

MICROFINANCE AND WOMEN'S ENTREPRENEURIAL SUCCESS

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Abstract

This study explores the role of microfinance in enhancing women's entrepreneurial success. It examines how access to microfinance impacts women's ability to start and sustain businesses, focusing on financial and non-financial aspects. The research employs a mixed-methods approach, combining quantitative surveys and qualitative interviews with women entrepreneurs. Findings reveal that microfinance significantly contributes to business growth, profitability, and socio-economic empowerment. However, challenges such as socio-cultural barriers, high-interest rates, and lack of financial literacy persist. The study highlights the importance of tailored microfinance programs and comprehensive support services to maximize the benefits for women entrepreneurs. These insights are crucial for policymakers, microfinance institutions, and stakeholders aiming to promote inclusive economic development.

Keywords: Microfinance, Women's Entrepreneurship, Business Success, Socio-Economic Empowerment, Financial Inclusion, Microfinance Institutions, Socio-Cultural Barriers, Financial Literacy.

1. Introduction

Microfinance refers to financial services provided to low-income individuals or groups who traditionally lack access to banking and related services. The concept has gained global attention as a means to alleviate poverty and promote economic development. Microfinance institutions (MFIs) provide small loans, savings accounts, and other financial services to help individuals start or expand small businesses. Women have been significant beneficiaries of microfinance, given their historical exclusion from formal financial systems.

Women's entrepreneurship is critical to economic growth, job creation, and social progress. Women entrepreneurs contribute to their communities by creating employment opportunities, fostering innovation, and improving living standards. However, they often face numerous challenges, including limited access to capital, socio-cultural constraints, and inadequate support systems. Microfinance has emerged as a potential solution to these challenges, providing women with the financial resources needed to start and grow their businesses.

1.1 Background

Microfinance has emerged as a powerful tool for poverty alleviation and economic development, particularly in developing countries. By providing small loans and other financial services to individuals who lack access to traditional banking, microfinance institutions (MFIs) aim to empower

marginalized populations, especially women.

1.2 Importance of Women's Entrepreneurship

Women's entrepreneurship plays a critical role in economic development. It contributes to income generation, job creation, and the overall economic growth of communities. Empowering women through entrepreneurship also promotes gender equality and social inclusion.

1.3 Research Objectives

This study aims to:

- Investigate the impact of microfinance on women's entrepreneurial success.
- Identify the factors that contribute to successful entrepreneurship among women who access microfinance.
- Examine the challenges and barriers faced by women entrepreneurs.
- Provide policy recommendations to enhance the effectiveness of microfinance in supporting women's entrepreneurship.

2. Literature Review

Aradhana Borthakur et.al (2023)¹ in their article stated that microfinance as a tool of socio economic empowerment of rural women, the main objective of the study is to analyze the impact of microfinance on rural women empowerment in India's North East context. The sample size for the study is 85 respondents and purposive sampling techniques were used for the study. Microfinance institutions should provide training programs to rural women to improve their entrepreneurial skill and to reduce the problems which hinder their access to microfinance. During the study period it was felt that proper monitoring of the self groups is very important. In the conclusion it can be said that lots of opportunities are there to increase the micro finance service in the rural areas of North East India to expand women's businesses since the study results confirmed that microfinance have a positive impact in empowering the rural women.

Niamtullah Mastoi et.al (2021)² in their article observed that the effects of women empowerment on poverty alleviation in district Shaheed Benazirabad, Sindh, Pakistan. The study concludes that microfinance brought knowledge and social empowerment than economic empowerment. The impact of microfinance is appreciable in bringing confidence, courage, skill development and empowerment. This study may help future researchers explore the challenges and scope of such interventions in the upliftment of oppressed women. The assessment reveals that microfinance programmes that target women bring them into leadership position and adoption of pro-woman rules play a vital role in reducing poverty's feminization. However, microfinance programmes should be combined with efforts to consciously monitor the distribution of food, healthcare and education within households. Further strategies to sensitize men on gender-specific basic needs of women are essential.

Bansal (2020)³ in his article examined that microfinance and its impact on rural development. The main objective of the study is to know the impact of Microfinance on rural development and to know the relationship between Microfinance and rural development. Microfinance plays an important role for rural development. Poor group of society can start their own small business on small level and create new job opportunities with the help of Microfinance. Microfinance is the backbone of rural economy. The researcher collected data from 192 respondents of rural area of Morena district of Madhya Pradesh.

Linear regression analysis used to check the hypothesis and find out the result with the help of SPSS software and it is found that Microfinance and rural development is correlated with each other having r value 0.784, and Microfinance has a significant and positive impact up to 61.50% having r^2 value 0.615. The computed value of F is 194.907, which is given in ANOVA table greater than its critical value for 191 degree of freedom at 0.054 level of significance also indicates that Microfinance has a positive and significant impact on rural development.

