



# CONTRIBUTION OF INDIAN BANKING INDUSTRIES IN EXAGGERATING THE EXPANSION OF WOMEN ENTREPRENEURSHIP AND SUSTAINABLE GROWTH IN INDIA - A CONCISE OVERVIEW

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## Abstract

In recent times, the Government of India has launched the Make in India initiative to encourage young Indian talents to start their own business or venture. Hence, many new entrepreneurs started their own businesses. The role of the financial institutions in providing financial support to the new startup companies has also increased. Business development refers to the process of the creation, financing, growth and expansion of a business or an enterprise within an economy. The focus of this paper will be on banks and the role they play in the growth of business. We will also focus on the challenges faced by banks in providing loans and how they contribute to the development of business in India. This study is based on secondary data sourced from magazines, journals and other sources. Over the past two decades, women-owned businesses in India have grown significantly. This growth has significantly contributed to the country's economic growth and development. The majority of the women-owned enterprises in India are in the service sectors. In addition to contributing to the growth of the economy, Women Entrepreneurs have also created jobs for women jobseekers. However, it is important to note that women entrepreneurs face many challenges and difficulties, particularly in terms of fund generation. A woman entrepreneur should have a sound financial background. Finances are the life blood of any company or organization. Without proper financial support, it would be very difficult to carry on the business activities. In this study, we will be focusing on the role of banks and how they can support women entrepreneurs. In this paper, we have also tried to understand the current state of women entrepreneurs in India.

**Keywords:** Entrepreneurship, Women Empowerment, Financial Literacy, Bank, Sustainable Development, Economic Growth.

**Literature Type:** A Concise Overview

## INTRODUCTION

Entrepreneurship is one of the most sought-after topics among students and young entrepreneurs, in large part because of the importance of entrepreneurship in today's economy. Entrepreneurship plays a crucial role in the dynamism of an economic system. In many countries, the problem of financing small businesses and entrepreneurs remains unaddressed due to lack of qualified venture capital. In developing and emerging economies, micro finance banks are set up for this purpose. However, it is claimed that the owner and entrepreneur faces a lot of difficulties such as collateral and documentation. Even banks have difficulties in granting and recovering loans. This study aims to understand the challenges faced by both the banks and the borrowers i.e. the entrepreneurs. Various studies have shown that female entrepreneurship is important for individuals, communities, and countries. Studies on female entrepreneurship help us understand the relationship between entrepreneurship and human behavior in general and allow researchers to ask questions not only about why women behave the way they do, but also about the links between entrepreneurship and human capital accumulation and labour market dynamics. A women entrepreneur is a woman or a group of women who start, organize and run a business. According to Schumpeter's concept of innovative entrepreneurs, a woman who innovates, emulates, or adopts a

business activity is called a woman entrepreneur. Kamal Singh, a woman entrepreneur in Rajasthan, defines a woman entrepreneur as a confident, innovative, and creative woman who is able to achieve self-economic independence, independently or in partnership, and creates employment opportunities for others by starting, establishing and running a business that keeps pace with her personal life, family life and social life. Women entrepreneurs are defined by the Government of India based on women's participation in equity and employment in a business enterprise. According to the GOI (GOI2006), a women-entrepreneur is an enterprise owned and operated by a woman with a minimum financial interest in the enterprise of 51 per cent and at least 50 per cent of the enterprise's employment generated by women. However, this definition is open to criticism due to the condition that the enterprise must employ more than 50 percent of women workers. In short, women entrepreneurs are the ones who conceive of a business, launch it, plan and coordinate the manufacturing process, manage the business and take risks, and manage the economic risks associated with running a business and assume all business risks.

## CAUSES OF BECOMING WOMEN ENTREPRENEUR

The glass ceiling is being broken and women are getting indulged in every business field. The entry of women into business in India can be traced back to their kitchen activities, especially 3P's, Pickles, Powdered and Pappads. But with the growth of education and the passage of time, women started shifting from these to modern 3E's (Energy, Electronics and Engineering). Skill, knowledge, and flexibility in business are the primary reasons for women to enter into business ventures. A women entrepreneur is a person who takes on challenging roles to meet their personal needs and become financially independent. A strong drive to do something positive is an innate quality of the entrepreneurial woman, who is able to bring value to the family and society. With the help of the media, women are becoming aware of their own attributes, rights, and work situations. The digital era is providing women with a growing number of challenges and opportunities that are turning job seekers into job creators. For many women, starting a business is the result of a traumatic event, whether it's a divorce, discrimination because of pregnancy or the company's glass ceiling, a family member's illness, or a layoff due to economic reasons. However, a new generation of female entrepreneurs is emerging today as more women choose to leave the corporate world to create their own destiny. Women are thriving as designers and interior designers, as exporters, as publishers, as garment manufacturers, and continue to explore new ways of economic participation.

