

Impact of Micro Credit on Women Micro Entreprises - An Emprical Study



Management

KEYWORDS : Credit finance, Women entrepreneurs, micro credit, Chi square

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ABSTRACT

This paper examines the impact and difficulties of women petty traders' access to micro credit in Dindigul District. This paper also addresses the impact of micro finance credit on poverty alleviation for women petty traders. A well structures questionnaire and in-depth interviews with women micro entrepreneurs drawn from a convenience sample of 182 petty traders in the Dindigul district. Services offered by the microfinance services were above average and adequate. Lack of knowledge about procedures of availing finance by women entrepreneur is the major problem.

INTRODUCTION

Micro enterprises are small undertakings run by individuals or groups who take up responsibility of managing a business venture and often involved in the family activities. The micro enterprises suit the life style of women because of their multiple roles and need to re-organise time. Originally micro enterprises for women were extension of kitchen activities. Now women have ventured into engineering, electronics and other industries under IRDP (David, 1992). Micro credit has come to be recognised and accepted as one of the new development paradigms for alleviating poverty through social and economic empowerment of the poor, with focus on empowering women (Puhazhendhi and Badatya, 2002). Credit is usually provided to groups of individuals or village organisations that use joint-liability to enforce loan repayment. Through group savings and loans, poor people often increase their economic security and well being. Over the past two decades micro credit programs have emerged as one of the leading strategies in the overall movement to end poverty. Micro credit programmes have become a major tool of development and found to be the only practical and most appropriate solution to alleviate poverty. Micro credit programmes have been employed in developing countries for some years, and their effectiveness in the development and poverty alleviation is increasingly acknowledged (Krog, 2000).

Microfinance services are considered a key development tool, particularly for women who are the target of most microfinance programs (Guérin, 2006). Not only female borrowers do have better repayment records (Sharma and Zeller, 1997), but return to investments seem to better reach all household members, especially improving children health and schooling (Pitt and Khandker, 1998). Improvement of women self-esteem as well as her family status has also been put forward (Amin et al., 1998; Panjaitan et al., 1999). The existing alternatives to self-employment (public assistance, wage jobs) provided in those economies is one of the argued differences with microfinance in developing countries (Schreiner and Woller, 2003).

The major credit related problems of the women micro entrepreneurs perceived by the researcher are the following:-

- 1) Lack of collateral
- 2) Lack of knowledge about procedures of availing finance
- 3) Lack of training
- 4) Delay in obtaining finance
- 5) Under financing or inadequate finance
- 6) High rate of interest
- 7) Lack of working capital policy leading to low availability of working capital

Origin of micro credit system in India

National Bank for Agriculture and Rural Development (NAB-ARD) in India launched its pilot phase of the Self Help Group Bank Linkage programme in February 1992. In India as also in other countries, Self Help Groups have been recognised by the

policy makers as the effective conduits for accomplishing the distributional objectives of monetary policy. Group model as developed by Bangladesh Grameen Bank is by and large followed in most of the South East Asian Countries. India has adopted somewhat a similar model to Bangladesh Grameen model (Vasanthakumari and Sharma, 2002).

METHODOLOGY

This study is descriptive and diagnostic. Researcher used a structured questionnaire (local language –Tamil) to collect the data from 250 micro entrepreneurs who received the credit from banks. The respondents are classified based on their credit. For this study, respondents who received a sum of 5 lakhs from banks are considered. Purposive sampling was adopted to select the respondents. The selected entrepreneurs were contacted in person, explained about the reason for collecting the information from them and asked their fullest cooperation to fill up the questionnaire. Due to respondent's availability, researcher can meet only 182 entrepreneurs from 3 months (January 2014 to March 2014). The data were entered into SPSS 20 and necessary statistical tools applied. This paper tries to find answer for the following.

- Micro-credit is there a solution to the financial problems of the woman entrepreneur?
- What is the sector that has more micro credit?
- What are the determinants of access to micro credit?
- What is the main allocation of income for these women entrepreneurs?

