

**CREDIT NEEDS
OF
WOMEN MICRO ENTREPRENEURS
IN URBAN AREA - PROBLEMS & PERSPECTIVE**

{PROJECT REPORT}

A PROJECT SPONSORED BY KRPLLD, TRIVANDRUM

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Abstract of Project Report “Credit Needs of Women Micro Entrepreneurs in Urban area – Problems and Perspective”

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A study has been attempted to identify the Credit Needs of Women Micro Entrepreneurs in Urban Area of Kerala. The researcher had already completed a study with the support of KRPLLD wherein the various problems faced by micro entrepreneurs in urban areas are highlighted. From the study, it is understood that more than 90% of entrepreneurs are facing credit related problems. In Kerala, the credit deposit ratio is found to be very low when compared to neighbouring States. The high growth in savings mobilized by the banks could not be recycled as loans. Academicians, Planners and Bankers are very much worried about this issue. Lacks of investment opportunity owing to non-availability of viable projects are suggested as the major reason for this phenomenon.

Entrepreneurs especially women on the other hand complain about the rigid formalities and procedures for availing credit. The inadequacy of credit and timeliness are the major problems reported by micro entrepreneurs. Credit is provided by different agencies including banks. Non-banking financial companies, co-operatives, self-help groups, govt. agencies etc are also playing a major role in the credit market. Hence we cannot directly co-relate credit with banking problems. Further the problems faced by poor women are not the same as women from rich income groups. The approach of bankers and financial agencies are

different for different purposes. Hence to get a better understanding of situation, the study is conducted with the following objectives: “To study the various problems faced by Micro entrepreneurs in Accessing Credit both from Formal and Informal Micro Finance Institutions including Banks”.

Owing to the short duration of the project, an extensive study could not be conducted. Hence the study is conducted by selecting Kollam Corporation area as a typical transact. Entrepreneurs are selected from the directory of women industrial enterprises in Kerala brought out by institute of small enterprises and development. Further selecting is also made from the list of women micro enterprises supported by Kudumbashree by using centrally sponsored urban poverty reduction programme. The list of entrepreneurs maintained by the women’s council, Kollam is also utilized for selection. The entrepreneurs are selected by purposive sampling and information collected through interviews, focused group discussion etc. The study is conducted by using case study method. The entrepreneurs are classified based on income, organisational structure, nature of enterprise, past experience and technology utilized.

The major problems reported by the entrepreneurs are the following:

- 1) Lack of knowledge about banking procedures.
- 2) Interest Rate – issue of lack of transparency
- 3) Delay in sanctioning of loans
- 4) Non-availability of repayment holiday
- 5) Fixation of Installment amount without considering cash flow
- 6) Under financing and inadequate finance.
- 7) Lack of training

From the study it was concluded that neither banker nor entrepreneurs could be identified as major agents for creating problems. Most of the problems are not willful. None of the bankers are found to be taking an indifferent attitude to the entrepreneurs. Similarly, entrepreneurs

are not creating problems willfully. Hence, better communication between bankers and entrepreneurs are to be ensured for avoiding such problems. Further, the procedures for sanctioning of loans, fixation of interest rate, calculation of moratorium etc are to be more transparent.

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CHAPTER – 1

ENTREPRENEURSHIP - CONCEPT AND CONTEXT

The micro enterprise and small business has always played a significant role in the economic development of a Country. Its role might not have been as spectacular as that of the large corporation involving the deployment of enormous physical, financial and human resources. However, the collective impact of the multitude of micro enterprises has been tremendous, particularly in the area of job creation. The small business has been a major source of jobs in the United States (Birch, 1987). In Canada nearly 70% and, in some regions almost 100% of new jobs are attributed by small business (Tang and Kutryk, 1992).

The potential of micro entrepreneurship to harness the talents and capabilities, and energies of people, and create a vibrant economy is increasingly being recognized in developing countries. In India the transformational power of entrepreneurship was well recognized at the advent of independence, when several small industries' programme were initiated. During the last few decades, interest in promoting entrepreneurship has been revived with the establishment of research and academic institutes and programme and activities (Dutta, 1997). Although the success of these initiatives depends on their effective implementation, the probability of success is greatly enhanced by the current impetus generated by India's economic potential (India News, 1996, P.11). The initiatives to promote and support entrepreneurship are necessary and laudable. But one cannot ignore the fact that power inherent in entrepreneurship, much like double edged sword, can cut both sides – it can unleash positive as well as negative effects. For this purpose it briefly examines the nature of entrepreneurship, their parental trait, the external factors that facilitate entrepreneurship and the strategies adopted by Government for entrepreneurship promotion. The major problems faced by micro entrepreneurs with special emphasis to credit related issues are also analyzed.

