



## Asian Journal of Management and Commerce

E-ISSN: 2708-4523  
 P-ISSN: 2708-4515  
 AJMC 2024; 5(1): 212-216  
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[www.allcommercejournal.com](http://www.allcommercejournal.com)  
 Received: 19-12-2023  
 Accepted: 20-01-2024

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## Microfinancing on women entrepreneurs

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### Abstract

Microfinance is becoming a more effective tool in the new economy for reducing poverty. Most microfinance initiatives have a definite focus on eradicating poverty and empowering women. For enrichment of the society, it is very important to educate the women and to empower her. An educated and empowered woman results into an empowered and prosperous society. Women empowerment can be brought into any society by not only educating her but by making her an important instrument in economic prosperity. The present study aims to study the role of microfinance in women empowerment among women entrepreneurs in the urban region of Bangalore, Karnataka. Microfinance institutions have played a crucial role in empowering women to start and grow businesses. Through a comprehensive analysis of data collected from women entrepreneurs who have accessed microloans, this research assesses the socio-economic changes, business growth, and empowerment outcomes. The findings suggest that microfinancing has positively influenced the entrepreneurial endeavors of women in Bangalore, leading to improved livelihoods, increased economic independence, and enhanced socio-economic well-being. Many leading public and private sector banks are offering schemes exclusively designed for women to set up their own ventures.

**Keywords:** Microfinance, women entrepreneurs, education, empowerment, skill development.

### Introduction

Micro financing, a powerful tool in the realm of finance and entrepreneurship, has emerged as a catalyst for women's economic empowerment. This approach is designed to address a critical issue that has long plagued communities around the world: The lack of access to traditional banking services, particularly for women. "Micro financing on Women Entrepreneurs" is a topic of profound significance, shedding light on how microfinance initiatives have transformed the landscape of women's entrepreneurship and by extension, their lives.

In many societies, women have historically faced systemic barriers to accessing formal financial services. Discriminatory practices, cultural norms and limited collateral have often prevented them from securing loans or opening savings accounts. Micro financing steps in as a solution to this problem. It provides small-scale financial services, including microloans, savings, and insurance, tailored to the specific needs and capabilities of women, especially those in underserved and low-income communities.

The impact of micro financing on women entrepreneurs is multifaceted and far-reaching. First and foremost, it allows women to kick start their businesses or expand existing ones. These microloans provide the capital necessary to purchase raw materials, equipment or inventory, thereby enabling entrepreneurial ventures to flourish. As these businesses grow, they not only generate income for the women involved but also contribute to local economies, creating jobs and fostering community development.

Beyond economic benefits, micro financing empowers women in numerous ways. It enhances their financial literacy, helping them understand the principles of budgeting, saving & investing. This new found knowledge equips women with the skills needed to make informed financial decisions, ensuring their long-term financial stability.

Moreover, micro financing initiatives often incorporate training and mentorship components. These programs offer guidance on business management, marketing, and leadership, further boosting women's entrepreneurial prowess. As a result, women entrepreneurs become more resilient and capable of navigating the challenges of the business world.

Micro financing also promotes gender equality and social progress. By providing women with financial independence, it challenges traditional gender roles and stereotypes. It fosters a sense of self-worth and self-reliance, eroding barriers that have confined women to domestic roles.

This, in turn, has a ripple effect on their families and communities, as empowered women tend to invest in their children's education and healthcare, creating a brighter future for the next generation.

### Objectives of the study

The goals of microfinance are to empower women and create job possibilities through encouraging self-employment, which enhances the social well-being of women

### Review of Literature

#### 1. Microfinance

Microfinance is a term used to refer to the provision of financial services to clients who are not benefited from the traditional banking system because of their lower economic status. The financial services will most commonly take the form of loans and savings by removing collateral requirements and creating a banking system based on mutual trust. According to this simple definition, microfinance targets low-income people who have no access to the formal lending system (Rehman *et al.*, 2015) <sup>[6]</sup>. It is generally dedicated to needy communities to support economic development by expanding their entrepreneurial activities. Capacity building services, management, vocational skills training, consultancy, advisory services, marketing assistance, information, technological development, transfer, and business linkage promotion are examples of the latter (Bruton *et al.*, 2011; Khavul *et al.*, 2013) <sup>[12, 26]</sup>.

The growing number of female entrepreneurs in developing countries has piqued the interest of academics and the related industry. Donors, international public institutions, governmental authorities, non-governmental organizations (NGOs), private corporations, charities, research institutes, and businesses have launched programs or policies to encourage and support female entrepreneurs. They initiate programs to improve entrepreneurial skill capacity, strengthen women's networks, facilitate funding and training, or create policies to encourage better startups and business expansion. They are unanimous in their belief that women's entrepreneurship is critical to growth and development. Women are less likely than men to be involved in entrepreneurial activity globally (Vossenber, 2023) <sup>[27]</sup>.

