

# Has a Business Training Program Made Women-Led Micro-Enterprises Inclusive in the Financial System? A Brief Study of Best Practice in the Indian Financial System

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## ABSTRACT

Inequality against women is never going to reduce unless we focus on women empowerment, one of the primary goals in the eight Millennium Development Goals. One way is to make them financially independent and empower the women-led enterprise. The paper critically reviews some of India's best practices and few other developing countries to see how the business training program works and its key issues and challenges and how different business training programs deal with these issues. The main focus is to find out the women-based micro-entrepreneur got any benefit from this business training program as one of the financial inclusion policies.

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## INTRODUCTION

Inequality against women is never going to reduce unless we focus on women empowerment, one of the primary goals in the eight Millennium Development Goals. One way is to make them financially independent and empower the women-led enterprise. Thus, women's inclusion in micro enterprises is relevant to the growth and welfare of the country.

The definition given by the Government of India for women enterprises is stated as "An enterprise owned and controlled by a woman or group of women with a minimum financial interest of 51% of capital and giving at least 51% of the employment generated in the enterprise to the women".

Women MSMEs have made a remarkable contribution to the Indian economy. According to the 6th Economic Census, 2016, their contribution to total industrial outputs was around 3.09 percent and generated employment to over 13.48 million people of the total workforce. The share of Women-owned enterprises in all MSMEs of India is around 10 percent. (IFC, 2014). There are a few critical features of women entrepreneurs. First, they are heavily skewed towards small-sized enterprises, mostly micro-enterprise. Around 98 percent of women-owned businesses are micro-enterprises, and most of them are working under the informal sector and mostly engaged in smaller sized firms. The second feature relates to its high dependency on the

informal source of credit. A significant portion of micro led women enterprise, around 90 percent of them, is still mainly dependent on the informal source of credit like money lender, self, family, friends, or informal sources. We can say that access to formal finance is recognized as one of the significant constraints in the growth of micro led women enterprise. Therefore, there is a dire need to provide financial and non-financial support for women entrepreneurs to become more financially dependent. Business training, giving them access to credit, a customized loan product for women entrepreneurs, is a few different ways to support and empower them. All such measures will contribute to raising the GDP of a country for sustainable economic growth and development.

Indian scenario of women-owned MSMEs is even worst. According to the World Economic Forum's Gender Gap Report, India holds 142 ranks out of 149 countries in economic participation and opportunity. India ranks at the third highest in the entrepreneurship gender gap across the world. (GEM, 2014). The structure of women-owned MSMEs of India suggests a majority of them are unregistered, around 2.69 million, and only a few are registered, around 321,000, according to the 2011-12 report of the Ministry of MSME. Women-owned enterprises are segmented into micro, small, and medium enterprises.

**Broad Classification of Women Entrepreneur in India**

Often women entrepreneurs are broadly classified into three different categories (Kaur, 2017). The first category includes women who work in medium and large enterprises. These women are educated and can run a business on their own like men. Those women who do not receive any education and formal training comes under the second category. They require skills that are often required in small scale and micro-enterprise like handicraft, retails, garments, beauty salons, etc. Their primary motivation is economic independence and control of their life. The third category consists of women who work in cities and slums to help women having low incomes. They work under a service-motivated organization that assists the backward sections of society.

A women-owned enterprise is not radically different from a male-owned enterprise. Then the question arises that why do financial exclusion happen. Several issues and barriers related to women come into the picture, such as their social status and prevalent social norms that influence the perceptions of financial institutions and women entrepreneurs' ability to access finance. There is a large gap in the demand and supply of formal finance. According to the Ministry of MSME's Annual Report, the total finance gap was around 6.37 trillion Indian rupees in 2012. In developing countries, micro-enterprise is still male-dominated. There is a vast gender disparity at the entrepreneur level in general. A vast section of female entrepreneurs is concentrating on small-scale entrepreneurship, mostly home-based. Their growths are limited by various constraints such as negative cultural perception, gender norms, etc. which tend to be deeply rooted in society. Nowadays, many financial institutions are providing support to women entrepreneurs for their innovative and imaginative scheme of activities, which mainly aims at their skill development to start their own business. Business training for women-led micro-enterprise can be ensured in several ways. It must be able to create awareness about the business opportunity and related incentive schemes. It would help in promoting the culture of entrepreneurs also accesses to information about business opportunities. It facilitates business exchange platforms, business portals, fairs, clubs, and business associations, creating a local business network.