THE NATURE OF ENTREPRENEURSHIP

Over the centuries, the notion of 'entrepreneur' and 'entrepreneurship' has been used in various senses. Conventionally, entrepreneurship has been considered as an inborn trait of the individual. In the Middle Ages entrepreneur was a 'person who was active and got things done'. In the 16th Century it describes those who risked their lives and fortunes in Wars. In 17th and 18th century it denotes those who risked their wealth in a business enterprise or financial contracts (Gunning, 1992). Although the last definition reflects the notion of entrepreneur and entrepreneurship, as we understand today, it doesn't capture its characteristics. It does not provide an answer to questions such as: What does an entrepreneur do? What qualities and attributes make an entrepreneur effective? This view of entrepreneurship has induced academicians to focus on studies of business communities. This conventional view has lead to an in-depth analysis of business communities such as Gujaratis, Marwaris, Chettiars etc. These studies undoubtedly have widened our understanding of the origin and growth of business community in India.

Post independence India witnessed rapid changes in the Industrial environment. Similar communities such as Sikhs, Sindhis, Parsis, Christians etc emerged subsequently and have gained substantial economic power in a relatively short span of time. The emergence of new generation entrepreneurs as part of poverty reduction programme in the later half of 1970's lead to rapid changes in the thinking of entrepreneurship development. The different models of entrepreneurship development assumed that, with a given level of aptitude and training, any individual could be gradually brought in to the stream of entrepreneurship. This thinking forced us to examine the major problems that prevents the entrepreneurs from making ahead way. The relationship between entrepreneurship development and economic development also compels us for such an examination.

Identification of major problems and rectification will surely lead to economic development of the country.

ENTREPRENEURSHIP – CONCEPTUAL FRAME WORK

The very notion of entrepreneur has changed over time. The classical economists considered the entrepreneur, essentially in relation to risk and profit. The entrepreneur uses the factors of production to obtain a profit against the risk involved in the process.

John Stewart Mill calls him 'undertaker' who reaps the difference between interest and gross profit as remuneration for his exertions and risks.

Joseph Schumpeter stressed that the primary importance of the entrepreneur lies in his ability to introduce innovations. He has been defined as "any one in any type of society who evolves a new technical, artistic, or social programme and puts it into practices". So the primary function of the entrepreneurs is to do things in a new way, which Schumpeter terms "the creative response". To overcome resistance and win the consumers is another crucial function of the entrepreneur. The crucial function of "setting up a new production function" makes the entrepreneur a concept involving a center of usual qualities.

Max Weber suggested that the constellation of psychological qualities termed as the spirit of capitalism was probably derived in the European caste from the religious belief system 'Calvinistic Puritanism', the 'protestant ethic'. According to him Protestant ethic was absent in religious belief system of Hinduism, Buddhism and other religions of India. This conceptual position facilitates us to examine the causalities of success or failure in entrepreneurship. An analysis on factors that favored entrepreneurship helps us to arrive at certain conclusion. Hence the discussions on entrepreneurship competencies are still relevant.

CHAPTERISATION OF THE STUDY

The present report has been coded in altogether five chapters. The introductory Chapter, Entrepreneurship – Concept and Context provides an overall view of entrepreneurship. This chapter also examines the context of entrepreneurship in Indian scenario. Through this chapter, the concepts like entrepreneur and entrepreneurship, the role of support factors etc are discussed in brief.

In Chapter-2, Women Entrepreneurship and Micro Enterprise, we have tried to provide the theoretical frame of characteristic of micro enterprise with special emphasis to women entrepreneurship. Attempt has also been made to find out basic ingredients of success and failure factors.

In Chapter-3 the Context and Outline of the Study, a brief introduction of the problems, set of objectives of the study, methodology and tools adopted for carrying out the research is highlighted.

In Chapter-4, Major Credit Related Problems of Women Micro Entrepreneurs, the major output of the study is highlighted. Further, since the methodology of the study is exclusively case studies, different cases are also presented.

In Chapter-5, Summary and Conclusion, I have tried to summarize the whole dissertations on the basis of analysis of facts. Some meaningful conclusions are also drawn.

The Bibliography is appended as annexure.

CHAPTER – 2

WOMEN ENTREPRENEURSHIP AND MICRO ENTERPRISE

The focus on the contribution of women in direct productive work was first brought out in 1970 by Ester Boserup in his book *Women's Role in Economic Development*. This work of Boserup is a compilation of his research experience in India. It also provided a conceptual framework for research on Women in Development. Around the mid 1970's, neo-Marxist feminists and dependency theorists began looking at the relationship between women and development rather than the strategies for integrating women in economic development. However, lack of understanding of women's work in developing societies, and Western biases in development projects reinforced the division between public and private spheres of women lives (Ghosh R). Women and development (WAD) like women in development (WID) focused on productive sector, and aimed at skill development for income generation.

In 1980s, the gender and development approach (GAD), influenced by social feminism, post modern and post colonial theories, took into account the totality of women's lives, rejecting the public / private dichotomy which serves to devalue women's work at home. Focus on women perspectives on development makes women the 'subjects' rather than 'objects' of development, 'change agents' rather than 'welfare recipients'. The GAD approach is to move women from the margin to the center (Hooks, 1984) by women getting a sense of control over their lives. Entrepreneurship activities for women are clearly within the GAD framework. Development cannot be sustained unless people for whom it is intended are at the center of development activities. The goal of development is not merely to initiate a process of economic growth, but also a process, which will improve the lives of the people. The concept of empowerment through enterprise is underlined through this thinking. Micro enterprise represents an important means of earning income for women in developing

countries. It is not easy for women to find out a job that will be suitable with their family responsibility and household work. Thus many women are attracted by the idea of self-employment in micro enterprises adjoining their house premises with flexible hours, which allow them to take care of both home and business. It provides employment and income to alleviate poverty.