## OBJECTIVE OF THE STUDY

- (i) To examine the role of Banks in the development of Women Entrepreneurship in India
- (ii) To understand the challenges banks face in granting and recovering loans
- (iii) To identify the difficulties women Entrepreneurs face in India

## RESEARCH METHODOLOGY

The secondary data source used in the study is mainly derived from research papers, journals, websites and magazines, as well as doctoral thesis. The main focus of this study has been on women entrepreneurship development. Therefore, there is a lot of scope for further research on entrepreneurship development in India by comparing the current status of men and women entrepreneurs. Also, this study has focused only on the role of the banks in supporting women entrepreneurship in India. However, there are many options / schemes available to support women entrepreneurs. Primary data can be used for obtaining / improving the findings of this study.

## PRESENT SCENARIO OF WOMEN ENTREPRENEURS IN INDIA

Women entrepreneurship is considered to be one of the key enablers of the development of society. However, India has been one of the worst performers in terms of women entrepreneurship in the global survey of 17 countries on gender-based entrepreneurship conducted by Dell and Washington-based consulting firm GEDI in July 2013. India is ranked 16th in the survey, just behind Uganda. Other countries such as Turkey, Morocco, and Egypt have outperformed India. The status of higher education for women in India is lower than in most of the world. Currently, women's involvement in the business world is limited to the large-scale industries and technology-based businesses. However, even in the small-scale industries, the participation of women remains very low. According to the third all India census of small and micro-enterprises, only about 10.11 percent of the micro-enterprise owners were women and only 9.46 percent of the small-enterprise managers were women. Despite the increasing number of women owning their own business, they continue to face major challenges in terms of business growth, such as lack of capital, stringent social constraints, limited time and skills, etc.

## IMPACT OF BANK AND FINANCIAL INSTITUTIONS IN BOOSTING UP THE WOMEN ENTREPRENEURSHIP IN INDIA

Financial institutions have been playing an important role for the past few years in providing financial assistance and advice to women entrepreneurs and ensuring their satisfaction. These include the NSIC, AIDBs (All-India Development Banks), SFIs (Specialized Financial Institutions), Exim Bank and NABARD, investment institutions (LIC, GIC, NEC, NIA, OCIC, UII, UTI), regional/state-level institutions (NEDFI, SIDs and SFCs), commercial banks, and cooperative banks. Banks are an essential part of India's economy and can play a key role in empowering and supporting women entrepreneurs. There are many public sector banks in India, with branches in many parts of the country. Historically, banks have been the first line of support for women when it comes to their financial needs. Examples of such support include educational financing at a young age, financial assistance for setting up a livelihood, and stable source of income for young people. Banks have always played a crucial role in improving the financial

inclusion of women in Indian economy. All the major public sector banks announced women centric and women only funding and loan schemes that provide financing opportunities at low interest rate and relaxed loan rules for women entrepreneurs. Despite the best efforts of the government and PSU Banks, women continue to avoid banks and its services because of social and cultural obstacles that prevent them from accessing banking services. Looking at the comparative statistics of women in banking sector, it is clear that there is a significant gap between the two genders in terms of access to banking services. Women account for only 24% of the total operational bank accounts in India and 28% of the total deposits. This indicates that the participation of women is definitely not at an acceptable level in the banking sector. In terms of credit supplied, just 12% of the individual bank loan accounts belonged to women.

Commercial banks have been very helpful to Women entrepreneurs. This has had a direct impact on the following:

- (i) Enhancement of Income
- (ii) Creation of Assets
- (iii) Improved Standard of living
- (iv) Lack of understanding about the banking services.
- (v) Lack of Sufficient number of Banking services in remote areas.
- (vi) Enhancing Women decision making power
- (vii) Increase in Community Participation
- (viii) Strict formalities for availing of loan
- (ix) Lack of women-centric banks

There are a number of challenges that banks face while providing and collecting loans, the main challenges that banks face include:

**(a) Default in Loan Repayment:** A loan is classified as a problem credit when it can't be paid back. Problem loans and losses reflect the inherent risk that a borrower is unable and unwilling to pay back all of their commitments. The lending process is imperfect by its nature. The credit analysis may not be complete or may be based on inaccurate information. The loan officers may overlook the fact that borrowers with strong personal relationships with the bank may simply change their ability to repay a loan once a loan is made. If management focuses only on minimizing losses, the bank will not make any loans at all; profit will decrease, and the real credit needs of customers will not be satisfied. Lenders can't eliminate all risks, so loan losses are inevitable. The goal is to manage loss well so that banks can meet their risks and returns objectives.