Various studies have found the business training had a significant impact on women entrepreneurs through skill formation, literacy improvement, business links, and financial and business management. Few micro-level studies in the Indian and few developing countries have shown a business training program had indeed served its significant impact. Awasthi. P.K, Deepak Rathi, and Vimla Sahu (2001) studied the impact of self-help groups on the economic status of women entrepreneurship. They are often engaged in home-based entrepreneurship such as Mahua, mushroom cultivation, amchur, papad making, and similar activities. The training program impacted SHGs in different ways, like creating leadership, improving financial literacy, health, hygiene consciousness, and enhancing skill among the group members. It also specifies major hindrances for successful women business, such as lack of motivation, inadequate infrastructure, insufficient forward and backward linkages, bad loans, inadequate provision of marketing and inputs, and lack of systematic monitoring. Christopher J. Walker (2005), in his studies in the context of Argentina, found that

businesswomen are less likely to participate in training and activities than males and explicitly mentioned the role of the business training program and opportunities of networking to empower women. Meena M.S, Dilip Jain, and Meena H.R (2008) also emphasized the role of business training and how it impacted women who belong to SHGs. There change in attitude in all five areas – socio-economic upliftment, education and training, marketing and entrepreneurship qualities, technology adoption, and banking and credit aspects as a result of the business training program.

In general, microfinance institutions are willing to extend credit only to those who have more substantial knowledge of business practices and financial literacy. These skills are a strong predictor of how women micro-entrepreneurs will utilize credit. They seem to be in a disadvantageous position due to several barriers. Thus, focus on financial literacy and business training is a must for a successful business training module. The training program must make women micro-entrepreneur financial literate and make them aware of financial management. Under one of the programs launched by the National Skill Development Corporation NSDC in 2015-16, which was a part of the Project Kaushal in Gujrat, which provided training to women micro-entrepreneurs and gave them access to credit from SEWA Bank. Around 4,937 women were being trained in financial literacy and financial management. It was found that women who undergo a training program were able to work more hours and became more efficient. One skill development training under the GAIL-SEWA Bharat project took place in Ujjain in 2015-17, which focused on providing skill development and financial literacy to around 2000 women from low income and informal occupations. The main focus was to develop a minimum level of financial literacy in women like the use of bank account, ATMs, and understanding the value of saving, often seen as the main hurdles for women microentrepreneur.

**Best practices**

The paper critically reviews some of India's best practices and few other developing countries to see how the business training program works and its key issues and challenges and how different business training programs deal with these issues.

**Training and Employment Programme for Women**

There are various central schemes started by the Indian Government to support women-led micro-entrepreneur. One such central sector scheme is the Support to Training and Employment Programme for Women Scheme' (STEP) has been started since 1986-87. Under this scheme, the financial assistance and business are not just limited to the manufacturing and agricultural sector but also cover the service sector. It covers the services sector, like Information & Technology, Tourism, & Hospitality. Under the training program, women gain soft skills such as basic computer knowledge and spoken English to start their own business. The scheme does not provide grants directly to states but through institutions or organizations like NGOs or SHGs. One of the main objectives of this scheme is to upgrade the skills related to employability and entrepreneurship to make them self-entrepreneur. The program provides in building backward and forward linkage to their businesses. It also encourages women-led micro business in food processing, handlooms, tailoring, and handicrafts by training them and

enhancing their skills. The primary beneficiary's women are marginalized assets, less rural women, and the urban poor who have no capital to start any business, including wage laborers, female-headed households, and migrant workers. The scheme gives training programs to marginalized sections and those living below the poverty line across the states.

The focus of this central government scheme was on new skill development. This enhanced skill would give them more opportunities and increase their productivity of works. The training program needs to add other aspects of challenges faced by women. Apart from only focusing on skill enhancement programs, it could also include basic mathematics training and basic record-keeping eradicating financial illiteracy. The training also needs other aspects, including technology and operations. Such as operational training like driving skills, photography skills, etc. It must be able to eradicate financial illiteracy by giving training in basic mathematics and essential record-keeping. A practical training module meant for women must work as financial intermediaries. Sometimes, lack of awareness and knowledge about the financial sector and their financial products act as a significant deterrent for women to set up micro-enterprise.

