



FINANCIAL CONCERNS AND REQUIREMENTS OF WOMEN ENTREPRENEURS

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Abstract

The level of employment, its composition and growth are important indicators of the process of development in any economy. The decision to work, especially among women is a function of a variety of economic, social and cultural factors. Recent Government reports have shown that the participation of women in the labor market activities has not only been low but declining. Entrepreneurship extends income earning opportunities to women belonging to different class structures. Availability of finance is very crucial to the growth of women entrepreneurship. A study of Muslim women entrepreneurs was conducted to highlight problems faced by them. The present paper brings out the financial concerns and requirements of these entrepreneurs. Cumbersome procedures are high interest rates are the main issues faced in relation to access to finance. Alternative modes of financing and simplified procedures will help in reducing their financial duress.

Key words: *Financial concerns, interest rates, entrepreneurship*



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Introduction

Employment of women plays a significant role in enhancing their status in society. It helps them acquire control over returns to labor and gives them power in economic decision making.

Yet female work participation in India is low as women face resistance in the job market.

Availability of work provides income to persons, thereby enabling them to acquire better quality of life. It depends on ownership of assets, access to credit, level of education and health and the existence of employment opportunities. The decision to work, especially among women is a function of a variety of economic, social and cultural factors. Recent Government

reports have shown that the participation of women in the labour market activities has not only been low but declining.

Entrepreneurship is becoming an important source of income for women, especially in the face of declining job security. However, availability of finance to carry on entrepreneurial ventures is one of the main concerns of women entrepreneurs. Access to credit and finance is affected by several factors like low level of education, high interest rates charged by financial institutions and other socio-cultural factors that put women at a disadvantage as compared to men. The problem gets more severe in case of Muslim women.

Literature Review

In India, Muslim women are thought to be one of the poorest and most disadvantaged groups. They are disadvantaged thrice: as members of a minority community, as women, and as poor women (Hasan and Menon, 2004). They are the largest section employed at home and face financial exclusion.

No matter which class or region Muslim women belong to, they are subordinated by specific patriarchal forces (Roomi, 2009). Such subjugation has strong influences on women's occupational roles. In spite of the fact that the law grants women right to inheritance, right to private property and right to enter into contracts in their own name, Muslim women continue to remain an economically vulnerable group.

Danlami and Bashir (2022) have brought out in their study that high interest and the requirement of producing collaterals prevent women from approaching financial institutions for loans. It was held that religious affiliations also influence access of women entrepreneurs to credit facilities.

Kantor (2002) talks of several constraints faced by women in informal sector in India. Women-intensive constraints are where women are more troubled than men in their access to resources such as credit, technology and information. Women are taking up self-employment especially in the informal sector. Such type of work requires little capital investment, low level of skills and leads to poor earnings. They have little control over markets and almost no access to credit and skills that hinders their upward mobility (Dasgupta, 2002).

Sachar Committee Report, 2006 holds that women do not have much access to credit facilities, opportunities for upgrading skills and to markets. The participation of Muslim women in Government micro-finance programs such as Self Help Groups (SHGs) is also poor.

Participation of women workers in female-owned proprietary enterprises is much higher for Muslims.

Methodology

A primary study was conducted to analyze the financial issues and requirements of Muslim Women Entrepreneurs in Mumbai. Mumbai serves as an economic hub of India. The economy of Mumbai has something to offer everybody coming there with an intention of earning for livelihood. In addition to being a leading financial centre, the manufacturing sector in Mumbai is also dominant. A field survey was conducted on a sample of 118 Muslim women entrepreneurs engaged in manufacturing activities in Mumbai. Data was collected on their work profile and issues related to finance.

Results

The results of the survey are as follows:

Work Profile

The primary classification of the sample has been on the basis of type of Products manufactured. For the purpose of analysis, similar types of products manufactured have been clubbed together and categorized as - Foods/Perfume, Textiles, Articles/Footwear and Jewellery.

Table 1: Distribution of Respondents by Type of Products Manufactured

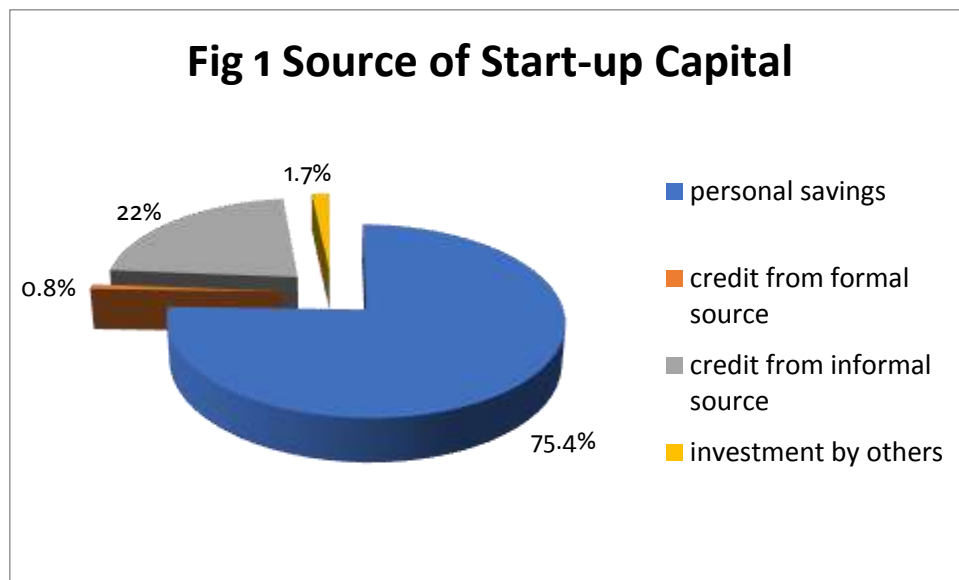
Products	Number	Percent
Foods and Perfume	42	35.6
Textiles	39	33.1
Articles / Footwear	19	16.1
Jewellery	18	15.3
Total	118	100.0

