

CREDIT FOR RURAL WOMEN ENTREPRENEUR A DEVELOPMENT STRATEGY FOR INCLUSIVE GROWTH

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ABSTRACT

The emergence of women entrepreneurs and their contribution to the national economy is quite visible in India. The number of women entrepreneurs has grown over a period of time, especially in the 1990s. Women entrepreneurs need to be lauded for their increased utilization of modern technology, increased investments, finding a niche in the export market, creating a sizable employment for others and setting the trend for other women entrepreneurs in the organized sector. While women entrepreneurs have demonstrated their potential, the fact remains that they are capable of contributing much more than what they already are. Women's entrepreneurship needs to be studied separately for two main reasons. The first reason is that women's entrepreneurship has been recognized during the last decade as an important untapped source of economic growth. Women entrepreneurs create new jobs for themselves and others and also by being different. They also provide the society with different solutions to management, organisation and business problems as well as to the exploitation of entrepreneurial opportunities. The second reason is that the topic of women in entrepreneurship has been largely neglected both in society in general and in the social sciences. Not only have women lower participation rates in entrepreneurship than men but they also generally choose to start and manage firms in different industries than men tend to do. The paper emphasized that the Provision of credit is increasingly being looked upon as an important instrument in assisting the rural poor women to improve their economic conditions. However, there are many examples of credit schemes which have failed to live up to their expectations and in fact run into difficulties having failed to achieve a measure of viability and self sustained operations in the long-term.

Key words : Entrepreneurship, Inclusive growth, Credit schemes, Micro enterprises

Introduction

Rural women's access to financial services is a key factor of successful rural development strategies for inclusive growth. Designing appropriate financial products for women to be able to save, borrow and insure is essential to strengthen women's role as producers and widen the economic opportunities available to them. For this purpose it is essential to understand how context-specific legal rights, social norms, family responsibilities and women's access to and control over other resources shape their need for capital and their ability to obtain it. It is important that development strategies that aim to boost rural women's productive capacity must

enhance women's direct access to financial services, i.e. not mediated through their husbands. A second benefit of improving women's direct access to and control over resources is that this leads to higher investments in human capital and have a stronger impact on children's health, nutrition and education with important long-term implications for families and societies. *The objective of the present paper is to throw a light on the status of credit for rural women entrepreneur towards inclusive growth in India*

Rural credit programs

The rural credit programs have been broadly classified into self-employment programs, wage employment programs, food safety program and social security programs. The focus is on the central government schemes only. It is not possible to map the special programs of all the States. It must be noted here that some of the progressive States have added additional components or given further subsidy to enhance the benefits of the central schemes towards inclusive growth.

Credit for Rural Women & Inclusive growth

Field experiences show that in all major activities that rural women are engaged in direct access to credit could serve as an important means of enhancing their economic participation. It is generally recognized that women could be depended upon to use their earnings more sharply for family welfare (food, health, shelter and education of children) as compared with men. However, women's economic role has by tradition been largely unacknowledged and undervalued and they have often been excluded from formal finance and extension services. In such a context, direct provision of credit to women is considered an important way to initiate a process of social and economic change for women that is to facilitate a transition from a life of dependency and social disadvantage to greater self confidence and self-reliance towards inclusive growth.

Advantages of Entrepreneurship among Rural Women

Empowering women particularly rural women is a challenge. Micro enterprises in rural area can help to meet these challenges. Micro – enterprises not only enhance national productivity, generate employment but also help to develop economic independence, personal and social capabilities among rural women. Following are some of the personal and social capabilities, which were developed as result of taking up enterprise among rural women.

- Economic empowerment
- Improved standard of living
- Self confidence
- Enhance awareness
- Sense of achievement
- Increased social interaction
- Engaged in political activities
- Increased participation level in gram sabha meeting
- Improvement in leadership qualities

- Involvement in solving problems related to women and community
- Decision making capacity in family and community

- **Credit schemes- repayment issues**

Field experiences with credit schemes have shown that, in general, rural women are good credit risks. Their loan repayment record has usually been high and invariably better than that of men in similar circumstances. They have proved to be more responsive to self-discipline in repayment, to take their loan obligations more seriously and are more afraid of defaulting compared with men. Statistical reporting on loan recoveries, however, is not gender-disaggregated to indicate women's credit worthiness. It is also generally the case that informal saving and credit practices are more commonly prevalent among women, which have provided them with useful credit experiences. Rural women, however, are often constrained in engaging production activity by several factors. Time consuming domestic work or household chores is one constraint.

