

## The Catalytic Role of NGO's: Women Entrepreneurship



### Entrepreneur

**KEYWORDS :** Entrepreneurship, Women, Rural area, retail, manufacturing sector, business.

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### ABSTRACT

*The rapidly changing economy has forced women to venture out as entrepreneurs. Although there are no concrete evidences of discrimination against women micro entrepreneurs. They are getting failure in obtaining credit further, lack of marketing skills and technological know- how also act as impediments to the growth of their business. The present paper discusses the factors impeding the growth of women micro entrepreneurs and the catalytic role played by the Non- Government organizations (NGO'S) in creating appropriate entrepreneurial environment. The present research is conducted in Chittoor District Rural Areas, with a sample of 85 women in the service, retail and manufacturing sectors and structured questionnaire was used as data collection instrument.*

### INTRODUCTION

The rapidly changing socioeconomic scenario has led to the emergence of women entrepreneurs. The new generation of women-owned enterprises is actively seeking capital for their businesses, using modern technology to find and create a niche in both the domestic and export markets.

Over the last decade, the role of Non-Governmental Organizations (NGOs) in development has been widely recognized. The NGOs play a catalytic role in mobilizing the local human and physical resources and creating appropriate entrepreneurial environment and generating new opportunities. This contribution to the microenterprise sector has led many state and central governments to seek the support of NGOs, to hasten the process of economic development.

The three major phases in the entrepreneurial process-creating, nurturing and nourishing –are the same for women and men. But, studies suggest that women business owners face problems of different magnitude and dimension, owing to social and cultural reasons, which men business owners do not face. This paper is an attempt to examine the factors impeding the growth and development of women micro entrepreneurs and the role played by NGOs to support them to face and tackle the problems.

### RESEARCH METHODOLOGY

The methodology adopted in the present research is primarily empirical, focusing on analyzing the barriers/constraints faced by 85 women in the service, retail and manufacturing sectors, and manufacturing sectors, and the efforts of the NGOs to overcome these constraints. The interviews helped to look at the supportive/catalytic role of the NGOs from the interviewees' perspective.

In the present study, the data was collected from two NGOs providing support services to women micro entrepreneurs. Chittoor District in the state of Andhra Pradesh was selected as the locate for the present study by using purposive sampling.

### REVIEW OF LITERATURE

Ramachandran (1993) concluded that Women development agencies including NGOs have to be sensitive to the training needs of the target group and need to change the orientation of the people who are administering a majority of the entrepreneurship development programs and policies.

Jyothi and Prasad (1993) reveal that a majority of the entrepreneurs (mis) perceived training as a prerequisite for getting finance. Bhatt's (1995) case study on women owned micro and small enterprises from SEWA reports that women change when they organize on the basis of work to join a union or form a cooperative.

### FINDINGS AND ANALYSIS

#### FACTORS IMPEDING GROWTH AND ROLE OF NGOS:-

Women entrepreneurs from the low-income group face the same

problems at those commonly faced by all entrepreneurs, such as lack of capital, and insufficient entrepreneurial, managerial and technical training and experience. For the present study the factors impeding women entrepreneurs were analyzed using factorial analysis. The analysis grouper the factors that inhibit growth of women entrepreneurs in the microenterprise sector as:

#### Financial acceptability:

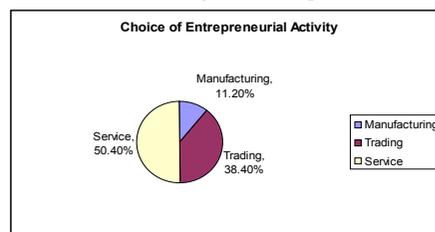
Studies by Pellegrino and Reese (1982); Hisrich and Brush (1984); Neider (1987); And Carter and Cannon (1992), have found that women in small and micro business found access to capital as one of the greatest areas of difficulty. Women have lesser opportunities than men to gain access to credit for various reasons including lack of collateral, banks unwilling to accept women, especially low-income group women as entrepreneurs. The access to credit in the study was restricted to the entrepreneurs due to the following factors:

**Approachability and Accessibility of Banks:** Women business owners have more difficult time obtaining capital from external sources, in particular, working capital in the form of bank loans. Credit in the study was available to women entrepreneurs from Banks under the PMRY scheme. Being microenterprise entrepreneurs, they mostly require a small amount of working capital ranging between Rs. 1,000 and 20,000 to start a service or retail business. As the loan process in commercial banks is lengthy and tedious, the bank officials do not show interest in processing such small loans. The accessibility to banks were at times a problem for the entrepreneurs as the banks were located at distant places making it difficult for them to travel due to their multiple roles and long working hours.