Issues related to Finance

Muslim women entrepreneurs were questioned on the availability of finance. Considering the fact that Muslim women in India remain financially excluded, data was collected on the handling of financial aspects of businesses run by them. The results are shown below.

Source of Start-up Capital

The predominant source of start-up capital for business was reported as personal savings (75 per cent); credit from informal sources was in second position at 22 per cent. Only one woman had taken credit from a formal source (Fig 1). It clearly shows that these women did not want to approach the conventional banks for financing their business.



Borrowed Money

Borrowing did not come out as a common practice among women. It was interrogated whether the women manufacturers in the sample had ever borrowed money. 25 per cent of women gave a positive reply while 75 per cent denied the use of borrowed money. As seen above, women accumulated some money and financed their business with it.

Among the respondents who borrowed money during the last three years, almost all have done so from informal sources except one who has approached the formal source of finance by virtue of being in Self-Help Groups in India are sources of micro credit especially for female participants. Hence the amount of interest paid on these loans is minimal, around 2%. A major cause of financial exclusion of Muslim women is the prohibition of interest dealings in their community. Another reason is the limited scale of their enterprise. The women cannot afford to use bank loans. Interest based funds will erode their cost-competitiveness. Hence, the reliance on informal credit is high. Loans taken from informal sources are interest-free with no collateral requirement. The remaining respondents meet their financial needs by reinvesting their profits into business.

Informal Sources of Finance

Since Muslim women manufacturers reported the use of informal credit, a further probe into informal sources of finance (Table 5) revealed that almost 69 per cent had taken loans from their own family members while 24 per cent approached their friends for credit. The third category any other includes community-based organizations that provide interest free loans to promote entrepreneurship in the community. Two women in the sample have benefited from such financial assistance.

Table 5: Distribution of Sample Population according to Informal Source of Finance

	Number	Percent
Family	20	68.9
Friend	7	24.1
Any other	2	6.8
Total	29	100

Purpose of Borrowing Money

An open-ended question on the purpose of borrowing money was asked. Table 6 shows that the respondents borrowed money for different purposes. 55 per cent replied in general terms that they require money to cover varied expenses in the process of manufacturing while 28 per cent specifically mentioned that they require money to purchase raw-material. They also mentioned that money was required at the time of executing large orders. Money was primarily borrowed for the purpose of production rather than consumption.

Table 6: Distribution of Respondents by Purpose of Borrowing Money

	Number	Percent
Raw-material	8	27.6
Household expenses	2	6.9
Manufacturing	16	55.2

Expansion	2	6.9
Education of children	2	6.9
Medical expenses	1	3.4
Total	29	100.0

Problems in Borrowing

The most common problem stated by these women in borrowing money is cumbersome procedure. 57 per cent women gave this reply (Table 7). The proportion of other responses like access to financial institutions and high interest rates were the same.

Table 7: Distribution of Respondents by Problems in Borrowing Money

Problems	Percent
Access to financial institutions	14.3
Cumbersome procedures	57.1
High interest rates	14.3
Any other	14.3
Total	100

Constraint as a Woman in getting Formal Finance

It is important to study constraints faced by minority women in getting formal finance for policy purposes. 78 per cent of respondents felt constrained in getting formal finance due to their gender.

An open-ended question on constraints in getting formal finance was asked. Table 8 shows that almost one-third of women did not have any knowledge about formal finance. Further, heavy interest rates dissuaded the respondents (22 per cent) from acquiring finance from formal institutions as they feared that it would escalate the cost of production. Arranging for collateral (16 per cent) and following cumbersome procedures (16 per cent) were among the other deterrents in obtaining institutional credit.

