

## Perception of Short-Term Financial Sources for Women Entrepreneurs: An Empirical Study

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### Abstract

*Investors see very difficult starting conditions, valuation problems, forecasting issues and entrepreneurial opportunism; leading to an undersupply of risk capital for women entrepreneurs. The enterprises run by women tend to be small even by the standards of the informal sector. They are run on a part time basis to allow women to attend to their other social obligations. By virtue of having economic independence, women built up better confidence in the decision-making process of the family. They believed in joint partnership of husband and wife and in some cases in their own capacity independently in different matters of decision-making in the family. Yet, the income of these women was not enough to meet the day to day expenditures of the family. Perception of Women Entrepreneurs about short-term financial sources was identified with the help of social variables of age, education, training and family structure of women entrepreneurs. The null hypothesis that the perception of short term sources of finance availed by women entrepreneurs are dependent of the variables of age, education, training and family structure of women entrepreneurs was tested empirically.*

**Key words:** Entrepreneurs, Perception and Variables

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## **1. INTRODUCTION**

Extant entrepreneurship literature has focused on adverse selection as the major culprit on both sides of entrepreneurial finance; the investor seeking to employ capital profitably and entrepreneur seeking finance to support the venture. On the supply side, the traditional view has been that entrepreneurial ventures run by women are risky, uncertain and are subject to significant information asymmetry, inaccuracy and incompleteness. Investors see very difficult starting conditions, valuation problems, forecasting issues and entrepreneurial opportunism; leading to an undersupply of risk capital for women entrepreneurs.

However, suppliers of finance often lament that there is plenty of capital to invest in good entrepreneurial ventures. Business plans contain insufficient information, business concepts require further development, growth prospects are dramatically over optimistic, reducing any entrepreneurial credibility. Hence, the market still fails, not because of a lack of funding, but because of a lack of good quality women entrepreneurs. Market failures are very likely to exist in entrepreneurial finance, generating divergences between demand and supply for entrepreneurial finance and levels that public policy makers would see a socially optimal.

## **2. STATEMENT OF THE PROBLEM**

Women in enterprises building has emerged as an agenda for many policy maker, researchers and trainers and as well as for associations and organizations involved in women development. If women acquire skills, they can carve a niche for themselves in the outside world too. Therefore, women entrepreneurship development has become a subject of great concern and serious discussion in recent times. Thus, empirical study has focused in understanding the new setting of financing patterns of women business owners in the Garhwal region of Uttarakhand.

## **3. OBJECTIVES OF THE STUDY**

In the light of the rationale of the problem the specific objectives of the present study are (i) to identify the various short-term sources of finance used by women entrepreneurs. (ii) To measure the perception of women entrepreneurs about the short-term sources of finance.

## **4. HYPOTHESES**

The study aims at testing the following hypotheses in line with the specific objectives mentioned earlier.

H<sub>1</sub> The perception of short term sources of finance used by women entrepreneurs is independent of the variables of age, education, training and family structure.

H<sub>0</sub> The perception of short term sources of finance in business activities availed by women entrepreneurs are not likely to be independent.

To have the specific objective, issues related to personal wealth of the respondents, loan from financial institutions, assistance from relatives, family wealth of the respondents and help from private financiers had been discussed.

## **5. LIMITATIONS OF THE STUDY**

The greatest limitation at the data collection stage is the lack of proper records of all transactions by women entrepreneurs in the area of study. By way of application of logical and systemized techniques in studying socio-economical phenomenon, we are reasonably accurate and as such

the estimated figures are believed to possess adequate degree of reliability for analysis and interpretation of data.

## 6. SIGNIFICANCE OF THE STUDY

Entrepreneurship has great scope in Indian economy. Our national economy is most suited to growth of small business enterprises which offer a more convenient means of nurturing and developing entrepreneurship by providing the means of entry into business for new entrepreneurial talents. Entrepreneurship is both a result of applied behavioral science as well as a normative re-educative strategy for changing in the society world.

The study assumes an even greater significance in view of the current and rapid changes in the societal world. In this age of economic reforms and women empowerment more and more women are entering into a variety of employment and self-employment avenues or would be compelled into them.