#### 2. Women Entrepreneurs

Women Entrepreneurs means the women or a group of women who initiate, organize and operate a business enterprise. Therefore, a woman entrepreneur's business growth is a significant issue in entrepreneurship. Despite its significance, not much work has been done to study the growth of women-owned enterprises until recently. There was a lack of cumulative knowledge to adequately conceptualize and build explanatory theories on women-owned enterprises' growth process (Brush & Cooper, 2012) <sup>[1]</sup>. Most of the work conducted was on women's motivation to start a business and the subsequent effect of those motivations on growth performance and the effect of size and sector on business development (Du Rietz & Henrekson, 2000) <sup>[8]</sup>. The main objective of microfinance services is to allow people to access financial services to engage in income-generating activities. Women have a crucial role in their communities and families' economic

development, hurdles such as poverty, joblessness, low earnings, and societal bias have obstructed them from effectively performing that role. It is now clear that women entrepreneurs cannot easily access finance to facilitate their entrepreneurial activities in some countries unlike their male counterparts.

#### 3. Education

Education is the basic need of human life. Human capital is built with the help of education. It improves and enhances the lives of children in the countries where there is poverty. Education is most important for the economic growth and better living standards. Education also improves the health because of it, people become aware about the importance of health. Education enables people to observe the world differently and participate strongly in the social causes. The cost of education limits the many individuals to get the education. That limit can be overcome with the help of micro-financing.

According to Uniteforsight (2015) <sup>[25]</sup>, it has been measured that the microfinance helped about 211 million clients all over the world. Most of them were the female students who were sent to school and paid the funds later when they got the education and started earning income. This shows that how the important microfinance is to access the education. In addition, Education is highly important for making the life better. By getting the education one can live a life that enables them to explore the world properly and education is the right of every citizen. When people become aware of things that are taking place in the world he or she becomes educated and they are familiar with the things. The main purpose of the education is to make the life better and purposeful. To get the education microfinance is being used as a tool that makes this process easy and accessible for most of the people (World Bank, 2011) <sup>[24]</sup>. However, there is the relationship between microfinance and education either direct or indirect. Whereas it has been seen that when the facility of microfinance increases it also increases the access to education because the literacy rate in that particular area start to increase, and when the microfinance decreases in the particular area, the literacy rate and education in that area decreases. This measure has been taken by considering the different education and microfinance factors (Mazumder & Wencong, 2015) <sup>[23]</sup>.

#### 4. Empowerment

Kabeer (1999) <sup>[19]</sup> views empowerment as the process in which people acquire such an ability to exercise strategic life choices what has been previously denied to them i.e., a person must be disempowered in the first place. Kabeer's view of empowerment incorporates three inter-related dimensions of Resource, Agency and Achievements. The Resource dimension (access to both material as well as non-material resources) of empowerment is taken as a pre-condition to exercise Agency (process of decision making, negotiation, deception, and manipulation and bargaining) which results in Achievements (well-being outcomes). Schuler and Rottach (2010) <sup>[20]</sup> define empowerment as a dynamic process which is difficult to measure as is effected by economic, social and political changes. They, further, found that one set of empowerment indicators in one setting may be invalid in another setting. Afridi (2010) <sup>[22]</sup> defined empowerment as the autonomy with which one has the freedom to make own decisions, access to resources

and the ability to exercise degree of control as well over the use of such resources. In an empirical investigation of 49 international development organizations across globe and based on their narratives. Hennink, Kiiti, Pillinger, & Jayakaran (2012) <sup>[21]</sup> concluded that empowerment is a complex and multifaceted process which occurs at individual, community and organizational level. The empowerment process is fostered by knowledge, agency, capacity building, opportunity, resources and sustainability. The complete measure of empowerment comprises of the domains of health, economic, political, natural resources and spiritual which are interlinked to each other.

Empowerment must be measured in a holistic way, for empowerment considering single domain is insufficient for sustained development. Ganle, Afriyie, & Segbefia (2015) <sup>[29]</sup> defined women empowerment in terms of Material matrix (possession of both measurable as well as non-measurable elements), Relational matrix (relationship as well as interaction between women and other members in the household and community) and Perceptual matrix (women's assessment of their status in household and community). It is evident from the literature that empowerment is a multidimensional concept and thus women empowerment is evaluated under four widely agreed dimensions: Economic, social, political and psychological.