Table 8: Distribution of Respondents by Specific Constraints in Getting Formal Finance

	Number	Percent
No knowledge	20	29.9
Restricted to move out	3	4.4
Cumbersome procedure	11	16.2
Difficult to produce Collateral	11	16.2
Not needed	6	8.8
Cultural constraints	6	8.8
Heavy Interest Rate	15	22.1
Total	68	100

The reasons given by Muslim women for not availing formal finance are as follows:

- Hesitant to approach banks
- Lack of accessibility
- Difficult and complicated procedure
- Females have less knowledge about banking
- Aversion towards loans
- Difficulty in producing collateral
- Prohibition of interest loans in the community
- Involves a lot of paperwork
- Limited bargaining power

- Loans available from community-based fund
- Formal loans not allowed by family
- Loans not required due to small scale of business
- Lack of exposure to formal banking activities
- Incapable of paying interest on loans

Discussion

75 per cent of women financed their business through personal savings. In case of loans taken, it was from informal sources. Formal credit was negligible. Garg and Agrawal (2017) in their study on women entrepreneurs brought out the financial problems faced by them including difficulties in obtaining credit from banks. Women in India suffer from inadequate and inappropriate financial resources. Banks and other financial institutions in the country are reluctant to provide loans to women borrowers due to their low creditworthiness and higher chances of business failures (Sharma, 2013).

Among the various sources of informal credit, loans taken from own family members were most prevalent followed by credit from friends. Idris and Tan (2017) showed that women who faced limited finance turned to relatives and friends for alternative financial support. These loans are interest-free. Certain community-based organizations also provide interest free loans to promote entrepreneurship in the community.

It is generally believed that informal sources of credit, consisting of moneylenders, carry high rates of interest. In case of self-employed Muslim women, informal credit comes without any interest obligations. It curtails their cost of production and makes it possible to supply the products at low prices in the market. Competitive pricing is their main survival strategy. Interest based loans would escalate costs, erode the thin profit margin and adversely affect market demand.

Since Muslims live as a ghettoized community, there is easy availability of informal loans. The long cumbersome procedures to avail formal finance acted as a deterrent. They are diffident to approach financial institutions. Interviews with respondents revealed that interest dealings are prohibited in the community and hence they are unwilling to approach formal institutions of credit.

Majority agreed with the view that being a woman is a constraint in getting formal finance. The most common constraint is lack of knowledge about accessing formal finance. Heavy interest rates, providing collateral for loans, cumbersome loan procedures and cultural barriers were some of the other constraints mentioned in availing formal finance. Mwobobia (2012) in his study highlighted that women hardly own assets and it is difficult for them to provide collateral for bank loans.

Due to limited access to finance, expansion of business either does not take place or takes place at a slow pace. Studies have shown that only about 6 per cent of Muslim households in urban Maharashtra are able to avail credit from Banks/Co-operatives (Maharashtra State Minorities Commission, 2013). The situation becomes much worse for Muslim women.

Recommendations

Islamic financial principles provide redressal to the grievances of Muslim Women entrepreneurs. In keeping with adherence to the Shariah, the following recommendations have been presented as a solution to their financial issues:

Equity Financing

Since Muslim women entrepreneurs have expressed an aversion to interest based loans, equity financing can be used as an option to avail funds for business. Investments may be invited by others on a profit sharing basis.

Right to inheritance

Muslim women enjoy right to inheritance in the property of their father, husband, unmarried brother and son as per the Islamic law. But though women legally have a right to ownership, it is denied at family and community level. Awareness has to be created among women regarding this right. If distributed honestly, inherited money can become a vital source of asset for women's business.

Availability of Community-based funds

Muslim women's specific demand for interest-free loans is difficult to be met by formal financial institutions. In this context, community-based funds can play an important role. The concept of paying obligatory charity, Zakat in a collective system should be encouraged. This money can be utilized for financing self-employment schemes. Among Bohras, entrepreneurs are sometimes given interest free loans from community funds known as Karz-e-Hasana; this practice can be emulated by other sects.

Women-only banks

Another reason for exclusion of Muslim women from formal financial institutions is their diffidence to interact with men. They will be comfortable transacting with women-only banks. Moreover, such banks are likely to be more sensitive to the concerns of women.

Micro-finance and Self-Help Groups

Self-help groups consisting of micro-entrepreneurs having similar social and economic backgrounds should be encouraged. The members in the group may come together voluntarily to save regular small sums of money. They pool their resources to become financially stable. They take loans from the money collected by the group. These loans can be taken for self-employment activities on profit-sharing basis. Peer pressure may ensure proper use of money and its timely repayment.

Financial literacy

Financial literacy is the knowledge regarding financial transactions. It is the ability that allows an individual to take correct decisions with their financial resources. Muslim women lack financial literacy due to their restrictive environment and micro level of entrepreneurial activity. Adequate knowledge of financial issues will facilitate commercial advancement.

Conclusion

The above study reveals the exclusion of the Muslim women from the conventional banking sector as only one woman in the sample took loan from a bank and that too under a concessional scheme. Without access to credit or finance, the scope of starting and expanding a business gets very limited.

With no access to formal finance, the borrowing for business came from interest free informal sources like family and friends. Women from affluent families enjoyed ease in business as family provided financial support. Those who were not from financially sound backgrounds, had to operate at subsistence level. There were constraints to access to funds and interest-based loans would have eroded their limited profits further. In such a scenario, the role of community-based organizations become important that will provide interest free loans to the entrepreneurs. Alternative modes of financing can be tapped. Concerted efforts of community members are required to deal with the financial problems of women entrepreneurs in India.

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