improvement in social status and relation- ships, self-confidence etc.
6. Delay in operation, negative attitude of banks and several other risk factors are posing as threats to the successful

functioning of the business.

15. SUGGESTIONS

1. Increased cost of production is the major reason which hinders the profitability of the units. Supporting institutions strive hard to support women entrepreneurs to reduce the cost.
2. Proper training must be given to the members in order to overcome the marketing problems and creating operational awareness.
3. Literacy and formal education are the factors which affect productivity and income. Policy makers must initiate programmes to develop overall educational improvement of women entrepreneurs.
4. Banks must be ready to provide more financial assistance by way of reduction in interest rates and subsidized loan to women entrepreneurs.

16. CONCLUSION

Micro credit is playing a vital role in the financial, economic and social empowerment of women by providing an opportunity to establish micro enterprises and various IGAs. It helped women to improve financial access which in turn increased personal income and several social benefits. However, lack of technical and operational knowledge and several other factors restraint women entrepreneurs to run their business effectively. Study reveals that all the units availing micro credit are making profit by effectively running their operations. However, this study not focused to the aspects of adequacy and sufficiency of these profits as compared to the increased cost of living of the economy.

17. LIMITATIONS OF THE STUDY

- The study was limited by time factor
- Since it is a sample based study, authenticity and exactness cannot be claim.
- Area of the study was limited to Changanassey Taluk only.

REFERENCES

1. Nasir, W. M. N. bin W. M., Al Mamun, A., & Breen, J. (2017). Strategic Orientation and Performance of SMEs in Malaysia. *SAGE Open*, 7(2). <https://doi.org/10.1177/2158244017712768>
2. Omar, N. A., Md Aris, H., & Nazri, M. A. (2016). The effect of entrepreneurial orientation, innovation capability and knowledge creation on firm performance: A perspective on small scale entrepreneurs. *Jurnal Pengurusan*, 48, 187–200. <https://doi.org/10.17576/pengurusan-2016-48-15>
3. Vij, S., & Bedi, H. S. (2012). Relationship between entrepreneurial orientation and business performance: A review of literature. *The IUP Journal of Business Strategy*, 9(3), 17-31.
4. CS Reddy 2005, Self-Help Groups: A Keystone of Microfinance in India - Women empowerment & social security, Mahila Abhivruddhi Society, Andhra Pradesh (APMAS)
5. Radha, T. & Viji, R. (2021) "SHG- A dynamic tool for socio-economic up gradation of semi-urban women" *International Journal of Research in Commerce, IT and Management*, Vol.11, Issue.2, pp.1-5. Retrieved from https://ijrcm.org.in/article_info.php?article_id=9541
6. Radha T. (2024). Volatility in Sustainable Financial Growth through Predictive Analytics for Women Entrepreneurs in Tamilnadu. *International Journal of Intelligent Systems and Applications in Engineering*, 12(21s), 3774 –. Retrieved from <https://www.ijisae.org/index.php/IJISAE/article/view/6127>
7. Jha, Abhas Kumar, (2000). "Lending to the Poor- Design for Credit", *Economic & Political Weekly*, February 19-26, pp.606-609.
8. K. Rajendran, 2012, Micro Finance Through Self Help Groups –A Survey of Recent Literature In India, *International Journal Of Marketing, Financial Services & Management Research* Vol.1 Issue 12, December.
9. Lalitha, N., (1998), "Micro Finance: Rural NGOs and Banks Networking", *Social Welfare*, October, 45.7:13-17.
10. Radha T. (2024). Evaluating Institutional Support for Financing Women Entrepreneurs in Tamilnadu and Karnataka

using Predictive Analytics. *International Journal of Intelligent Systems and Applications in Engineering*, 12(4), 3461 –. Retrieved from <https://ijisae.org/index.php/IJISAE/article/view/6862>

11. Thangarajan, R., Jaganathan, P., Thirumorthy, K., Kesavan, H., & Pradeep, P. (2024). An empirical study on financial performance of micro finance Institutions. *Multidisciplinary Science Journal*, 6, 2024ss0428. <https://doi.org/10.31893/multiscience.2024ss0428>
12. Radha T. (2024). Volatility in Sustainable Financial Growth through Predictive Analytics for Women Entrepreneurs in Tamilnadu. *International Journal of Intelligent Systems and Applications in Engineering*, 12(21s), 3774 –. Retrieved from <https://www.ijisae.org/index.php/IJISAE/article/view/6127>
13. <https://jier.org/index.php/journal/article/view/1275>
14. <https://jier.org/index.php/journal/article/view/1248>
15. Lakshminarayana K.S.2012) UGC Minor Research Project, Governance of Micro Finance Institutions withReference to Selected Micro Finance Institutions of Karnataka.
16. M. Anjugam and C. Ramasamy 2007, Determinants of Women’s Participation in Self-Help Group (SHG)-Led Microfinance Programme in Tamil Nadu, *Agricultural Economics Research Review* Vol. 20, pp 283-298.
17. Pushpa Sinha, 2010, Impact of Micro Finance in Poverty Alleviation and Socioeconomic Empowerment of Rural Women *Economic Affairs* Vol. 55 No.3, (Page 195-205) n
18. R Vijaykumar, 2009, Reinstating the SHG Perspective in Micro Finance, *EPW*, Vol 44, Pg No 68 Anu Muhammad, 2009, *The Grameen & Micro Credit: A Tale of Corporate Success*, *EPW*, Vol No 44, Pg No 35
19. Singh, Kamaljit, 2005, *Banking Sector Liberalization in India: Some Distributing Trends*, *ASED*.