## 7. REVIEW OF LITERATURE

**Silver, A.D. (1992)** pointed out the fact that women take up entrepreneurship as a means to overcome their shortcomings. **Reichmann (1992)** acknowledged that the credit projects contribute to improving the women's self-esteem and status within their households and found that micro-credit projects of women yield a high return when they are provided indirect training benefits.

**Krishna and Srinatha (1993)** observed that women's role in coastal resource management become more pronounced with the increasing number of female headed households. **Kumar, Rachel (1994)** found the long term declining trend in female work participation rate in Kerala and examined various social and economic variables in explaining the observations.

**Breen (1995)** examines financial and family issues by taking female entrepreneurs from Australia and pointed out that female business owners faced the problem of getting finance and started business with low initial capital.

**Mishra, S.P. (1996)** found that women entrepreneurs generally set up their enterprises after marriage, most of them did not have technical background and they normally come with education in humanities and they tend to opt for sole proprietorship as their organizational structure.

The study about gender and growth observed that having access to financial resources and emphasizing the financial aspect of the business had stronger effects on growth than did intension or choice (**Carter, N.M. and Allen, K.R. 1997**).

**Roman, N.C. (1998)** tried to analyse the entrepreneurial potentials of Indian women and compared a female entrepreneur to a housewife. He observed various qualities of Indian housewives reflected in women entrepreneurs. **Das, Ashoka (1998)** explored various organizations engaged in the development of women entrepreneurship and suggested regular liaison among the Government, public and private sector employers with technical training institutes to identify technical needs and design course accordingly.

**Salve, W.N. (2000)** stated that ratio of female and male members out of total members of 9695 were 77 and 23 per cent respectively in Warna Bazar Consumer Co-operative. The proportion of female members is more than three times of that of male members. **Gurumoorthy, T.R. (2000)**

highlighted the importance of self-help group of women in promoting entrepreneurship and identified micro-credit funding and the number of its beneficiaries.

**Kohli, P.P. (2001)**, on the basis of his study in Kolapur reported that the bank helped the women in cultivating saving habits and women were receiving equal treatment in their day-to-day dealing with the bank. He advocated that they should be encouraged to join co-operatives with mixed partnership.

**Motha, Krishnaveni (2004)** observed that women running the enterprises effectively were belonged to low socio-economic groups. She also revealed that women entrepreneurs who received family support could manage the enterprise more effectively.

**Jobanputra, Varsha P. (2007)** concludes that the education for women is essential for developing and strengthening their personality. The need of the hour is to provide an opportunity in a conducive atmosphere free from gender differences for the promotion of women entrepreneurs.

**Sharma and Sharma (2007)** found that on the basis of the data of 1991 census, work participation rate of women in India was 22 per cent. However, it was triple in the rural area (27 per cent) in comparison to the urban area (9 per cent). As per census of 2001, there were 22.73 per cent women workers of total working population including formal and informal sector. Majority of the respondents (93.3 per cent) of the study opined that entrepreneurship training programmes were useful for orienting the problems supposed to be arised in running an enterprise (**Patil and Kshatriya, 2007**).

**Hemalatha, P. (2008)** pointed out that programmes for the development of women entrepreneurs should focus on two major areas. Firstly, social attitudes and discrimination against women need to be removed and secondly, adequate facilities should be provided to widen entrepreneurial base among women.

**Bhargav, Kapil (2009)** observes the age old stereotype society where men are the farmers and not the women, and the title of the farm property should be in the name of the man. This situation automatically prohibits women to be the members of entrepreneurship in India, Nepal, Bangladesh, Srilanka and Pakistan.

**Bhargav, Kapil (2009a)** finds that in India, women comprise only 20 per cent of the economic activities signaling a reduced level of participation in economic activities. Khanka, **S.S. (2009a)** noticed that women entrepreneurs accounted for about 10 per cent of total entrepreneurs in the country.

## **8. RESEARCH METHODOLOGY**

For the purpose of the study, all the women entrepreneurs of Garhwal division of Uttarakhand have been taken as Universe. Garhwal region of Uttarakhand covers the whole Garhwal division which consists of seven districts namely Haridwar, Dehradun, Pauri Garhwal, Tehri Garhwal, Rudraprayag, Chamoli and Uttarkashi. The study has been focused mainly in Haridwar, Roorkee, Dehradun, Rudraprayag, Srinagar, Kotdwar, Uttarkashi and Gopeshwar cities being important business centres of area of the study.