The entrepreneurs shared that as they had no savings and no assets which could be used as collateral against the loan, the banks were not very eager to sanction loans to them.

#### Choice of Business and Availability of Institutional Credit:

majority of the entrepreneurs ventured out in to the service sectors like tailoring, beauty parlors and Tiffin shops venturing into the service sector is an indication of entrepreneurs taking business activities involving low capital investments. And most of the banks are reluctant to sanction loans for the service sector as the sector is 'high risk, low profit businesses.



**NGO Invention in Credit Availability:** The NGOs played a catalytic role in supporting entrepreneurs to access credit. The study revealed that about 68% of the entrepreneurs received financial assistances from NGOs to start or expand their business. The loan/credit support was not only available as a start-up capital, but was also available in phases which available to the entrepreneurs was user-friendly and was with minimum documents to be submitted by the entrepreneurs.

**Table 1 : Type of Decision-Maker and Decision on Spending**

Decision Maker	Decision on Spending		Change Increase/Decrease
	Before	After	
Spouse	71(56.8%)	13(10.4%)	-46.4%
Self	21(21.6%)	55(40.0%)	+ 23.2%
Joint	25(20.0%)	48(38.4%)	+ 18.0%
Family/Friend	08(06.4%)	09(07.2%)	Negligible Change

The data in table 1 reveals that most of the decisions on spending for the household were made by the spouses (57%) before the entrepreneurs started their businesses. The data shows an increase (+23%) in independent decision making by entrepreneurs with regard to their business activity. The entrepreneurs reported that starting their business had also made a deep impact in changing their own mental attitude. The change in self-perception empowered entrepreneurs to change their lifestyle by taking better care of the household expenses without borrowing, providing better educational opportunities to their children and to a certain extent securing their future.

**IV) Technical Constraint:** Technical resource constraints were faced by entrepreneurs (11%) in the manufacturing sector. Limited or low technical knowledge about various improved techniques in upgrading their skills hindered their ability to adopt newer technologies to improve their products. The other constraint was lack of information and knowledge to buy the right equipment or upgrade the equipment. The National Research Development Corporation (NRDC), which was set up to lease the processes to the small and medium industry has not played a vital role in helping the small units to absorb the new technologies. It has been engaged more in the routine task of collection of royalties rather than serving as an instrument of development (Iyer, 1991).

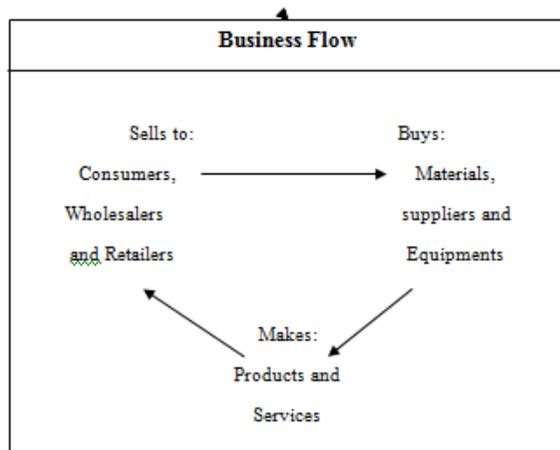
**Technical assistance:**

An important measure adopted to bring the entrepreneurs closer to technology by the NGOs in the study was through exposure to trade expositions and fairs, giving them some exposure to network and upgrade. One of the NGOs adopted the concept of mentoring to help these units to sustain and grow. Mentors were identified by the NGO based on the business activity. A mentor plays a vital role in the entrepreneur’s business.

The method of mentoring facilitated by the NGOs were (a) One-to-one mentoring, where, one mentor was assigned to one entrepreneur, and (b) Group mentoring, where, long distances made one to one mentoring difficult. In group mentoring, a group of experts from various fields related to accounts, marketing, etc., visited the entrepreneurs once a month and assisted them in working out their business problems.

**Marketing of Products/Services:**

Marketing is vital for any enterprise to grow and survive. To survive, all enterprises, whether big or small, must recognize their markets, attract sufficient resources, convert these resources into appropriate products or services and effectively distribute them to the consuming public.