- **Livelihood activities-credit support**

They often need to spend long hours on collection of water from distant sources, on collection of firewood and on processing and cooking food leaving, little time for income earning activity. In such situations, credit supported new economic activities by women could even increase their work burden. Hence the importance of initiatives to free women's time for production activity e.g., improvement of water supply, community woodlots, fuel-efficient stoves, time-saving technologies and awareness build-up among men to share household work burdens. Socio-cultural factors, male domination and illiteracy are further factors that operate to constrain women's demand for production credit. In some traditional societies, it is not merely the women's wish that counts, but also whether husbands and village leaders want women to have access to loans. Their disadvantaged position in society coupled with low educational level could adversely affect their initiatives and they may shy away from dealing with formal credit sources. Overall, women's demand for production credit tends to require a longer time to develop than that of men's, and may need conscious promotion. Hence, direct access to credit may also have to be phased out to stimulate interest and develop confidence in credit use. The first stage may simply involve the formation of savings groups and pooling of resources for provision of small loans which gives the members confidence in their ability to use and payback credit. Group-based lending, with joint-and-several-liability appears to encourage undertaking of financial risk by women, which they might not be able to assume as soon on their own. Many of the more successful credit programs now use this approach.

- **Women groups-credit support**

Much of the field experience to-date indicate that women often prefer to form their own groups for obtaining access to credit, separate and distinct from those of men. The situation in this regard would obviously differ from one social context to another. The decision to form separate or mixed groups would depend upon women's confidence in them and in the men who would join the group concerned, and their perceived ability operate on equal terms with men within a mixed organization. Separate women's groups are often preferred since the women feel more comfortable among themselves; they may also acquire greater leadership skills and self-

confidence in a sex segregated environment. However, it is often stressed that separate women's groups should be considered an intermediary step towards the full participation in mixed groups on an equal footing. Capacity building through separate groups should enable such eventual integration.

Strengthening Rural credit Institutions

It is not possible without financial inclusion as a means of empowerment and pre-supposes some exposure to financial literacy and banking systems. Without a strong support system, poverty alleviation will remain a dream unless financial margins of farmers and rural artisans are improved. The quality of rural infrastructure especially for rural connectivity (roads, bridges, telecom, etc.) needs major improvement and upgrading. Also cluster development for farm and off farm activities would help in creating employment opportunities for rural growth. The key to poverty alleviation is ensuring livelihoods in and around villages in rural areas for inclusive growth.

- **Credit for Rural women & strengthening service institutions**

Credit for the rural transportation sector and for rural retail sector are available but for the other segments of the rural services sector such as cheap rural housing, drinking water, sanitation systems, rural eco-tourism and renewable rural energy, the credit flow is virtually non-existent. Unless lending to these sectors is stepped up, the quality of rural women life will not improve and the unending migration of rural youngsters to urban areas in search of livelihoods and jobs will continue. It is said that by 2050 half the population will be in cities. Cooperatives are the most farmer-friendly institutions in rural areas and most of them are non-viable or are non-functional. The Central and State Governments have pumped in millions of rupees so as to re-capitalize the Regional Rural Banks and the rural cooperative credit institutions, in view of the important roles played by them in rural capital formation and rural credit disbursal. These banks need to develop systems and processes to enable the smooth flow of rural credit and its timely recovery. The RRBs and Cooperatives also need to invest in BC / BF agents and Computer/mobile technologies to enable a wider footprint area for their services without increasing operational costs sharply.

Reducing cost of rural credit

A different dispensation under CRR and SLR would help in making available more resources for rural credit deployment. The rate of interest paid on CRR balances held by these rural institutions might also be marginally (100 basis points) above what is paid to commercial banks. Similarly, the Central Government and all State governments need to park their rural developmental funds with RRB to ensure cheaper flow of demand deposits. Regulation with respect to banking has been designed for delivery in urban India and distribution required more manpower to be deployed in rural areas. All rural financial institutions need special dispensation suited to their local potential and challenges to achieve inclusive growth.

ICT and Rural credit

In order to achieve double digit overall economic growth in the country as targeted by the Planning Commission, it is essential to ensure sustained growth in agricultural sector. Increasing

the adequate and timely flow of productive credit to this sector is a critical factor for improving investment growth and capital formation in this sector. While there is an established multi-agency infrastructure for rural credit delivery comprising co-operatives, commercial banks and the micro finance agencies, the flow of credit still requires acceleration and qualitative improvement in delivery towards inclusive growth. In order to address this important issue, there is a need of ICT –based solution for improving the delivery of credit and other services of the rural areas. The solution may provide common infrastructure for the rural data collection and information management and processing and the sharing of the delivery channel by the banks with a view to substantially reducing the transaction costs and improving the speed and quality of delivery. The elements involved in the solution are the establishment of a data hub for every village and ensuring its two way connectivity to a multi service delivery machine that provides banking, extension and other government services. It is important to create a platform for sharing information on enterprises, entrepreneurs and viable projects. The data banks created at the grassroots level can further be federated at the district levels. Further, convergence of stakeholders like educational/technical institutions, research centers, financial institutions, Panchayati Raj Institutions (PRIs) and voluntary agencies so that they can interact and facilitate more with the women beneficiaries in a collective manner.