In order to achieve the objectives of the study, 500 women entrepreneurs have been selected for collection of primary data by adopting stratified random sampling method. Stratified random sampling is the most widely used purposive sampling method for statistical and empirical study. Keeping in view the number of women entrepreneurs in each districts, 100 women entrepreneurs

from Haridwar and Dehradun each, 80 women entrepreneurs from Tehri Garhwal, 70 women entrepreneurs from Pauri Garhwal and 50 women entrepreneurs from each of Chamoli, Rudraprayag and Uttarkashi have been taken to study.

A well designed interview schedule was prepared to gather information related to the study. Primary data were collected with this schedule using personal interview method.

The study was carried out from February 2010 to January 2012. The primary data were collected mostly from the women entrepreneurs registered with district industry centres in the area of study at the time of study period. For analysing the data collected during investigation, the tool of percentage was used dominantly to infer the comparative results. The chi-square test in the present study is used as a test of independence. Demographic and cultural background affect the chances of a person for becoming an entrepreneur and the degree of success at a task. The Chi square ( $X^2$ ) test is one of the most popular and most widely used non-parametric test in statistical work.

#### 9. SHORT TERM FINANCIAL SOURCES OF WOMEN ENTREPRENEURS

Extant entrepreneurship literature has focused on adverse selection as the major culprit on both sides of entrepreneurial finance : the investor seeking to employ capital profitably and the entrepreneur seeking finance to support his/her venture. On the supply side, the traditional view has been that entrepreneurial ventures are risky, uncertain and are subject to significant information asymmetry, inaccuracy and incompleteness. Investors face very difficult starting conditions, valuation problems, forecasting issues and entrepreneurial opportunism, leading to an undersupply of risk capital for entrepreneurs (Henderson et al., 2008).

#### 10. PERCEPTION OF SHORT-TERM FINANCIAL SOURCES

The commercial banks lend money in form of overdraft and cash credit for short-term and loans for long-term. The respondents were asked as to which finance source they would opt for the requirement of short-term funds. The responses of women entrepreneurs are classified in the Table-1.

Table-1: Perception of Short-Term Sources of Finance (In Percentage)

Districts	Sources of Finance					
	Friends and Relatives	Non Govt. Agency	SIDBI	SFC	Public Sector Banks	Pvt. Banks and others
Haridwar	00	12	02	06	11	34
Dehradun	07	22	15	13	27	83
Tehri	08	18	19	11	29	37
Pauri	11	61	17	09	15	29
Rudraprayag	00	07	11	05	27	31
Chamoli	15	14	02	07	34	42
Uttarkashi	14	14	00	00	17	28
<b>Total</b>	<b>07</b>	<b>20</b>	<b>09</b>	<b>06</b>	<b>21</b>	<b>37</b>

Source : Field Survey.

Note : Multi-responses.



Table-1 makes it evident that most of the respondents have opted external sources as the source of short-term finance. 37 per cent women entrepreneurs have chosen private banks and other sources, whereas 20 per cent have selected non-government agency, 21 per cent women respondents preferred public sector banks while 9 per cent have taken SIDBI as their short term finance. Only 7 per cent women entrepreneurs liked to have short term funds from friends and relatives as their internal source of finance. Remaining 6 per cent female respondents have taken SFC for short-term funds. Most of the respondents have chosen external sources for short term requirements of funds.

#### **11. ANALYSIS OF SHORT-TERM SOURCES OF FINANCE**

The recent trends in the industry have led to a concerning evolution which has limited the reach of the chit funds to poorer households. Our data shows that over the last decade, but in particular the last five years, most funds have moved away from smaller chit schemes and mainly offer large schemes. These developments make it very difficult for poorer borrowers to participate in chit schemes and often leave them without any institutional savings option. One might argue that some of this inflation of chit sizes is a function of the increasing wealth levels in India. However, the increase in the value of the chit schemes far outweighs the inflation rate and is also larger than any reported income increases at the bottom of the income distribution. It is believed that the recent changes in chit fund regulation have significantly increased the transaction costs for chits, and since most of the costs have to be incurred for each additional member the regulations have pushed funds away from serving the poor. Instead funds can only justify the transaction costs per capita if the individual ticket size is relatively large. (Mudit Kapoor et al. 2011)