RESULT AND DISCUSSIONS

Table 1 shows the socio-economic details of the respondents

S.no	Variable	Parameters	Frequency	Percent
1	Age	Below 25 years	26	14.29
		26 - 40 years	112	61.54
		41-55 years	31	17.03
		56 years and above	13	7.143
2	Marital status	Married	137	75.27
		Unmarried	39	21.43
		Widow	06	3.297
3	Educational qualification	Up to 5th standard	33	18.13
		6th - SSLC	37	20.33
		Higher Secondary	88	48.35
		Degree	21	11.54
		Post graduate	3	1.648

4	Income level	Below Rs.10000	122	67.03
		10001 -20000	45	24.73
		20001-30000	12	6.593
		30001 and above	3	1.648

Source: Primary data

The table 4.1 shows the socio economic variables of the respondents. 61.54 % of the respondents are in the age group of 26-40 years. 75.3 % of the respondents are married. 48.4 % of the respondents are in the studied up to Higher secondary. 67 % of the respondents are in the below 10000 rupees monthly income group.

Table 2 shows the credit related problems

Variable	Frequency	Percent
1) Lack of collateral	25	13.74
2) Lack of knowledge about procedures of availing finance	71	39.01
3) Lack of training	22	12.09
4) Delay in obtaining finance	34	18.68
5) Under financing or inadequate finance	12	6.593
6) High rate of interest	11	6.044
7) Lack of working capital policy leading to low availability of working capital	7	3.846

Source: Primary data

The table 4.2 shows the credit related problems faced by the respondents at the time of trying to get the credit from the banks. 39 percent of the respondents said Lack of knowledge about procedures of availing finance is the major problem. 18.68 percent of the respondents said delay in obtaining finance is the major problem. 13.74 and 12.09 percent of the respondents said lack of collateral and lack of training is the problem to get credit respectively. 6.593 and 6.044 percent of the respondents said under financing or inadequate finance and high rate of interest is the major issue for them to get credit from the banks respectively.

Table 3-Information on the Business and Microfinance

Variable	Parameters	Frequency	Percent
1. No. of times loan received	Once	133	73.08
	Twice	41	22.53
	Thrice	6	3.297
	More than 3 times	2	1.099
2. No of years in the business	Less than 2 years	21	11.54
	2.1 to 4 years	117	64.29
	4.1 to 6 years	28	15.38
	More than 6 years	16	8.791
3. Type of business	Food outlet	45	24.73
	Retail shop	83	45.6
	Imitation gold shops	32	17.58
	Cell phone accessories	6	3.297
	Beauty saloon	16	8.791

The respondents were asked to give information concerning the microfinance and businesses the women were involved. The results indicate that most women interviewed joined the microfinance in 2006-07. The earliest time known that the women joined the microfinance was in 2005 and the latest was 2013. Concerning the times they have received the loan, most women (73 percent) had received loans once. Some women had received as much as more than three times. The results also indicated that 64.3% of the respondents had been in business between 2.1 -4 years and 15.4 percent women were between 4.1 -6 years. The results also indicate that most women entrepreneurs engaged in an array of business ranging from food outlet (25%), retail shop (46%), Imitation gold shops (18%), cell phone accessories (3.3%) and beauty saloon (8.8%).

Table 4 - adequacy of the microfinance Chi square Test Statistics Microfinance services you have obtained in the past

Chi-Square	264.047a
Df	3
Asymp. Sig	0.000

a. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 61.8.

Using the Chi square, the researcher tested the adequacy of the services offered by the microfinance, the results in Table 4 indicates that the services offered by the microfinance services were above average and thus adequate.

CONCLUSION

From the study it is understood that the credit related problems are not created either by banker or by the entrepreneur. Most of the problems are not determined. None of the banker is found to be taking an in different attitude to the entrepreneurs. Similarly entrepreneurs are also not creating problems willfully. If proper understanding of the situation and better communication between banker and entrepreneurs were facilitated, there would be radical improvement in the present situation. An entrepreneur friendly credit policy coupled with proper awareness programmes may solve all the problems.

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