The difference between income generation and entrepreneurship is in the conscious decision regarding opportunity costs involved in entrepreneurship development as opposed to generate causal income (Kraus- Harper, 1992). 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 enterprises embody an impressive array of initiatives, skills and talents, which if effective forms of assistance can be developed, have the potential to make an enormous contribution to the economic growth. Micro enterprise is not just the latest buzzword in development assistance.

Mari Nowak define micro enterprise as an entity employing less than five persons, generating income from non farm production, service and trade.

Hernando – de – Soto classified micro enterprise as subgroup of informal sector.

Muhammad Yunus of Bangladesh finds little scope in describing the character of micro enterprise rather interested to see the whole objective of assisting micro enterprise should be reduction of poverty.

Mrs. Nancy David views micro enterprise basically as a small undertaking run by an individual who as proprietor takes up responsibility of the managing the venture. Such micro enterprise may be subsistence level firms in the informal sector somewhat profitable non-registered firms; registered craft oriented small firms and registered well-established firms, desirous of expansion.

Dina Lavoie, Professor of entrepreneurship, Montreal observes that women business owners hire an average of two or three employees where as men are more likely to have 9 employees or more.

Uschi Kraus – Harper, Cranfield School of Management U.K. in her article “What makes poor women start micro enterprises?” tried to answer two issues that are related. 1) How can micro enterprises be defined? 2) What makes poor women start micro enterprises? She concluded with the findings of analysis of an exploratory-field research carried out among women in 4 communities in Orissa between January 1991 and March 1992.

From the above discussion and in the light of the proposed research, a definition is adopted by the researcher which is given below:-

As per this definition, for the exclusive purpose of this study a micro enterprise is an enterprise in which

- 1) Either an individual women or a group of women can be associated
- 2) It can be sole proprietorship, informal association, Partnership or Joint Stock Company.
- 3) It is formed by women either as part of poverty alleviation programme or as part of self employment or for just utilizing the leisure time.

- 4) The technology used can be traditional, modern or mix of both.
- 5) The capital investment will be ranging from Rs 10,000 to Rs 5 lakhs.
- 6) It can be self employed or group employed or even unit wherein casual employment is made.
- 7) The unit should be in existence at least for 1 year and generate a turn over which is 20 times the capital employed.
- 8) The unit should be able to generate at least Rs 50 per day per member and Rs 1,500/- per month per person after meeting all expenses.

In short the purpose of undertaking this research is to test the efficiency of a micro enterprise as a tool for economic development and to sort out various credit related problems faced by micro entrepreneurs.

LIMITS FOR WOMEN ENTREPRENEURSHIP

Despite the efforts of Governmental and Non-Governmental Organizations the women entrepreneurs are facing lot of problems. The researcher himself conducted a study with the support of KRPLLD in two Urban Local Bodies of the State, Vadakara and Kochi. In the study it was understood that more than 70% of the problems faced by the micro enterprises are related with credit. In addition to credit, problems like lack of risk taking ability, heavy commitments on domestic activities, family resistance, lack of access to education and training etc are also noted. Lack of collateral and funder's perception of women's ability are other major problems. Obtaining finances, even small amounts are an uphill task for women. 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) Absence of grace period or moratorium
- 8) Reduced repayment period
- 9) Charging of interest even for the subsidy component (in the case of antipoverty programmes)
- 10) Lack of working capital policy leading to low availability of working capital etc

The research is carried out to verify whether these problems are true with the case of women micro entrepreneurs in urban area. Kollam is identified as a typical cross section of Kerala's Urban Society. Micro entrepreneurs are identified and data collected to verify the above assumptions.

CHAPTER – 3

THE CONTEXT AND OUTLINE OF THE STUDY

India is passing through a decisive stage of socio economic development. An increase in entrepreneurial activity is playing a major role in this development. It is believed that the existing latent entrepreneurial talents, if properly harnessed, could develop in fostering the phase of socio economic development, balance regional growth, wealth creation, employment generation, local economic development and poverty reduction. Despite various problems more and more women are entering into the field of entrepreneurship.

The rationale behind women becoming economic actors has been examined by various researchers. Income generating activities are not merely viewed as a tool for economic needs of women. It is equally a powerful instrument to enable women to determine their own lives (Bennet, 1992). Women are culturally well equipped to run their business due to skill developed through managing households, raising children etc. Therefore, shift from family management to enterprise management (Harper and Vyakarnam, 1988) may be easier than a shift from paid employment to self-employment. .