## 5. Skill Development

Dr. Anand Prakash (2017) <sup>[15]</sup> made a study on "Skill Development in India: Challenges and Opportunities.

The objective of the study was to understand the current state of vocational education and training and review the vocational training models of the emerging economies. The study concluded that there is a huge scope of generating skilled workforce in the country and utilise the "Demographic Dividend". The branding activities and active involvement of Public Private Partnership ensure a better supply of skilled workforce. Seema Pandey (2016) <sup>[16]</sup> conducted a study on skill development and employment. "Improvising skill & employability potential through higher education, research & innovations in India". The objective of the study was to collect lessons learned from past policy interventions, how higher education institutes can contribute in successful skill development of the country which is the flagship programme of the government and observed that in India, both the government sector and the private sector have realized the critical role education plays in building skilled manpower and in turn boosting economic growth. Sharma & Asha Nagendra (2016) <sup>[18]</sup> made a study on "Skill development in India": Challenges and Opportunities. The objective of this article is to understand the current state of vocational education and training and review the vocational training models of the emerging economy. The study concluded that the Indian government's 'Make in India' campaign and the accelerated growth in the economy has highlighted the demand for skilled manpower in the country and understood the current state of vocational education and training and reviewed the vocational training models of the emerging economies vocational education and training and review Mrs Smita Dayal (2016) <sup>[30]</sup> conducted a study on "Skill Development Landscape in India". The objective of the study was to understand the existing skill development. Mukti Gill (2015) <sup>[31]</sup> conducted a study on "Bridging the skills gap through vocational education. The paper analyses the

current scenario of unemployment in the country with respect to the academic outcome of our education institutes. The study concluded that the skills supply gaps with respect to the demands of the industry. It further explores the significance of vocational education to improve the employability skills of the youth. The paper concludes with emphasis on the need to reform the current vocational education system to bridge the skills gap in the Indian youth and suggests certain reforms in vocational education to plug this gap.

## Methodology

A research framework was designed to test the above hypothesized in the women entrepreneurs industry in Bangalore.

For this purpose particularly Ngo s, and women owned businesses and women entrepreneurs were targeted. Data was collected at several locations in the city. In total 45 questions were decided. The Non-valid questionnaires were discarded resulting in 35 valid questions.

There are a total of 5 keywords and 7 questions were framed for every keyword so making a total of 35 questions. A google form was been made with all the questions. Extensive research was done to find out all the women entrepreneurs and the google forms were been forwarded to them.

We got a total of 150 responses. We got answers regarding their how they started the venture and from where did they obtain funds and how difficult was it for them to do so.

## Analysis and Findings

In analyzing the data gathered from the questionnaire, we observed that a significant portion of women entrepreneurs falls within the age group of 30-40, constituting 50% of the respondents. Educational qualifications vary, with a predominant 35% holding graduation degrees. The majority of women entrepreneurs, 40%, are engaged in ventures, emphasizing a diverse range of business activities. In terms of microfinancing impact, 70% reported positive effects, particularly in terms of business growth (40%) and increased revenue (30%). Expanding the business emerged as the primary purpose for utilizing micro financing, with 50% of respondents indicating this goal. Despite challenges in accessing microfinancing faced by 40% of participants, 60% reported no such hurdles.

High interest rates (25%) and limited loan amounts (30%) were cited as key challenges by those facing difficulties. Looking ahead, 30% expressed interest in future microfinancing, influenced by factors such as repayment flexibility (30%) and interest rates (25%). In terms of annual turnover, 40% of companies reported turnovers in the range of 40,000-60,000. The majority of respondents (70%) acknowledged that their businesses are currently operating well, either blooming (15%) or just running normally (55%). Pradhan Mantri Mudra Yojana was the most recognized government scheme (20%), and government banks (30%) were the preferred choice for obtaining microfinance. In gauging the difficulty of balancing

The professional and family life, 40% found it manageable, while 25% found it difficult. Questionnaire also explored various aspects of empowerment, with a strong consensus (Ranging from 40-70%) among respondents strongly agreeing that microfinance positively impacted their decision-making capabilities, family dynamics, awareness



of rights and duties, and involvement in community affairs. Responses regarding the duration of business operations revealed that 35% of women entrepreneurs have been running their businesses for 6-9 years. The sector distribution showed that the majority (40%) are engaged in ventures related to manufacturing. The motivation for choosing entrepreneurship varied, with 40% citing the desire to make a difference in society. Awareness of government schemes was explored, and the Pradhan Mantri Mudra Yojana emerged as the most recognized program among respondents (20%). In terms of loans provided by microfinancing institutions, the majority (50%) availed amounts in the range of 10,000-50,000. When it comes to financial decision-making influenced by microfinance, the responses were largely positive, with 40-70% strongly agreeing or agreeing that microfinance assisted in household affairs, children's education, independent use of loans, purchase of assets, and empowerment to become an entrepreneur. Furthermore, the impact of microfinance on personal aspects revealed positive shifts in family dynamics, with 40% strongly agreeing that the treatment from family members improved. Additionally, education from microfinance institutions played a crucial role, with 70% strongly agreeing or agreeing that it educated them on rights and duties, women's reservations in government jobs, group meeting procedures, and conflict management.