To evaluate the perception of financiers of women entrepreneurs in the area of study, we classified the sources of finance for women entrepreneurs into two categories namely short-term sources of finance and long-term sources of finance. Considering the term upto five years as short and more than five years as long, the perception of financiers has been classified on the basis of the variables of women entrepreneurs, specially the variables of age, education, family structure and training. Furthermore, to test the hypothesis ( $H_1$ ); the level of perception of different sources of finance in business increases with the level of education among women entrepreneurs, we used the chi-square test.

The data collected have been tabulated on the basis of the attributes of awareness and sources of short term finance as well as long-term finance. To test the hypothesis ( $H_1$ ), let we take the null hypothesis, the attributes of awareness and perception of sources of finance for women entrepreneurs in the area of study, are not independent. Considering the conditions for applying the  $X^2$  test, we combine two or more rows and columns to avoid overestimation of  $X^2$  and too many rejections of the null hypothesis.

It is obvious from the Table-2 that 34 per cent women entrepreneurs of all the age groups, have selected co-operative banks and other as the source of short-term finance. On the other hand only 4 per cent women entrepreneurs aged below 40 and 14 per cent women entrepreneurs aged between 40 plus years have perceived private sector banks as source of short-term finance. In the age group of 40 plus years, 6 per cent women entrepreneurs have chosen friends and relatives as the short-term source of finance.



**Table-2: Age-wise Perception of Short Term Sources of Finance for Women Entrepreneurs**

Sources of Finance	Age (in years) of women Entrepreneurs		
	Below 40	40 Plus	Total
Friends and Relatives	31 (09)	9 (06)	40 (08)
Non-govt. Agency	54 (15)	11 (07)	65 (13)
SIDBI	27 (08)	19 (13)	46 (09)
SFC	15 (04)	20 (14)	35 (07)
Public sector Banks	80 (23)	31 (21)	111 (22)
Private sector Banks	15 (04)	20 (14)	35 (07)
Co-operative Banks and other	130 (37)	38 (25)	168 (34)
<b>Total</b>	<b>352 (71)</b>	<b>148 (29)</b>	<b>500 (100)</b>

Note : Figures in parenthesis are percentage out of total.

Source : Field Survey

Chi-square value :  $\chi^2_c (40.67) > \chi^2_r (12.59)$  df; 6, Result; significant at 5 per cent level.

The calculated value of chi-square is greater than the Table value at 5 per cent level. So, the test is significant and there is a association between the attributes of age and sources of short-term finance for women entrepreneurs in the area of study.

**Table-3: Education-wise Perception of Short-Term Sources of Finance of Women Entrepreneurs**

Sources of Finance	Educational Qualification of Entrepreneurs		
	Intermediate	Graduation Plus	Total
Friends and Relatives	27 (09)	13 (07)	40 (08)
Non-govt. Agency	46 (14)	19 (11)	65 (13)
SIDBI	17 (05)	29 (17)	46 (09)
SFC	11 (03)	24 (14)	35 (07)
Public sector Banks	74 (23)	37 (21)	111 (22)
Private sector Banks	14 (04)	21 (12)	35 (07)
Co-operative Banks and other	137 (42)	31 (18)	168 (34)
<b>Total</b>	<b>326 (65)</b>	<b>174 (35)</b>	<b>500 (100)</b>

Note : Figures in parenthesis are percentage out of total.

Source : Field Survey

Chi-square value :  $\chi^2_c (65.19) > \chi^2_r (12.59)$  ; df; 6; Result; significant at 5 per cent level.

The Table-3 identifies that 42 per cent of the women entrepreneurs educated upto intermediate level have made a choice of co-operative banks and other and 23 per cent of them have opted public sector banks as the short-term sources of finance. Among the women entrepreneurs educated upto graduation plus, 18 per cent perceived co-operative banks and other and only 4 per cent of them have chosen SFC as their sources of short-term finance. Out of the graduate women entrepreneurs, 21 per cent of them have selected public sector banks and 7 per cent have opted friends and relatives as their long-term sources of finance. The value of calculated chi-square is greater than the table value at 5 per cent level. Therefore, the test is significant, which shows that

level of education and sources of short-term finance for women entrepreneurs in the area of study are not independent.