Bottom-up growth strategy

It is necessary to take a multi-dimensional perspective on poverty reduction. This includes “bottom-up growth strategies” to encourage the broad-based rise of entrepreneurial initiatives. The benefits of economic growth generated by a handful of modern industries do not necessarily trickle down to those business sectors where the largest proportion of the population is engaged, and not at an acceptable pace . Poverty-reducing growth strategies need to diminish policy and regulatory obstacles that discourage local entrepreneurial initiatives and to improve the access to skill development opportunities that strengthen entrepreneurial capabilities.

The “bottom-up growth strategy” focuses on the transformation and diversification of micro and small-scale enterprises to growth-oriented activities and on increasing the productive capacity in order to enable them to participate in the mainstream economy of the nation This strategy is not a welfare programme, but a necessary condition for attaining sustainable economic growth by unleashing under-utilized productivity potentials. Thus, the aim of a “bottom up economic growth strategy” is to help poor people to grow out of the poverty trap. Such a strategy complements and supports the growth of a modern and export-oriented sector

Suggestions

A broadly-based Rural development strategy must therefore give high priority to enhancing women’s access to financial services and recognize the need for a multipronged approach that combines corrective measures to remove obstacles that constrain women’s participation with deliberate interventions to ensure that rural policies and programs are planned, designed, implemented, monitored and evaluated in a gender-sensitive way. The following are some of the suggestions;

- All credit programs need to evolve common set of indicators for measuring progress on women empowerment in order to assess the contribution of distinct strategies towards rural women empowerment.
- There is need to streamline government programs and to ensure convergence of schemes, so that officials' support for skill training, extension support, credit and other enterprise related services may be accessed easily.
- For sustainable development and increasing income, micro- entrepreneurs are required to operate at proper economies of scale. Hence they will have to increase their business volume. For increasing business volume there is an urgent need to increase size of average investment and loan amount according to requirement of the units. For this purpose, bankers need to be sensitized to change their mindset for financing to SHGs. They will have to imbibe the philosophy of rural development and act in mission mode.
- Offer financial literature training to ensure women can compare products and make decisions based on a clear understanding of the characteristics and conditions of the products available.
- There is need to accept that women's needs are not only for self-employment. The Programs should be designed on the basis of the needs of women at the micro level. Planning for self-employment for women needs a multipronged strategy.
- The various categories for financial institutions in rural market have exhibited different potentials in serving rural women. There is need to synchronize their efforts so that their work becomes supplementary and complementary in serving women.
- There is need to evolve new products by the banks commensurate with the requirement of rural women. The customer-contact-programs specially for women should be organized to disseminate the information of various schemes and financial needs of women.
- Promote and assist the creation of groups in which women can find a safe space to experiment with new projects, technologies or economic activities and the support of which women can leverage in their interactions with their families and their communities, as well as with financial institutions, input providers and potential buyers

Conclusion

Rural women can do wonders by their effectual and competent involvement in entrepreneurial activities. The rural women are having basic indigenous knowledge, skill, potential and resources to establish and manage enterprise. Now, what is the need is knowledge regarding accessibility to loans, various funding agencies procedure regarding certification, awareness on government welfare programs, motivation, technical skill and support from family, government and other organization. More over Formation and strengthening of rural women Entrepreneurs network must be encouraged. Women entrepreneur networks are major sources of knowledge about women's entrepreneurship and they are increasingly recognized as a valuable tool for its

development and promotion. Provision of credit is increasingly being looked upon as an important instrument in assisting the rural poor women to improve their economic conditions. However, there are many examples of credit schemes which have failed to live up to their expectations and in fact run into difficulties having failed to achieve a measure of viability and self sustained operations in the long-term. The credit operations with the poor rural women will need to adopt both innovative as well as business approaches in order to be self-sustaining in their operations - innovative approaches to reduce transaction costs and to achieve a high rate loan recovery, If so, credit must be seen not as an isolated intervention but as an element of an overall strategy to alleviate poverty and empower the Rural poor women entrepreneur towards *inclusive growth*.

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