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Certain investigation on women entrepreneur problems and issues availing credit support from MSME

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Abstract

Availability of timely and adequate finance is the foremost important thing for the growth of any sector. Micro, Small and Medium Enterprises (MSMEs) contribution to Indian economy in terms of production, employment and exports is very significant. To support MSMEs a large number of commercial banks and financial institutions are operating in our country. There is a need to study the problem and issues behind obtaining of credit support and subsidies from the financial institutions are another area was an attempt can be made to understand the difficulties faced by the women entrepreneur owning MSME. Hence this research is designed to study the above mentioned problems related to women entrepreneurs.

Keywords: Women Entrepreneurs, Financial Institutions, Credit Support, Rigidity, Cumbersome Formalities, Insisting compulsory deposit

1. Introduction

Problems and Issues Faced By Women Entrepreneur

Women entrepreneurs are facing many issues and problems during availing the credit support from district industries centre. Being a woman itself poses various problems to a woman entrepreneur, the problems of Indian women pertain to her responsibility towards family and society [6]. The tradition, customs, socio cultural values, ethics, motherhood subordinates to husband, physically weak, hard work in other areas, feeling of insecurity etc are some peculiar problems that the Indian women are coming across while they jump into entrepreneurship [7]. Besides the above basic problems the other problems faced by women entrepreneurs in availing the required loan funds are as following figure 1.

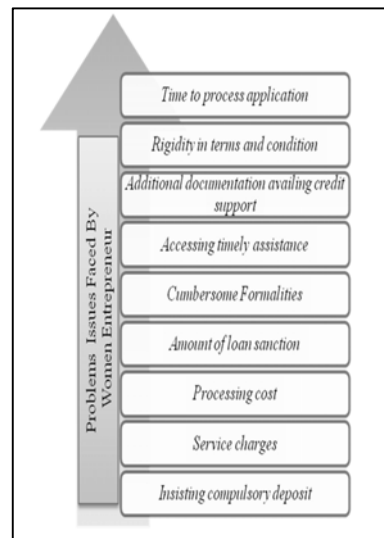


Fig 1: Problems Issues Faced By Women Entrepreneur

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Time to process application

Processing time of loan applications elucidate the time span involved in the submission of loan application by the promoter to the Corporations' decision to accept or reject the said application after preliminary screening^[10]. The time taken for processing the application is very long and this is considered as one of the major problem for women entrepreneurs to avail the credit support.

a. Rigidity in terms and condition

The terms and conditions of lending of the FIs are the specifications as part of the loan agreement which the lender and the borrower have to comply with, during the tenure of the agreement^[11]. It mainly comprises the various stipulations regarding rate of interest, security requirements, promoters' capital, default in payment, pre-closure, creation of second charge on the security offered and repayment and recovery. This is one of the problems for women entrepreneur to avail credit support.

b. Additional documentation availing credit support

There will be a more documentation in availing credit support for women entrepreneurs Most of banks required legal documents for applying loan^[12]. After sufficient documentation only the loan will be sanction.

c. Accessing timely assistance

Financial institutions taking more time to complete the loan procedure. It is also a barrier to women entrepreneurs to avail credit support^[13]. The time lag between actual disbursement of the assistance by the FIs and the fulfillment of the various requirements by the borrower is deemed to be the time taken for the disbursement of assistance.

d. Cumbersome Formalities

The formalities stipulated by the financial institutions in extending loan assistance comprise the elaborate courses of action the promoter has to do in connection with the preparation and submission of a complete loan application along with the various documents, preliminary appraisal, supply of information on queries made by the financial institutions, project appraisal, sanctioning of loan, execution of loan agreement, provision of security, disbursement of loan, availing investment subsidy and repayment. The ease with which the various formalities involved in the loaning process can be done by the applicant^[14].

e. Amount of loan sanction

The amount of loan sanction is based on repayment capacity of the borrower. Many things come into picture, when the bank decides how much loan a person can get^[15]. By analyzing the monthly income, financial history, other unpaid loans, past repayment record, credit card usage history if any, bounced checks, average balance with the banks, continuity in present employment, total years in employment, nature of employment etc.

f. Processing cost

With every application form for loans, banks require certain percentage of the loan amount to be submitted as the processing fees^[16]. This processing fee is generally not refundable. In simple words this means that for whatever reasons, if the bank finds that you don't deserve the loan,

this fee won't be returned. This is the cost of applying for loans.

g. Service charges

The service charge levied by the FIs as fee for the processing and sanctioning of loan applications is compulsory for promoters. The service fee is usually charged as a certain percentage of the amount of the loan applied for, with or without a maximum ceiling^[17]. References to the practice of charging service fee by the FIs reveal that they usually levy a certain percentage of loan applied for, as service fee with a ceiling limit.

h. Insisting compulsory deposit

The FIs usually limit the term loan assistance to a unit by insisting on a minimum promoter's capital requirement. This minimum share may vary from ten per cent to fifty percent of the project cost of the unit, depending on the nature of industry, track record of the promoter, security offered by the promoter, and above all the lending policy of the institution^[18]. Promoter's capital requirement, being one of the primary conditions of lending, offers much flexibility (by relaxation) to the Corporations to welcome more entrepreneurs to start industries without affecting the quality of lending of the institution.