The data paints a picture of women entrepreneurs benefiting from microfinance, with positive impacts on business, decision-making, and empowerment. The majority expresses satisfaction with the current state of their businesses, emphasizing the role of microfinance in fostering growth and positive societal change.

The research paper hypothesizes that women entrepreneurs benefiting from microfinancing are likely to be within the age range of 30-40, with predominant educational qualifications at the Senior Secondary Education or Graduation level. Furthermore, it is anticipated that women entrepreneurs engaged in ventures and agriculture/poultry may experience positive impacts on business growth and revenue through microfinancing.

The study posits that microfinancing is expected to have a positive influence on business, with common purposes including working capital and diversification of products/services.

Challenges in accessing microfinancing are likely to include high interest rates and a complex application process. Decision influencers for seeking microfinancing are expected to be influenced by factors such as interest rates, loan terms, and the reputation of the microfinancing institution.

Financial metrics suggest that the annual turnover for women entrepreneurs benefiting from microfinancing is expected to be within the range of 20,000-60,000, with a considerable proportion of businesses being registered and operating in the services sector.

Motivations for starting businesses are anticipated to include making a difference in society or helping family. Moreover, there is an expectation of a prevalent awareness of government schemes such as Pradhan Mantri Mudra Yojana and Women Development Corporation.

The research paper suggests that a majority of women entrepreneurs may find it manageable to balance professional and family life. In terms of empowerment, microfinance is hypothesized to have a positive impact on

decision-making autonomy in household affairs, children's education, and asset purchase.

Socially, microfinance is expected to contribute to increased confidence in dealing with domestic violence, positive changes in family treatment, and awareness of women's rights in parliament and government jobs.

The study proposes that microfinance institutions may play a role in educating women about group meeting procedures, village conflict management, and providing employment opportunities as trainers. It is anticipated that microfinance will contribute to the generation of income and effective market access for women entrepreneurs.

In conclusion, the research paper hypothesizes that the cumulative impact of microfinance on women entrepreneurs will be significant, fostering economic empowerment, social change, and community engagement.

## Discussion and Conclusion

Microfinance plays a pivotal role in women's empowerment by providing access to financial resources, fostering entrepreneurship, and enhancing economic independence.

Through small loans and financial education, women in underserved communities can start or expand businesses, breaking the cycle of poverty. This empowerment not only improves their economic status but also enhances their decision-making abilities, education, and healthcare choices. Additionally, women's increased participation in economic activities contributes to community development, creating a ripple effect of positive social change. Ultimately, microfinance acts as a catalyst, empowering women to overcome financial barriers and actively participate in shaping their futures.

Traditionally women have been marginalized. A high percentage of women are among the poorest of the poor. Microfinance activities can give them a means to climb out of poverty.

Microfinance could be a solution to help them to extend their horizon and offer them social recognition and empowerment. Numerous traditional and informal system of credit that was already in existence before micro finance came into vogue. Viability of micro finance needs to be understood from a dimension that is far broader in looking at its long-term aspects too.

A conclusion that emerges from this account is that micro finance can contribute to solving the problems of inadequate housing and urban services as an integral part of poverty alleviation programmes. The challenge lies in finding the level of flexibility in the credit instrument that could make it match the multiple credit requirements of the low income borrower without imposing unbearably high cost of monitoring its end use upon the lenders. A promising solution is to provide multipurpose lone or composite credit for income generation, housing improvement and consumption support. Consumption loan is found to be especially important during the gestation period between commencing a new economic activity and deriving positive income. India is the country where a collaborative model between banks, NGOs, MFIs and Women's organizations is furthest advanced. It therefore serves as a good starting point to look at what we know so far about 'Best Practice in relation to micro-finance for women's empowerment and how different institutions can work together. It is clear that gender strategies in micro finance need to look beyond just increasing women's access to savings and credit and

organizing self-help groups to look strategically at how programmes can actively promote gender equality and women's empowerment. On the other hand, thank to women's capabilities to combine productive and reproductive roles in microfinance activities and society has enabled them to produce a greater impact as they will increase at the same time the quality of life of the women

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