In this context if the credit related problems are properly addressed by the Government and Financial Institutions, then the phase of the economic development could be doubled. The study is conducted in Kollam Corporation area, which is considered as a typically representative of all the 58 Urban Local Bodies in the State. The general objective of this study is to identify the factors influencing successful entrepreneurship among women. The specific objective of the study is:

To study the various problems faced by women micro enterprise in accessing credit both from formal and informal micro finance institutions including banks

METHODOLOGY

The methodology of the study is exclusively one of case study. While having its own limitation relating to generalization, the case study method is useful for arriving at quick results. It can also be used as an important tool for training. The cases were drawn from the directory of women industrial enterprises in Kerala brought out by Institute of Small Enterprises and Development. Further, list of individual and group micro enterprises supported by Kudumbashree by using the Centrally sponsored Urban Poverty Reduction Programme, SJSRY (Swarna Jayanathi Shahari Rozgar Yojana) is also utilized for selecting the women entrepreneurs. The list of entrepreneurs maintained by the women's council, under the Chairmanship of wife of District Collector, Kollam was also utilized for selecting entrepreneurs. The entrepreneurs are selected by purposive sampling. The selected entrepreneurs were contacted in person and details collected to develop the case. This study has considerable academic relevance because the aspects such as entrepreneurial perception, their ambition for growth, business development plans and need for capital etc is best captured with the help of case studies. This study will evoke better debate on the problems at hand than other methods of study.

Sample selection

Sufficient number of cases is selected from various strata of entrepreneur population. The major strata utilized for study are shown below:-

A) Classification Based on Income

- 1) High income: - This group belongs to women entrepreneurs whose family monthly income exceeds Rs 30,000/- or more. The income is calculated by adding revenue from various sources including parental property, income of husband etc.

- 2) Upper middle class: - This group belongs to women entrepreneurs whose family monthly income exceeds Rs 18,000/-, but not exceeding Rs 30,000/-. The income from all sources is computed.
- 3) Lower middle class: - This group belongs to women entrepreneurs whose family monthly income exceeds Rs 8,000/-, but not exceeding Rs 18,000/-. The income from all sources is computed.
- 4) BPL families: - Are families identified by State Poverty Eradication Mission, Kudumbashree through a non-monitory index. The entrepreneurs belonging to this class have started enterprises by availing financial support from Urban Poverty Alleviation Programme, SJSRY.

Sl. No.	Income Level	Activity	Name of entrepreneur
1.	High Income	Floriculture	Sangeetha Jaisingh
		Catering	Lekshmi Mohan
2.	Upper Middle Class	Readymade	Moti Prathap
		Beauty Parlour	Usha Hemachandran
		Food processing	Nazeema Bai
3.	Lower Middle Class	Readymade Garments	1. Yamuna 2. Sheeja
4.	BPL families	Computer	Techno Gate Systems
		Soap	Vanitha Washing Soap
		Provision store	Akshaya Provision Store
		Ethnic delicacies	Latha.S.
		Watch Repair	Bhaya Rani

B) Classification Based On Number of Entrepreneurs

The enterprises are divided into two, individual and group. The individual entrepreneurs are taking more risks for managing the enterprise whereas in the case of group enterprise, the risk is shared among the group members. Further, group enterprise also offers opportunity for synergy.

Sl. No.	Organizational form	Activity	Name of entrepreneur
1.	Individual	Floriculture	Sangeetha Jaisingh
		Catering	Lekshmi Mohan
		Readymade	Moti Prathap
		Beauty Parlour	Usha Hemachandran
		Food processing	Nazeema Bai
		Readymade Garments	1.Yamuna 2.Sheeja
		Ethnic delicacies	Latha.S.
		Watch Repair	Bhaya Rani
		2.	Group enterprises
Soap	Vanitha Washing Soap		
Provision store	Akshaya Provision Store		

C) Classification Based On the Nature of Enterprise

The enterprises can be categorized into two, those engaged in production and those coming under service sector.

Sl. No.	Nature of Business	Activity	Name of entrepreneur
1.	Production	Floriculture	Sangeetha Jaisingh
		Readymade	Moti Prathap
		Soap	Vanitha Washing Soap
		Food Processing	Nazeema Bai
		Readymade Garments	1. Yamuna 2. Sheeja
		Ethnic delicacies	Latha.S.
2.	Service	Computer	Techno Gate Systems
		Catering	Lekshmi Mohan
		Beauty Parlour	Usha Hemachandran
		Watch Repair	Bhaya Rani
		Provision store	Akshaya Provision Store

D) Classification Based On Technology Employed

The enterprises can be broadly classified into conventional and emerging sectors based on the type of technology employed. The problems of entrepreneurs will be different and hence data are collected from both these segments.

Sl.	Nature of	Activity	Name of entrepreneur
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No.	Technology		
1.	Conventional	Provision store	Akshaya Provision Store
		Readymade	Moti Prathap
		Soap	Vanitha Washing Soap
		Watch Repair	Bhaya Rani
		Readymade Garments	1. Yamuna 2. Sheeja
		Ethnic delicacies	Latha.S.
2.	Emerging	Computer	Techno Gate Systems
		Floriculture	Sangeetha Jaisingh
		Food processing	Nazeema Bai
		Catering	Lekshmi Mohan
		Beauty Parlour	Usha Hemachandran

E) Classification Based On the Experience of Entrepreneurs

The entrepreneurs are classified into new generation, first generation and second generation based on their experience in the enterprise. The entrepreneurs from BPL families have no previous experience in managing business so they are categorized into new generation entrepreneurs. Some of the entrepreneurs are hailing from traditional business families. Their vast experience helped them in solving at least some of the problems. Their contacts and exposure in business circles helped them to access credit on much easier and flexible terms.