2. Objectives and Limitations of Women Entrepreneur Study

The Objectives study contains role of financial institutions in promoting women entrepreneurs of MSMEs in Coimbatore city^[19-21]. To understand the various problem and issues faced by women entrepreneurs in availing the credit support. The following virtues are limitations of women entrepreneur study.

- The area of the study is restricted to Coimbatore city^[21 23].
- The study only relates to selected MSMEs and selected financial institution^[22].
- The time period taken for the study is 2011 to 2012.
- The sample size is restricted to manageable limits.
- The primary data was collected through questionnaire method.

3. Literature Review

Damwad (2007) examined the experiences, initiatives & obstacles faced at five Nordic countries like Finland, Denmark, Iceland, Norway & Sweden towards women entrepreneurship^[1]. It broadly identifies few obstacles like financing, lack of knowledge & skills in business life, markets & entrepreneurial activity, work life balance including lack of growth & wishes to grow and most importantly women as other groups are heterogeneous. The study compares early stage entrepreneurial male & female activity among Nordic countries with the same of USA. It also compares various programme & schemes developed by Nordic countries & agencies that provide support to them. The Nordic countries need a framework for policy learning develop a proper policy mix towards promoting women entrepreneurship.

Chaudhary *et al.* (2013) found that the woman constitutes the family, which leads to society and Nation. Social and economic development of women is necessary for overall economic development of any society or a country^[2]. Entrepreneurship is the state of mind which every woman

has in her but has not been capitalized in India in way in which it should be change in environment, now people are more comfortable to accept leading role of women in our society, though there are some exceptions. Our increasing dependency on service sector has created many entrepreneurial opportunities especially for women where they can excel their skills with maintaining balance in their life. Propose of this study is intended to find out various problems being faced by women entrepreneurs in India. Sankaran (2009) made an attempt to analyze the trends and problems of rural women entrepreneurs in India [3]. The study described the conceptual aspects of trends and problems of rural women entrepreneurs in India. It concluded that women have creative ability, easy adaptability and ability to cope with setbacks. Siva (2012) studied that the small scale sector produces a wide range of products, from simple consumer goods to highly precision and sophisticated end-products [4]. As ancillaries, they produce a variety of parts and components required by the large number of enterprises. Entrepreneurs can be developed through the practical application of entrepreneurship skills. As the study of this articles, speaks about the problems faced by Entrepreneurs of small scale industries. A Sample design adopted was purposive and convenience. The sample size selected for the study was 50. To analyze the data is by using Descriptive analysis, using frequency, tables and graphs were attempted. Secondly, Chi-Square test & T Test was used, to test for differences.

4. Women Entrepreneur and Availing Credit Support from Msme

The research study depends on both primary and secondary data. The present study represents only those MSMEs which are in Coimbatore district that have registered with District Industries Centre (DIC). From the universe of 175 units a sample of 104 units were drawn by the researcher based on convenience sampling and the responses were collected from the women entrepreneurs [5-9].

Primary data: Collecting data through Questionnaire from Women Entrepreneurs.

Secondary data: Data collected from the annual reports from Coimbatore District Industries Centre and from publications, journals, magazines, websites and books and so on.

4.1 Analysis and Interpretation

The following statistical tools are used to analyze and interpret the data collected through questionnaire [24].

a. Weighted Average Method

Under this method, the respondents are asked to average their choices. Mean in which each item being averaged is multiplied by a number (weight) based on the item's relative importance. The result is summed and the total is divided by the sum of weights. Weighted averages are used in a descriptive statistical analysis by an index numbers also known as weighted mean [25].

$$\text{Weighted Average} = \frac{\sum EWX}{\sum E} \quad \text{Equation (1)}$$

Table 1: Issues and Problems Faced By Women Entrepreneurs

Problems	Influencing Factors				
	SA	A	N	DA	SDA
Time to process the application	5	23	64	10	2
Rigidity in terms & condition	0	9	30	63	2
More documentation	3	12	34	53	2
Accessing Timely Assistance	0	14	43	43	4
Cumbersome Formalities	3	9	40	43	9
Amount of Loan Sanctioned	2	4	36	46	16
Processing Cost	2	5	41	46	10
Service Charges	2	5	41	46	10
Insisting Compulsory Deposit	1	10	51	35	7