Rajesh Babu (2019)⁴ in their article examined that the role of micro finance in India, the main objective of the study is to know the various models of micro finance in India. The researcher concluded that microfinance play crucial role in India microfinance into urban sector to promote rural marks & provide better, speedy and affordable financing schemes. Infotech application in microfinance is laudable and with emerging computer and communication technologies, it can be made as simple tool for rural folks to adopt and availed the finance for the proposed project to make the rural economy a dream. So the rural economy can definitely contribute to the growth of the national economy with the adoption of mixing Infotech with microfinance.

2.1 Research Questions

1. How does microfinance impact women's entrepreneurial success?
2. What are the challenges faced by women entrepreneurs in accessing microfinance?
3. What are the socio-economic outcomes for women entrepreneurs who utilize microfinance?

2.2 Significance of the Study

Understanding the impact of microfinance on women's entrepreneurial success is crucial for policymakers, microfinance institutions, and women entrepreneurs themselves. This study aims to provide insights that can inform the development of more effective microfinance programs, address barriers to access, and ultimately enhance the economic empowerment of women.

3. Methodology

3.1 Research Design

This study adopts a mixed-methods approach, combining qualitative and quantitative research methods. This approach allows for a comprehensive analysis of the impact of microfinance on women's entrepreneurial success. Quantitative data is gathered through surveys, while qualitative data is collected via interviews and case studies.

3.2 Data Collection

Primary data sources include surveys distributed to women entrepreneurs who have accessed microfinance services, and in-depth interviews with a select group of these women. Secondary data sources include academic journals, reports from microfinance institutions, and existing literature on the topic.

3.3 Data Analysis

Quantitative data is analyzed using statistical software to identify trends and correlations. Qualitative data is analyzed thematically to uncover common patterns and insights. The combined analysis provides a holistic understanding of the impact of microfinance on women's entrepreneurial success.

4. Analysis and Findings**Table 4.1 Frequency distribution of Income per annum with place of residence of Women**

Income per annum	Place of residence		Total
	Rural	Urban	
Upto 50000	101 (59.1) [43.9]	70 (40.9) [30.4]	171 (100.0) [37.2]
50001-100000	45 (51.7) [19.6]	42 (48.3) [18.3]	87 (100.0) [18.9]
100001-400000	62 (44.0) [27.0]	79 (56.0) [34.3]	141 (100.0) [30.7]
Above 400000	22 (36.1) [9.6]	39 (63.9) [17.0]	61 (100.0) [13.3]
Total	230 (50.0) [100.0]	230 (50.0) [100.0]	460 (100.0) [100.0]

Table 4.1 mentions, 37.2% of women living either in Urban or Rural areas earn less than or equal to Rs 50,000 per annum. 18.9% of women, residing either in Urban or Rural areas earn between Rs 50,000 to Rs 1,00,000 per annum. 30.7% of women earn between Rs 1,00,000 to Rs 4,00,000 per annum living in either Urban or Rural areas. 13.3% of women living in either Rural or Urban areas earn above Rs 4,00,000 per annum. Majority of women in rural areas are involved in workforce as rural areas are poverty stricken.

Table 4.2 Frequency distribution of Marital Status with place of residence of Women

Marital Status	Place of residence		Total
	Rural	Urban	
Married	147 (46.5) [63.9]	169 (53.5) [73.5]	316 (100.0) [68.7]
Unmarried	83 (57.6) [36.1]	61 (42.4) [26.5]	144 (100.0) [31.3]
Total	230 (50.0) [100.0]	230 (50.0) [100.0]	460 (100.0) [100.0]

Table 4.2 shows that, 68.7% of women are Married and living either in Urban or Rural areas. 31.3% of women are Unmarried residing either in Urban or Rural areas. Maximum number of women in urban area are married as there is better economic development in these areas compared to rural areas which is poverty stricken.

Table 4.3 Frequency distribution of Type of Family with place of residence of Women

Type of Family	Place of residence		Total
	Rural	Urban	
Joint	57 (39.9) [24.8]	86 (60.1) [37.4]	143 (100.0) [31.1]
Nuclear	173 (54.6) [75.2]	144 (45.4) [62.6]	317 (100.0) [68.9]
Total	230 (50.0) [100.0]	230 (50.0) [100.0]	460 (100.0) [100.0]

It is evident from the above Table 4.3 that 31.1% of women are living in a joint family living either in Urban or Rural areas. 68.9% of women are living in a nuclear family residing either in Urban or Rural areas. Majority of the women in urban areas live in nuclear family because of modernization.