Sl. No.	Experience	Activity	Name of entrepreneur
1.	New Generation	Computer	Techno Gate Systems
		Soap	Vanitha Washing Soap
		Provision store	Akshaya Provision Store
		Ethnic delicacies	Latha.S.
		Watch Repair	Bhaya Rani
2.	First Generation	Readymade Garments	1. Yamuna 2. Sheeja
		Beauty Parlour	Usha Hemachandran
			Moti Prathap
3.	Second Generation	Floriculture	Sangeetha Jaisingh
		Food processing	Nazeema Bai
		Catering	Lekshmi Mohan

CHAPER-4

MAJOR CREDIT RELATED PROBLEMS OF WOMEN MICRO ENTREPRENEURS

In the study conducted at Kollam Municipal Corporation, the following problems are found to be prevalent irrespective of the strata of the Entrepreneurs. The entrepreneurs do not feel many of the problems. But some of them are really acting as barrier for growth and development. Since the study is done using case study method, generalizations and quantifications are not relevant. To get a broader understanding of the issues a brief sketch incorporating relevant issues are detailed below: -

1. Lack of Knowledge About Banking Procedures

Except Nazeema Bai, no entrepreneur under study was able to list out the various procedures to be followed for availing bank finance. In the case of Nazeema Bai, her husband who is also the President of an Industries Association is the driving force behind the enterprise. Smt. Moti Prathap, Sangeetha Jaisingh and Usha Hemachandran are in a position to avail the support and blessings of banking community. But Moti Prathap has not availed any finance and Sangeetha Jaisingh and Usha Hemachandran availed hardly Rs 25,000/- as start up capital. Actually these people can run the business profitably and help others by creating employment opportunities. But they are not interested in making unnecessary financial commitments.

Miss. Yamuna and Bhavya Rani are given financial support by banks as part of poverty reduction programmes. Even though they are ready to avail more finance, banks are not willing to extend unstinted support. In short, the role of banks as an organization committed for the development of people is not properly communicated to the

entrepreneurial community. As Margaret.S Robinson observed, “those who hold power do not understand the demand and those who understand the demand do not hold power”.

2. Interest rate – Issue of Lack of Transparency.

The RBI circulars give freedom to the banks to fix their PLRs. The rates of interest charged by the banks are varying between 9.5 to 15% per annum. Based on this it is not possible to conclude that a bank is charging higher rates for its loans. What is more relevant is the RBI norms regarding interest rates which stipulates that the rate of interest charged on advances should not exceed its PLRs up to a loan amount of Rs 2 lakhs. Therefore the question is whether the banks are charging or have charged interest rates higher than its PLR. In the case of entrepreneurs under study, none of them have availed loans more than Rs 2 lakhs. Smt. Sheeja of Sneha Garments got sanctioned the loan from Kerala State Co-operative Agricultural and Rural Development Bank. The interest charged is 9.5%. But in this case, it was understood that the banks are charging interests on a flat rate. This will force the entrepreneur to pay interest to the entire amount even if she wants to close the account on an early date.

In the case of Akshaya Provision Store and Technogate Systems, banks are charging interest to the entire amount of loan including subsidy. In these cases, since the subsidy portion is also considered for deciding the slab, the interest charged is also found to be high. Though the RBI guidelines does not explicitly exclude subsidy portion for deciding the slab, the discussions with senior officers of banks revealed that a proper interpretation of the circular would exclude subsidy portion for deciding the slab.

Smt. Sangeetha Jaisingh, Usha Hemachandran and Sheeja are not even aware of the rate of interest charged by the banks.

3. Delay in Sanctioning of Loans

Most of the entrepreneurs whom I contacted for the study complained about the delay in sanctioning of loans. Smt. Nazeema Bhai and Sangeetha Jaisingh are really critical about the banking procedures, which causes inordinate delay. Due to various reasons Smt. Lekshmi Mohan and Moti Prathap are not interested to spend time with the banks for sanctioning of credit. The RBI guidelines are very clear and specific that loans less than Rs 25,000/- should be sanctioned within 2 weeks and loans above Rs 25,000/- within 8-9 weeks.

It was a surprise to note that the loans availed by Technogate Systems, Vanitha Washing Soap, Akshaya Provision Store, Yamuna and Bhavya Rani are sanctioned without much delay. The support extended by Kudumbashree officials was the major reason for avoiding unwanted delay. The maximum time for sanctioning of loan was seen taken by KSCARD Bank. Smt. Sreeja and her husband who is also a Government Employee informed that this was because of the procedural hardship followed by Primary and Central Bank in the Co-operative system. Some of the entrepreneurs have not considered delayed sanctioning as a major problem.

4. Repayment Holiday

Except Sheeja and Nazeema Bhai all others are not aware of sanctioning of grace period or moratorium. Smt. Yamuna and Bhavya Rani have closed their loans before the stipulated period. Actually this has resulted in depletion of resources, which if properly ploughed back to the business, would have created more growth to the business than realized. The members of Akshaya Provision Store are very fond of paying back their debts by utilizing even their working capital. This had actually prevented them from expanding their business.