**Table-4: Family Structure and Perception of Short-Term Sources of finance**

Sources of Finance	Family Structure of Entrepreneurs		
	Joint	Nuclear	Total
Friends and Relatives	27 (10)	13 (06)	40 (08)
Non-govt. Agency	29 (11)	36 (16)	65 (13)
SIDBI	31 (11)	15 (07)	46 (09)
SFC	25 (09)	10 (04)	35 (07)
Public sector Banks	54 (19)	57 (26)	111 (22)
Private sector Banks	21 (08)	14 (06)	35 (07)
Co-operative Banks and other	90 (32)	78 (35)	168 (34)
<b>Total</b>	<b>277 (55)</b>	<b>223 (45)</b>	<b>500 (100)</b>

Note : Figures in parenthesis are percentage out of total.

Source : Field Survey

Chi-square value :  $\chi_c^2 (14.87) > \chi_r^2 (12.59)$  ; df; 6; Result; significant at 5 per cent level.

It is noticeable from the Table-4 that none of the women entrepreneurs selected personal funds and family wealth for their short-term sources. 32 per cent women entrepreneurs of joint families decided co-operative banks and other and only 8 per cent of them opted private sector banks as short-term sources of finance. On the other hand, 35 per cent women entrepreneurs of nuclear family, selected co-operative banks and other and only four per cent of them perceived SFC as the source of short-term finance. The calculated value of chi-square is greater than the Table value at 5 per cent level of significance; therefore, the test is significant.

**Table-5: Entrepreneurial Training and Perception of Short-Term Sources of Finance for Women Entrepreneurs**

Sources of Finance	Status of training		
	Taken	Not taken	Total
Friends and Relatives	13 (04)	27 (16)	40 (08)
Non-govt. Agency	30 (09)	35 (21)	65 (13)
SIDBI	32 (10)	14 (09)	46 (09)
SFC	29 (08)	6 (04)	35 (07)
Public sector Banks	77 (23)	34 (21)	111 (22)
Private sector Banks	17 (05)	18 (11)	35 (07)
Co-operative Banks and other	138 (41)	30 (18)	168 (34)
<b>Total</b>	<b>336 (67)</b>	<b>164 (33)</b>	<b>500 (100)</b>

Note : Figures in parenthesis are percentage out of total

Source : Field Survey

Chi-square value :  $\chi_c^2 (62.16) > \chi_r^2 (12.59)$  ; df; 6; Result; significant at 5 per cent level.

It is evident from the Table-5 that 69 per cent of the women entrepreneurs who attained entrepreneurial training, selected banks and other and 4 per cent of them have opted friends and relatives as their short term sources of finance. 42 per cent of the women entrepreneurs who have



not attained entrepreneurial training have chosen non government agency and public sector banks equally and 16 per cent of them have chosen friends and relatives as short term sources. The calculated value of chi-square is greater than the table value at 5 per cent level of significance. Hence, the test is significant. It is inferred that the women entrepreneurs who have taken training perceived financial institutions including banks as preferable source of short term finance.

The value of Chi-square is significant at 5 per cent level of significance, indicating that sales promotion media and perception of short term sources of finance are associated significantly.

It is evident from the Table-2,-3, -4 and -5 that variables of awareness of women entrepreneurs affects the perception of different sources of finance in the area of study. The value of  $X^2$  is significant in all these multivariate tables. Considering the specific attributes of education of women entrepreneurs, it reveals that attributes of education and short term sources of finance of women entrepreneurs in the area of study are associated significantly (Table-3). Therefore, the null hypothesis ( $H_0$ ) is hereby accepted statistically. And  $H_1$  is rejected consequently.

**Note :** This article is based on a research project titled Financing and Earning Patterns of Women Entrepreneurs in Garhwal Region of Uttarakhand, financially supported by University Grants Commission (U.G.C.), New Delhi and undertaken by the author. The author expresses his sincere gratitude to the UGC for providing him an opportunity to undertake this study.

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