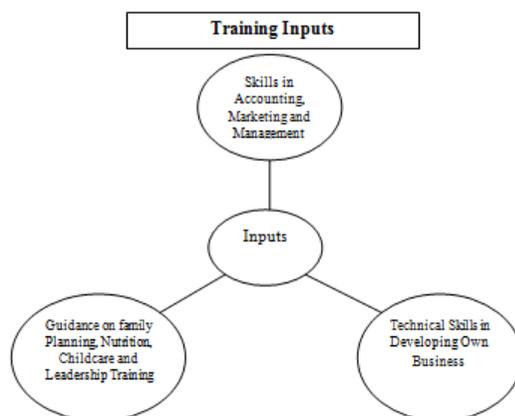


The study reveals that a majority of the entrepreneurs sold their products in the local market/locality and a small number to other agencies like wholesale dealers, food store outlets, and some to certain state government departments. Though the entrepreneurs sold their products in the local market, most of them did not have a permanent stall. This limited their opportunities to have a fixed client group as they kept changing their place of setting up their stalls. Further, the price of the products was fixed by the wholesalers dealer or the store outlet, and in such a situation, their power to bargain was much less than the bargaining power in the open market this led to entrepreneurs to sell their products at a lower price; otherwise their products would remain unsold due to reasons of bad quality or lack of variety in the product. Another reason could be their incapacity to expand the market by adding new products. Most micro businesses cannot afford the research and development needed to put a new product on the market. As the marketing costs are usually high, entrepreneurs have to determine the necessary resources to be involved in both new product development and marketing of new products constraining their capacity to earn profits and hindering their bargaining power.

With regard to the services provided majority of the entrepreneurs faced constraints in connection with limited outreach of the services, location of the service provider and the inability to advertise and promote their services

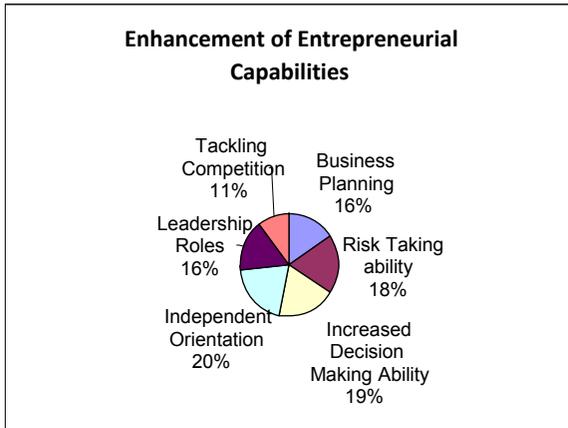
**NGOs Role in Marketing:** In case of micro business activities introducing a wide range of new products or services were beyond the capacity of the entrepreneurs, but to exit in the market, they needed to be competitive with innovation in production or distribution and focus their efforts on establishing customer demands not being satisfied in the market.

**Access to Training:** The training inputs provided by the NGOs are broadly categorized into 3 types



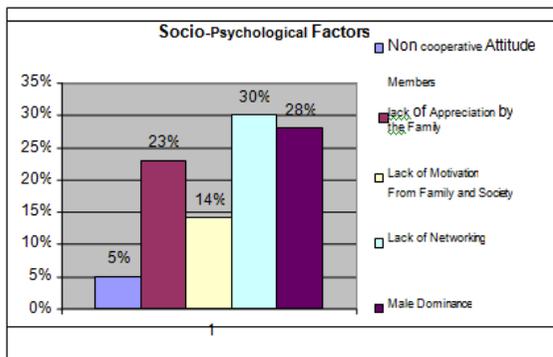
Being entrepreneurial, involves combining the personal characteristics and financial means and resources within an environment to set up a business.

Socio-psychological characteristics play an important role in the enhancement of entrepreneurial behavior. The training received by the entrepreneurs enhanced independent orientation and the business planning capabilities of the entrepreneurs. It increases their ability to find and evaluate opportunities



**(E) Socio-Psychological Constraints:**

The socio-psychological constraints discourage women to enter into business as this is often considered a nontraditional sector for them. The socio-psychological factors that hamper women to play their entrepreneurial role efficiently are shown in the following graph.