5. Installment Amount

A major reason for the excess installment amount is that most of the entrepreneurs are not aware about their project and its proposed cash flow. In the early years of operation when the business is operating at low capacities of production, the cash inflow will be less. In such cases the payment of excess installment or installment with high amount would lead to severe cash crunch. It was found that in 80% of cases the installment fixed was not according to the projected cash flow. In the case of antipoverty programmes, the installment fixed includes subsidy repayment also.

6. Under Financing or Inadequate Finance.

Except in cases like Technogate systems, Akshaya Provision Store, Vanitha Washing Shop and Senha Garments no specific project report is seen prepared or submitted to the bank. In the absence of specific project report showing the requirement of Block Capital and Working Capital, banks are sanctioning loans according to their tailor made programmes.

Most of the units under study are found to be suffocating for want of additional capital for expansion. Smt. Yamuna would have diversified

her business if more capital is made available by the banks. Actually she had applied for Rs 50,000, which was reduced to Rs 30,000 by the bank. Purchase of raw materials in bulk quantity and sale of materials on credit would have helped Yamuna to expand her business. Actually she had closed her previous debt for 2 years, within a period of 1½year. The bank did not reward the prompt repayment. Smt. Bhavya Rani was forced to avail loan from bank, thrift and credit society and even from relatives for developing the activity. Had there been sufficient finance, she would have crossed the BPL line without much difficulty.

7. Lack of Training

Enterprise could not be run without sufficient training. The experience gained by the second-generation entrepreneurs was helpful for obtaining better success. In the case of new generation entrepreneurs, the need for continued training is very high.

Activities like computer, catering floriculture watch repairing and beauty parlour need intensive training. The high level of educational background of the entrepreneurs was one of the reasons that attributed success or avoided failures. It was noted that except in the case of group enterprises supported by Kudumbashree, organized training programmes are lacking.

The study revealed that the major credit related problems perceived by the researcher are true in the case of women entrepreneurs in Kollam Corporation. But this cannot be generalized. Through this study, a methodology suited for identifying the credit related problems of women entrepreneurs are developed. It was further observed that the gravity of the problem was not uniform among all strata of entrepreneurs. The new generation entrepreneurs are found to be more susceptible.

Whereas second generation entrepreneurs are strong enough to withstand the shock. The chances of getting affected by these problems are more in the case of individual entrepreneurs whereas it is less in the case of group enterprises. The classification on the basis of income has very little impact on the tolerance and resistance of entrepreneurs to the major problems. Another observation is that the service sector industry is comparatively free from most of the problems whereas producing industries are more susceptible to these issues. The credit needs of conventional as well as emerging sectors are found to be equally affected by all the major problems highlighted under the study. Another most striking observation is that lack of entrepreneurship trait is very high among high income and upper middle class women. This has prevented the banks from sanctioning of safe loans. This idea was further propagated as lack of viable projects for investment. Actually no projects can be classified as viable and non-viable. It is the entrepreneur who makes the project viable. Hence the study revealed the need for more entrepreneur friendly approach from the side of financial institutions.

CASE STUDIES OF ENTREPRENEURS

Case: 1

Name of the entrepreneur	: Moti Prathap
Educational Qualification	: Msc. Home Science
Year of starting	: 1985
Address of the Enterprise:	: Rose Dale, Opp. S.N College for Women, Kollam
Source of Finance	: Own funds
Product	: Dress materials and readymade garments

A brief sketch on the working of the Unit

Ms. Moti Prathap started this unit in 1985 for imparting Home Science classes. Later it was extended to classes on tailoring. Large number of students attended the class. The nearness to women's college prompted her to start a stitching center for women, which was later converted as a readymade unit. She is hailing from a business family. They were running shop both at Trivandrum and Kollam. The need for huge working capital for purchase of raw material forced her to shift her business from Trivandrum. Now she is more interested in carrying out business after taking readymade orders. The turn out of employees and change of fashion is creating a major problem for improving the business. She is not interested in expanding the business and hence not interested in availing bank finance. Her husband is a Dental Surgeon and now she wants to convert the existing shop into a retail shop where she can do the cutting and designing, while stitching can be entrusted to piece workers.

Case: 2

Name of the entrepreneur	: Sangeetha Jaisingh
Educational Qualification	: Pre-degree
Year of starting	: 1988
Address of the Enterprise:	: Govindam, Madanada, Kollam-10.
Source of Finance	: Federal Bank
Product	: Cut Flower & Seedlings of Orchid & Anthurium

A brief sketch on the working of the Unit

Ms. Sangeetha Jaisingh is active in the rotary club. She is also associated with Sathaya Sai Trust. Her association with women's club and her interest in gardening forced her to start an Orchid Club at Kollam. Women from similar backgrounds were pooled and a cut flower society registered. The Agriculture Department and banks extended wholehearted support. Marketing was a major problem, which was sorted out by the

society. Now she is continuing with the business. Actually her interest is not making money. She is more interested in social activities and views this business as an opportunity for interaction with other women in the society.