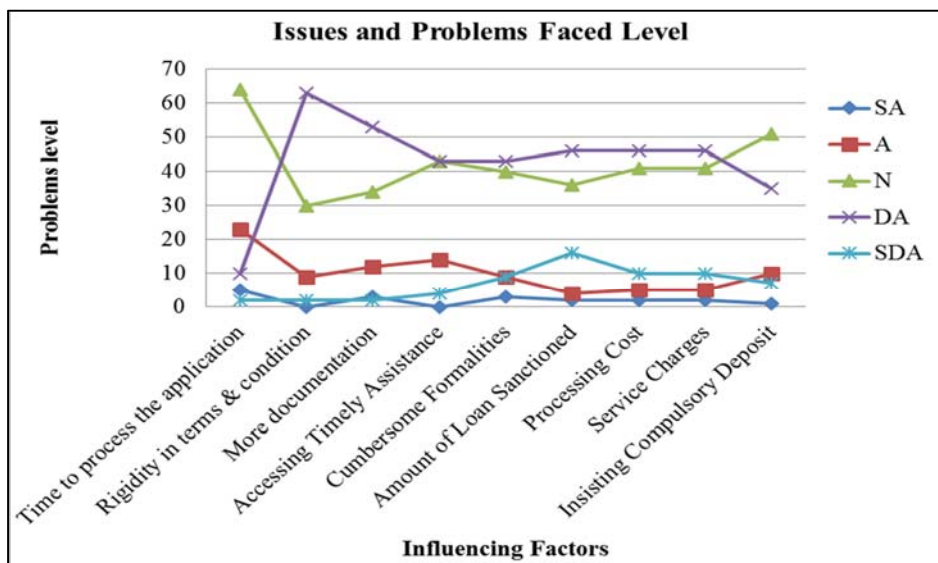
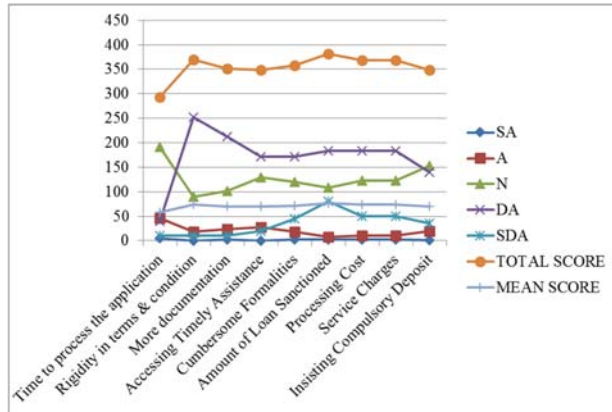


Table 2: Table Showing Weighted Average Score

Influencing Factors	SA	A	N	DA	SDA	Total Score	Mean Score
Time to process the application	5	46	192	40	10	293	58.6
Rigidity in terms & condition	0	18	90	252	10	370	74.0
More documentation	3	24	102	212	10	351	70.2
Accessing Timely Assistance	0	28	129	172	20	349	69.8
Cumbersome Formalities	3	18	120	172	45	358	71.6
Amount of Loan Sanctioned	2	8	108	184	80	382	76.4
Processing Cost	2	10	123	184	50	369	73.8
Service Charges	2	10	123	184	50	369	73.8
Insisting Compulsory Deposit	1	20	153	140	35	349	69.8



The Table 1 and 2 in this study the researcher considered the factors of issues and problems an obtaining credit by the women entrepreneurs and used the weighted average method to identify the major factors contributing to it out of the total 9 factors used in the study. It indicates that ‘Amount of Loan Sanctioned’ was averaged first with the mean score of 76.4; ‘Rigidity in terms and condition’ was averaged second with the mean score of 74. ‘Processing cost’ and ‘Service charges’ was averaged third and fourth with the mean score of 73.8 respectively.

The factor ‘Amount of Loan Sanctioned’ was the first major Issues under issues and Problems faced by women entrepreneurs in the current study. This is because of the delay in the release of the loan amount sanctioned. The least contributors Issues and Problems faced by women entrepreneurs are the ‘Time to process of application’.

5. Conclusion

Women entrepreneurs can play a role of catalyst in social and economic development of a country like India. Micro finance is playing a vital role in the success of women entrepreneurs. Women entrepreneurs can do their work eventually in all other areas in efficient manner so they were competent involvement in entrepreneurial activities. The study has revealed that though there is no problem in the grant of loan under various schemes by the government the amount of loan sanctioned does not match with their needs for funds. There is also need for providing more skill training to women entrepreneurs through EDP programmes. Such activities will motivate more women entrepreneurs to engage in micro entrepreneurship.

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