Women have to combine entrepreneurial responsibilities with domestic chores hindering their entrepreneurial endeavors (Singh, 1992). Data revealed that the most common constraint that created excessive mental tension was lack of networking ability. The growth of any business depends on marketing. Marketing means mobility and confidence in dealing with the external world, and as women have been discouraged from developing professional networks, it has resulted in business stagnation.

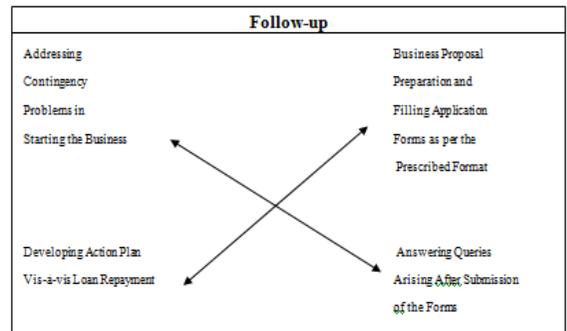
Male dominance in the entrepreneurial arena, lack of appreciation and motivation from the family, added stress in running their businesses. The entrepreneurs shared that male bank officials thought it was a big risk to finance ventures run by women, and this hindered in accessing credit and marketing. They discouraged the entrepreneurs to start a business, as they believed that women in general are not good at business and so, the entrepreneurs had to cope with the hostile and unsympathetic attitude of bank officials.

**(F) NGO Support through Follow-Up and Guidance:**

Follow-up is essential as it act as a motivational force for the entrepreneurs to sustain their business activities, to deal with competition, and to repay loans. Follow-up and guidance support also enabled the entrepreneurs to deal with socio-psychological constraints.

The main objective behind Follow-up in the study was to sustain the motivation of the entrepreneurs. Follow-up acts as a feedback channel to measure the effectiveness of the training provided to the entrepreneur. The follow-up is done with a view to check the extent to which the objectives of training have been achieved.

Table - 2 shows that a majority of the entrepreneurs (44+32=76%) received follow-up but the entrepreneurs (24%) who did not receive any follow up revealed that lack of follow-up was a hindrance in the growth of their businesses, as they received no encouragement or motivation to deal with problems with the right attitude.



**Table-2 Follow-Up Among Entrepreneurs**

Follow-Up	Frequency	Response (%)
Monthly Meetings	55	44.0
Mentoring/Refresher Training	40	32.0
Nothing at all	30	24.0
Total	125	100.0

The study shows that follow-up and guidance also helped the entrepreneurs to tackle problems of business leading to satisfaction with the business activity undertaken by them.



The data in the above figure shows that 88% entrepreneurs who were fully satisfied with their businesses had received regular follow-up, compared to 12% of those who had not received any follow-up. According to the entrepreneurs, follow-up helped them to discuss their problems not only with the officials, but also with their peers. This created a feeling of oneness and confidence in dealing with problems, and helped in clearing doubts regarding their business dealings.

**NGO Support in Developing Network:** The entrepreneurship development process gained momentum by the inputs provided by NGOs. The entrepreneurs revealed that the support provided by the NGOs was mainly in the areas of finance, training, marketing and acquisition of market place in order to start and sustain their business. According to the entrepreneurs the NGOs helped them in identifying the right sources of purchase of raw materials, identification of proper location/Market area for sale of goods , obtaining finance with no collateral, and providing training and other technical assistance to set up the business.

Counseling and guidance was also provided to solve family problems. Insurance, family counseling, health and legal support services were also provided to a certain extent by the NGOs.

**WOMEN ENTREPRENEURSHIP - SCOPE FOR ADVANCEMENT**

For promoting entrepreneurship among women from the low-income group, rigorous efforts have to be made to formulate and launch a consortium of non-governmental and governmental organizations working for women entrepreneurs. Linkages within agencies also need to be reviewed to avoid clashes and overlapping of objectives in order to enhance efficiency and cover a large clientele.

Access to credit was one of the main constraints coming in the way of entrepreneurs. The banking system was not sufficiently responsive to social banking needs and has obviously not been able to deal with barriers that hinder women from taking advantage of schemes or getting access to credit.

Marketing forms the crux of business and it is important that before propagating the activity, the provision of a growing market should be made. An integrated approach should be formulated where women entrepreneurs are not only provided with credit, but also assured of adoption of appropriate technology, supportive services of supply and marketing, and appropriate infrastructure facilities.

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