Case: 3

Name of the entrepreneur : Latha.S.
Educational Qualification : Pre-degree
Year of starting : 2000
Address of the Enterprise: : Vilayil Veedu, Palace Ward,
Thevalli, Kollam
Source of Finance : Own funds
Product : Ethnic Delicacies & Bakery items

A brief sketch on the working of the Unit

Ms. Latha.S is hailing from a very poor background. In connection with the marriage of her sister, her whole property had to be sold. Death of her father and ill health of her mother forced her to think of starting an income generation activity. Her capability and skill for making food product forced her to think of starting a business with ethnic delicacies. Now she is preparing materials in the morning and selling it in various offices in the afternoon. She is afraid of taking loan and banks are also not willing to support with liberal finance. She is purchasing raw material on credit and making the items and repaying in the evening. Had there been more funds, she would have expanded the business.

Case: 4

Name of the entrepreneur : Yamuna Vellapilly
Educational Qualification : SSLC
Year of starting : 1999
Address of the Enterprise: : Uliakkovil House,
Punnammoodu Junction, Kollam
Source of Finance : Central Bank, Kadappakada
Branch

Product : Dress materials and readymade garments & Fancy Items

A brief sketch on the working of the Unit

Ms. Yamuna Vellapilly is a spinster. She is affected with Leucoderma. For her livelihood she took a loan from the Community Development Society and started a stitching unit. Later by availing bank loan she expanded her business by starting a small shop near a cashew factory. She is concentrating in production of Nighty for women. She has also started a fancy shop near the readymade shop. The economic recession and closure of cashew factory, affected her business. Now she is planning to expand the business by taking orders from textile shops. She has learned Auto rickshaw driving. She is in need of money, but banks are not willing to extend credit at easy terms. The quantity of finance is also rationed. She has closed her previous loan and bank has no complaint against her. The apathy and unwillingness of bankers for financing the poor (owing to anticipated risk) is a major problem.

Case: 5

Name of the entrepreneur : Bhavya Rani
Educational Qualification : ITI Diploma
Year of starting : 1998
Address of the Enterprise: : BR Times, Ashram North,
Kollam
Source of Finance : Central Bank, Chinnakada &
Thrift Loan
Product : Repair of watch & STD/ISD
Booth

A brief sketch on the working of the Unit

Ms. Bhavya Rani, is a real entrepreneur. Her father was an alcoholic. She has decided to utilize the skill gained through education in ITI. She has started a small watch repairing shop in

front of her house. The support of Kudumbashree and banks also helped in starting the business. Later she converted this repair unit as a sales outlet of watches and clocks. An STD/ISD booth was also started. Now she is planning to expand this unit into a multipurpose job center by using the services of her sister and brother (both of them are ITI Diploma holders). Her father is a totally changed man now and he is assisting Bhavya Rani in her business. He also wants to start a cycle repair shop near her shop. They are in need for more finance, but as usual bankers are taking a wait and see approach. .

Case: 6

Name of the entrepreneur	:	Usha Hemachandran
Educational Qualification	:	Msc. Home Science
Year of starting	:	1989
Address of the Enterprise:	:	Usha Hemachandran, Shanaz Beauty Parlour, Hospital Road, Kollam
Source of Finance	:	Canara Bank, Chinnakada Branch
Product	:	Beauty Parlour

A brief sketch on the working of the Unit

Ms. Usha Hemachandran, is a house wife. Her husband is a Medical Practitioner. She started a beauty Parlour in one room of her house. Her close association with Women's Club is an asset. She was running the shop by employing workers. Employees turn out and need for huge investment prevents her from improving the business. Her daughter is now in USA and only son is working for Reliance. She is not interested to continue the business and she is planning to visit her daughter. Banks are ready to support her, but she is not interested to avail loan because she treated it as an unwanted burden. .

Case: 7

Name of the entrepreneur	:	Nazeema Bai
Educational Qualification	:	Pre-degree
Year of starting	:	2001
Address of the Enterprise:	:	Milan Complex, Medayal Mukku, Kollam-3.
Source of Finance	:	Own funds
Product	:	North Indian Natural healthy food – Goondhiya – G.

A brief sketch on the working of the Unit

Ms. Nazeema Bai, is a name sake owner of the business. Her husband runs the entire business. He is a full time businessman. He knows more about banking procedure. The facilities offered by the Government for women entrepreneurs are utilized for starting up of unit. She is ready to expand the business if more subsidies and concessions are available. She is always complaining about the procedural hardship for getting loans from banks and subsidy from Industries Department, even though she has availed it.

Case: 8

Name of the entrepreneur	:	Sheeja
Educational Qualification	:	B.A.
Year of starting	:	2002
Address of the Enterprise:	:	Sneha Garments, Kollam
Source of Finance	:	KSCARD Bank
Product	:	Dress materials and readymade garments

A brief sketch on the working of the Unit

Ms. Sheeja is a housewife. Her husband is working as inspector in Civil Supplies Corporation. Sheeja is interested in tailoring. She has learnt

and mastered in dress designing. Her husband supported her for utilizing her talents. They started the business in the front portion of their house. The services of women are utilized for stitching. They are purchasing material from nearby state. The dress materials are also sold through the outlet. Since banks have insisted for collateral, she has decided to pledge her house and avail loan from KSCARD Bank. They are also expecting a subsidy from Industries Department under Women Industries Programme. Absence of sufficient working capital is a major problem.