**(b) Granting of loan without Collateral:** Collateral is a property or other asset that a borrower offers as a way for a lender to secure the loan. If the borrower stops making the promised loan payments, the lender can seize the collateral to recoup its losses. Since collateral offers some security to the lender if the borrower fails to pay back the loan, loans that are secured by collateral typically have lower interest rates than unsecured loans. A lender's claim to a borrower's collateral is called a lien. If banks granted loans without collateral security, then it will face severe problems while recovering loans.

## OBSTACLES FACED BY BANKS IN GRANTING LOAN TO WOMEN ENTREPRENEUR

**(i) Disputes between Work and Domestic Commitments:** The disputes between work and home responsibilities also prevents women from becoming successful business owners in developed and developing countries. Many women have to take on the responsibility of raising children, providing for the home and caring for elderly family members, which limits their ability to dedicate all their time and energy to their business.

**(ii) Gender discrimination in education:** Women are making great progress in their education at both elementary and secondary levels, but they often lack the combination of education, practical and technical abilities, and work experience necessary to create successful businesses.

**(iii) Lack of knowledge to access Finance:** One of the biggest obstacles that women entrepreneurs face is lack of access to finance. This is especially the case for Women Entrepreneurs in India (WEI) who are further restricted by personal identification, property in their name, and husband's counter signature on most documents.

**(iv) Legal hindrances:** Institutional and legal frameworks play an important role in the development of female-owned businesses. Laws that regulate the private sphere, such as marriage, inheritance, and land, can prevent women from accessing assets that can be held as collateral when applying for a loan.

**(v) Burden of Responsibilities:** Women are more likely to have more children in rural areas. They are more likely to be housewives, which means they have fewer hours of “me time” than men, whether it’s on the weekend or on a weekday. According to an International Labour Organization report on women’s entrepreneurship, women entrepreneurs face the following challenges:

**(vi) Lack of constructive domestic support:** In some cases, the family may blame the women for not taking care of their domestic responsibilities in order to focus on their business endeavours. Some cultural norms may prevent a woman from starting her own business.

**(vii) Shortage of finance:** Traditional sources of funding, such as banks, are hesitant to lend to female entrepreneurs, especially if they don’t have male or family support. This is particularly true for women with lower incomes. Women lack the financial and legal expertise to start a business.

**(viii) Lack of self-confidence:** The lack of female role models has a negative impact on the self-esteem of women entrepreneurs. Selling is seen as a dirty business for women.

**(ix) Misuse of public or private incentives:** Incentives offered in public and private sectors are often abused and do not reach women unless a man supports them. Many business organizations, such as ministries and chambers of commerce, do not reach out to women expecting women's organizations to do the same.

## RECOMMENDATIONS

(i) In some cases, the family may blame the women for not taking care of their domestic responsibilities in order to focus on their business endeavours. Some cultural norms may prevent a woman from starting her own business.

(ii) Traditional sources of funding, such as banks, are hesitant to lend to female entrepreneurs, especially if they don’t have male or family support. This is especially the case for women with lower incomes. Women lack the financial and legal expertise to start a business.

(iii) The lack of female role models has a negative impact on a woman’s self-esteem as an entrepreneur. Selling is anathema to women.

(iv) Incentives from both public and private sources are often not given to women unless they are supported by a man. Additionally, many business organizations, such as ministries and chambers of commerce, do not provide the necessary services to women entrepreneurs. The government must create policies to assist women entrepreneurs, such as networking, entrepreneurship education, credit, and marketing support. This will help to create a culture of female entrepreneurship in India.

## CONCLUSION

We are now in a better situation where women are participating in the field of entrepreneurship at a fast pace. The women sector accounts for almost 45% of the total Indian population. Therefore, it is necessary to provide effective awareness, orientation, and skill development programs to women entrepreneurs. The role of women entrepreneurs in economic development is being recognized and measures are being taken to encourage women entrepreneurship. There is no doubt that entrepreneurship among women increases the wealth of the country and the family in general. Women are more willing to engage in activities that were once thought of as the preserve of men and have proven that they are second only to men in terms of their contribution to the development of the economy. Therefore, women entrepreneurship needs to be moulded with the right entrepreneurial traits and skills in order to be able to adapt to the changing trends, face the challenges of global markets and also be competent enough to maintain and aspire for excellence in their entrepreneurial arena. Entrepreneurship development and funding is a shared responsibility among several agencies and institutions, among which the most important are banks. The need for entrepreneurship development is of the hour, and authorities and banks should play an active role in this endeavour. Banks benefit from their involvement in SME development and financing by expanding their customer base and diversifying into new business areas that will ultimately benefit their portfolio. This is in line with the positive perception of banks, which is that they play a vital role in the development of the community and the economy.

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