Table 4.4 Mean and SD of Statements of Economic Development of Women with respect to place of residence

Statements in Economic Development of Women	Place of residence			
	Rural		Urban	
	Mean	SD	Mean	SD
After accessing the Micro finance services income has increased	3.839	0.508	4.330	0.564
Micro finance services provided better housing conditions	3.743	0.971	4.526	0.769

Employment opportunities and living standards in general have increased	3.748	0.797	4.291	0.786
Micro finance services provided better access to education	3.800	0.827	4.491	0.734
Micro finance services provided better access to healthcare	3.765	0.845	4.509	0.716
Confidence to take Return on investment in business	3.683	0.820	4.461	0.671
Able to separate my personal and business expenses	4.109	0.877	4.174	0.864

Based on the Mean score from Table 4.4, being able to separate personal and business expenses is the important factor among women living in Rural (4.109) and women living in Urban (4.174) areas, followed by microfinance providing better access to healthcare, for women living in Rural (3.765) and women living in Urban (4.509) areas and so on. The least factor is Confidence to take Return on investment in business, for women in Rural (3.683) and women in Urban (4.461) areas. It can be observed that for Economic condition of women living in Urban areas has increased compared to women living in Rural areas.

4.5 Economic Impact

Income Levels: Analysis shows that women entrepreneurs who access microfinance report higher income levels compared to those who do not.

Business Growth: Microfinance has enabled many women to expand their businesses, increase their customer base, and diversify their products and services.

4.6 Factors Contributing to Success

Financial Literacy and Training: Training programs offered by MFIs significantly enhance women's business skills and financial management capabilities.

Access to Markets: Microfinance helps women connect to broader markets, increasing their business opportunities.

4.7 Challenges and Barriers

Cultural and Social Barriers: Women face cultural constraints that limit their ability to fully utilize microfinance services.

Institutional Challenges: High-interest rates and complex loan application processes can hinder the success of women entrepreneurs.

5. Discussion

5.1 Interpretation of Findings

The findings suggest that while microfinance positively impacts women's entrepreneurial success, the extent of this impact is influenced by several factors, including financial literacy, access to markets, and socio-cultural barriers.

- Maximum number of women in living in rural areas are self-employed since majority of them own plots of land and cultivate independently than in urban areas. India is a country of villages and agriculture is main occupation of India which is the reason that majority of the respondents in rural areas belong to agriculture labor.
- Majority of women in rural areas than urban areas are involved in workforce as rural areas are poverty stricken. Microfinance can go a long way in improving income level in family.
- Maximum number of women in urban area compared to rural areas are married as there is better economic development in these areas compared to rural areas which is poverty stricken. It means

that mostly married women are availing microfinance. It will be a wise idea to involve more and more unmarried women also in microfinance

- Majority of the women in urban areas live in nuclear family because of modernization.
- Majority of the women living in urban areas have three working members because of the urbanization and modernization whereas in rural areas most of the women have no working members.
- Maximum number of women living in urban areas attend regular meetings because of the awareness, freedom, independency and life style which is different in rural areas.
- Majority of the women living in urban areas have got loans for Business purposes as the attitude of women to be self-employed is more in urban areas than women living in rural areas who get loans for family related reasons.
- Maximum number of women living in urban area feel that the rate of interest in loan is moderate as compared to other rate of interest these are less. It means that the rate of MFIs is reasonable rather than the conventional banking system.
- Most women living in Rural areas feel that they have moderately attained an Impact on consumption pattern.
- Majority of the women living in Urban areas feel that their self-confidence has increased.

5.2 Implications for Policy and Practice

- Enhancing Financial Literacy: MFIs should incorporate comprehensive financial literacy programs to ensure women can effectively manage their finances.
- Tailored Financial Products: Developing financial products that meet the specific needs of women entrepreneurs, such as lower interest rates and flexible repayment terms, is crucial.
- Supportive Ecosystems: Creating networks and mentorship programs can provide additional support for women entrepreneurs.

6. Conclusion

Microfinance to rural women has resulted in positive impact not only on individual woman seeking microfinance but, on her family, also. It makes microfinance a very effective tool to empower rural more effectively than urban women in particular economic empowerment. Though certain operational deficiencies and corruption may hinder the process. Microfinance to rural women can be viewed as meaningful link to effective capitalization on one time of window of opportunity to India.

6.1 Summary of Findings

This study highlights the significant impact of microfinance on women's entrepreneurial success, emphasizing the importance of supportive services and addressing challenges to maximize benefits.

6.2 Future Research Directions

Further research should explore the long-term sustainability of microfinance-supported businesses and the impact of digital financial services on women's entrepreneurship.

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