



STUDY ON THE FINANCIAL PROBLEMS FACED BY WOMEN ENTREPRENEURS IN INDIA

KEYWORDS

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ABSTRACT

Finance is the elixir that assists in the formation of new businesses and allows the businesses to grow along with the opportunities available. Every entrepreneur's dream is expansion of business. After Globalisation, the entrepreneurs are highly motivated to grow global rather than concentrating in domestic market. In developing nation like India, women entrepreneurs face a lot of challenges to explore their business. The major problems faced by the women entrepreneurs in financial decisions are credit availability, cheap labour, low-cost raw materials, capital investment in technology upgradation etc. The researcher also concentrated on the various financial decisions to be considered in business and the sources of fund by women entrepreneurs.

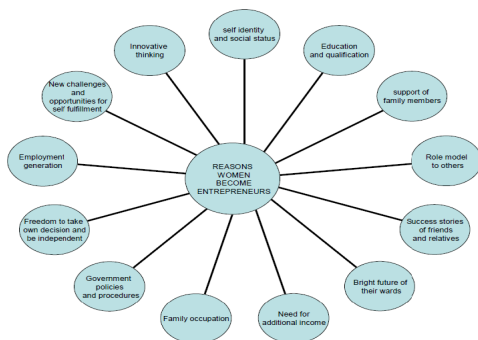
Introduction

Female entrepreneurship matters for individuals, for communities and for countries. Studying female entrepreneurship contributes to our understanding of entrepreneurship and human behaviour in general, and allows researchers to ask questions that shed light not only on why women behave the way they do but also on the linkages between entrepreneurship and wealth creation, employment, human capital accumulation, labour market dynamics and many others. Women entrepreneur may be defined as a woman or group of women who initiate, organize, and run a business enterprise. In terms of Schumpeterian concept of innovative entrepreneurs, women who innovate, imitate or adopt a business activity are called "women entrepreneurs".

The various industries promoted by Women Entrepreneurs are;

- Small retail shops
- Agarbatti manufacturing
- Papad making
- Embroidery
- Beauty parlours
- Pickle manufacturing etc.,

Reasons for Women Become Entrepreneurs



Financial Management Decisions in Business

For any business in respect of men or women entrepreneur the following decisions are considered to be very important in managing the financial resources of the firm.

A.Capital Budgeting Decision

Capital budgeting is the process in which a business determines and evaluates potential expenses or investments that are large in nature. These expenditures and investments include projects such as building a new plant, purchase of a new machinery or replacement, investment in new venture which are long term. The fund involved here is huge and hence the risk involved is also very high. The three commonly used capital budgeting decision tools are the payback period, net present value (NPV) method and the internal rate of return (IRR) method.

B.Capital Structuring Decision

The capital structure is how a firm finances its overall operations and growth by using different sources of funds and it defines the mixture of debt and equity. Debt comes in the form of bond issues or long-term notes payable, while equity is classified as common stock, preferred stock or retained earnings of the firm. This decision helps the entrepreneur to understand the ways of raising the required funds either by means of owner's fund or by borrowing with interest. The various methods used to determine this decision are leverage ratios, EBIT-EPS Analysis, debt-equity ratios etc.

C.Dividend Decision

Dividend decision refers to the policy that the management formulates in regard to earnings for distribution as dividends among shareholders from the profits earned by the firm. It determines the division of earnings between payments to shareholders and retained earnings. The main objective of financial management of any company is to increase the wealth of shareholders which is called as wealth maximization rather than profit maximization. Various models have been proposed to determine the dividend decision and some of the familiar methods are Walter's model, Gordon's Model and Modigliani – Miller's hypothesis.

Sources of Finance for Women Entrepreneurs in India

- Equity

The Equity Capital or owner's fund refers to that portion of the organization's capital, which is raised in exchange for the share of ownership in the company. Majority of women entrepreneurs source their fund by self or friends or family.

- Borrowing from Banks and Financial Institutions

Due to the lack of knowledge women entrepreneurs do not

approach banks or financial institutions in need of finance. In addition, female entrepreneurs find it difficult to fulfil the formalities of these institutions for loans.

- Venture Capitalist Firms(VCF's)

Venture capital is a type of private equity, a form of fund financing that is provided by firms to small, early-stage, emerging firms that are deemed to have high growth potential, or which have demonstrated high growth (in terms of number of employees, annual revenue, or both). Today, a number of venture capitalist firms has emerged to fulfil the expectations of the needy.

- Angel Investors

Angel investors invest in small start-ups or entrepreneurs. The capital angel investors provide may be a one-time investment to help the business propel or an ongoing injection of money to support and carry the company through its difficult early stages. An angel investor or angel (also known as a business angel, informal investor, angel funder, private investor, or seed investor) is an affluent individual who provides capital for a business start-up, usually in exchange for convertible debt or ownership equity. A number of angel investors are being initiated under women ownership.