Case: 9

Name of the entrepreneur	: Lekshmi Mohan
Educational Qualification	: Msc. Home Science
Year of starting	: 2000
Address of the Enterprise:	: Catering Service, Kollam
Source of Finance	: Own funds
Product	: Idiyappam, Borotta & other food items

A brief sketch on the working of the Unit

Ms. Lekshmi Mohan is a housewife. Her husband was a multimillionaire. He was a business magnet. The downfall of his empire forced him to commit suicide. Banks took all her property away. Her life was in question. She has decided to sail against the plight of destiny and started a small catering unit in her own house. Now she is expanding it slowly. The commitments made by her husband and debt burden created by his business is still haunting her. Liberal financial assistance may help her to improve the business.

Case: 10

Name of the entrepreneur	: <u>T</u> <u>e</u> <u>c</u> <u>h</u> <u>n</u> <u>o</u> <u>g</u> <u>a</u> <u>t</u> <u>e</u> <u>S</u> <u>y</u> <u>s</u> <u>t</u> <u>e</u> <u>m</u> <u>s</u> (a DWCUA
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	Unit) Team Leader Kumari.Monisha
Educational Qualification	: Pre-degree & DCA
Year of starting	: March 2000
Address of the Enterprise:	: Room No. 22, Municipal Stadium Complex, Kollam. Corporation Bank, Kollam,
Source of Finance	: Subsidy from SJSRY and Own fund
Product	: Data entry digitization work

A brief sketch on the working of the Unit

10 computer literate women from BPL families started this group enterprise. The support of Kudumbashree was extended. They had availed loan from bank and purchased computer. The support of Kudumbashree helped them to get work from different Government Agencies. They are planning to expand the activities. Financial support may help them to improve further.

Case: 11

Name of the entrepreneur	: Vanitha Washing Soap (A DWCUA Unit) Team Leader Smt. Vijayamma
Educational Qualification	: SSLC
Year of starting	: 2001 June 30.
Address of the Enterprise:	: Kuzhikkolel House, Kottakkagam Ward, Kacheri Division.
Source of Finance	: Canara Bank, Ananthavalliswaram
Product	: Washing Soap

A brief sketch on the working of the Unit

This group is also formed with the support of Kudumbashree. Bank finance and Government subsidy are provided. Kudumbashree also offers training support and marketing support. Lack of initiatives on the part of entrepreneurs is a major problem. Technical competence of the entrepreneurs is also to be sharpened. The credit needs are well catered by the banks. Thanks to Kudumbashree support.

Case: 12

Name of the entrepreneur	: Akshaya Provision Store (A DWCUA Unit) Team leader Smt. Lilly Antony
Educational Qualification	: SSLC
Year of starting	: October 2002
Address of the Enterprise:	: Akshaya Provision Store, Eravipuram, Kollam
Source of Finance	: SBT, Eravipuram Branch
Product	: Provision Store.

A brief sketch on the working of the Unit

A group of 10 women from BPL family started Akshaya Provision Store as an economic activity. The profit earned is minimum. Actually, this activity does not need 10 entrepreneurs. For utilizing the service of 10 entrepreneurs, they had to expand the activity. Expansion of activity needs financial support, which the banks are not ready to offer. The low margin, huge inventory and high pay out ratio are the major problems. The commitment, dedication and willingness to hard work are the strength of the Unit. Liberal financial support may help them to solve their problems.

CHAPTER-5

SUMMARY AND CONCLUSION

It is clear from the study that violation of RBI norms is wide spread and cuts across various banks. As the size is small and methodology adopted is case study, we cannot generalize and conclude that the same phenomenon is replicated all over the state. In this situation, the following observations and recommendations are made for the improvement of the system.

1. The major problems highlighted are affecting all the strata of entrepreneurs under study.
2. Lack of availability of guidelines for issuing loans and availing credit is a major problem.
3. Need for training is very high both on the part of banker and the entrepreneurs. It was found in all the cases that absence of training was one of the major reasons for deviation in performance. This can be corrected by imparting training to both banker and entrepreneurs.
4. Need for specific projects are very high. This will help both the entrepreneur and banker for arranging finance, watching the cash flow and monitoring the growth.
5. **Interpretation** – One of the major reasons for variation in practices across the banks is the difference in interpretations of the same circular. The guidelines issued by RBI and controlling offices of the bank are to be discussed at least among the field level functionaries so that the possibility of distortion in communication can be minimized.
6. **Ignorance** – Ignorance on the part of entrepreneurs and banks is found to be a major reason for errors. If the intention of entrepreneur and willingness of the banker are properly communicated, the ill effects of ignorance could be avoided. For eg. If the procedure for calculating interest, repayment schedule, moratorium etc are made clear, both the entrepreneur and the banker would benefit out of it.

From the study it is understood that the credit related problems are not created either by banker or by the entrepreneur in isolation. Most of the problems are not willful. 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 drastic improvement in the present situation. An entrepreneur friendly credit policy coupled with proper awareness programmes may solve at least 50% of problems.

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