- Government

The efforts of government and its different agencies are ably supplemented by NGOs that are playing an equally important role in facilitating women empowerment. At present, the Government of India has adopted various schemes for women operated by different departments and ministries. Some of these are:

- Integrated Rural Development Programme (IRDP)
- Khadi And Village Industries Commission (KVIC)
- Training of Rural Youth for Self-Employment (TRYSEM)
- Prime Minister's Rojgar Yojana (PMRY)
- Entrepreneurial Development programme (EDPs)
- Management Development programmes
- Women's Development Corporations (WDCs)
- Marketing of Non-Farm Products of Rural Women (MAHIMA)
- Assistance to Rural Women in Non-Farm Development (ARWIND) schemes
- Trade Related Entrepreneurship Assistance and Development (TREAD)
- Working Women's Forum
- Indira Mahila Yojana
- Indira Mahila Kendra
- Mahila Samiti Yojana
- Mahila Vikas Nidhi
- Micro Credit Scheme
- Rashtriya Mahila Kosh
- SIDBI's Mahila Udyam Nidhi
- Mahila Vikas Nidhi
- SBI's Stree Shakti Scheme
- NGO's Credit Schemes
- Micro & Small Enterprises Cluster Development Programmes (MSE-CDP).
- National Banks for Agriculture and Rural Development,,s Schemes
- Rajiv Gandhi Mahila Vikas Pariyojana (RGMVP)
- Priyadarshini Project- A programme for Rural Women Empowerment and

Livelihood in Mid Gangetic Plains,,

- NABARD- KfW-SEWA Bank project
- Exhibitions for women, under promotional package for Micro & Small enterprises approved by CCEA under marketing support .

Financial constraints of Women Entrepreneurs in India

A report published by the International Finance Corporation(IFC) shows that businesses owned by women entrepreneurs face more difficulty in receiving formal finance, in comparison to the broader MSME sector. Because of this around 90% of financial requirements of female entrepreneurs are met through informal sources like self, family, and friends. Due to this reason majority of women entrepreneurs do not come forward to start a new business nor do they look for further expansions.

According to the report, women-owned enterprises in the nation contribute 3.09 percent of industrial output and employ more than 8 million people. There are around 3.01 million women-owned enterprises, which account for 10 percent of all micro, small and medium enterprises (MSMEs) in the country. Nearly 3 million MSMEs have partial or full female ownership. Almost 98 percent of women-owned businesses constitutes of micro-enterprises.

The financial needs of women-owned enterprises are not much different from those of male-owned enterprises, but the level of financial exclusion of women-owned enterprises is higher. The social status of women in India and social norms significantly affect the perceptions of financial institutions and the ability of women entrepreneurs to access finance. In spite of several measures taken by Government in gender-equality still women face various problems in running a business in our society. Access to finance is the biggest obstacle for the growth and development of women-owned MSMEs. As an alternative, they heavily rely on informal sources of finance for seed capital and working capital requirements.

The access to finance by women-owned enterprises:

As stated in the report, the total financing needs of women-owned MSMEs is approximately \$158 billion. The finance gap for women-owned MSMEs is \$116 billion, which accounts for 73 percent of the total demand.

Factors affecting finance accessibility to women entrepreneurs

- Lack of knowledge among women about the available financial schemes and options, advantages and disadvantages, costs of various options, benefits of borrowing and so on leads to reluctance to access finance through formal channels.
- Women often lack proper records or documents that banks demand while reviewing loan applications.
- Due to lack of knowledge regarding financial management, women-owned enterprises do not always maintain necessary financial documents in the required format, making them less attractive to financial institutions.
- Another key issue is the social restrictions regarding inheritance and land ownership rights of women. Even if an asset is legally owned by the woman, it is often the male members of the family who has the deed.
- Women do not get the power of borrowing fund without the consent of her family. They are highly affected by emotions caused by the family issues and they manage to run the business with available fund.
- Women feel very difficult and burdened to fulfil the legal requirements of banks and financial institutions in need of finance.

Suggestions for Women Entrepreneurs

- Start a business that works for you and your personal life
- Research the product/ service
- Assess the market
- Start business with adequate funds

- Do networking
- Consult with professionals
- Seek corporate and government support
- Look for different funding options
- Crowdfunding
- Look for women angel investors

Conclusion

It can be said that today we are in a better position wherein women participation in the field of entrepreneurship is increasing at a considerable rate. Women sector occupies nearly 45% of the Indian population. At this juncture, effective steps are needed to provide entrepreneurial awareness, orientation and skill development programs to women. The role of Women entrepreneur in economic development is also being recognized and steps are being taken to promote women entrepreneurship. Entrepreneurship among women, no doubt improves the wealth of the nation in general and of the family in particular. Women today are more willing to take up activities that were once considered the preserve of men, and have proved that they are second to no one with respect to contribution to the growth of the economy. Women entrepreneurship must be moulded properly with entrepreneurial traits and skills to meet the changes in trends, challenges global markets and also be competent enough to sustain and strive for excellence in the entrepreneurial arena. We also expect the number of women entrepreneurs to be increased tremendously in the mere future.

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