Indian Government has also initiated the Women's Empowerment and Livelihoods Programme in the Mid-Gangetic Plains, mainly operates in Bihar and UP. This program exclusively covers those regions where there is a larger concentration of the lowest section of women. Few districts of Uttar Pradesh and Bihar - Bahraich, Rae Bareilly, Madhubani, and Sitamarhi are their important centers. These rural women often face many challenges due to cultural barriers and societal norms deeply rooted in strong patriarchal forces. The program provides business training to the SHG members covering various topics such as income generation, marketing of products, and social issues. The training program is unique as women coming from these mid-Gangetic plain belongs to below the poverty line and facing many cultural norms and barriers like caste division simultaneously. There is a need to focus on those social issues to motivate them to join the training. It will achieve both the economic and social, holistic empowerment of women. It identifies the self-help group of women belonging to the vulnerable sections and aims to give them livelihood opportunities by training them. Thus, the business training module needs to consider the gender norms and family barriers where the family is often reluctant to send women as they have to travel far; in such a scenario, family members should be counseled to join the training. It would also help in building confidence and trust both among women and their family members.

### **Training Institutes**

The Government of India has also set up various training institutes that mainly focus on supporting women-led micro-entrepreneurs through entrepreneurial skill development. The training module enhances the viability of their business and improves their credit-worthiness concerning access to credit. One of the Ministry of Rural Development initiatives was to set up the Rural Self-employment Training Institutes in 1982. The main motive behind setting up an independent training institute was to integrate financial and non-financial services for women entrepreneurs. It focuses on building an

infrastructure for women entrepreneurs in every district of India to train and upgrade their entrepreneurial skills. Ministry of Rural Development supports women entrepreneurs by giving grants to lead banks who set up at least one training institutes in every district. They provide free business training focusing on marginalized women's local needs, especially those living below the poverty line. Under the training program, trainees get the certificate award, which acts as their credit-worthiness for banks that accept it to provide the credit. It acts as a link between them and formal financial institutions. The training institute sends the list of their trainees to different bank branches and financial institutions to support them by providing access to credit under government schemes through loans. It focuses on the need for women entrepreneurship through financial and non-financial support on linking access to credit and skill development. The model was a success at 66 success rate, trained at least 16 lacs rural women motivate them to set up enterprise.

For successful business training, such training institutes can build a partnership between sector skills council, NBFCs, and small banks, NGOs, which would create job opportunities for women, encouraging them to join the training. Training institutes can ensure the employability of women entrepreneurs as financial intermediaries. This training would create a huge job opportunity for women in the financial sector also create a safe ecosystem within the financial system. It will also be able to acknowledge and appreciate women's works as equal to men. However, there are various limitations to this Government-led initiative. For example, there are frequent complaints about delays in receiving grants from various government schemes to set up such training institutes. Banks often face difficulty achieving credit targets with women-led entrepreneurs and lack of incentive to identify women entrepreneurs. There are few incentives for bank staff to identify women entrepreneurs actively. Often, unawareness of the products and schemes offered by financial institutions and little clarity on these schemes' specific features and their access through local branches results in the low uptake of the business training program by women entrepreneurs.

### **Role of Financial institute**

In recent years, various financial institutions like banks had successfully designed implemented access to finance programs for women-owned entrepreneurs and implemented it across India's different states. There is one of the programs started by IDFC Bank in India in partnership with the ETASHA Society. They started entrepreneurship training in 2018, especially those for those women living in the slum. They mainly focus on those who are into manufacturing businesses like LED bulbs, spices, handmade soaps, fashion accessories, and catering skilling of low-income and slum-dweller women of Delhi. It is unique because it helped them understand the role of management, such as investing their resources, time, and skills for a jointly owned enterprise. During the program, women usually form groups to share entrepreneurial roles and decision making. The training module focuses on women's current challenges like gender constraints, culture barriers, and social norms. It creates awareness about entrepreneurship, mobilizing women, and giving them management training to set up their enterprise. Apart from financial support such as free grants as a loan to expand their business, it also provides the

technical skill to run an enterprise. The program has successfully skilled around 341 women and six women-led micro-enterprise. However, there is also a need to create information about the products and services manufactured by women-based businesses to create a perfect direct link between customers and women micro-enterprise.

Apart from giving their business training platform, there is also a need to connect the women entrepreneur on an online digital market platform to directly connect with their customers, thus removing intermediaries' role in their business. It facilitates them marketing their products of women through SHGs and NGOs. A practical training module must create outreach and awareness about the various financial products specially designed for micro-enterprises through the digital market platform. Mahila E-Haat, also known as a Unique Direct Online Marketing Platform, was launched by the Ministry of Women & Child Development as part of financial inclusion to support women-led micro-entrepreneurs on March 7, 2016, in India. It is also available on the Rashtriya Mahila Kosh Website, which displays products/services exclusively manufactured by women-led micro-entrepreneur. The platform is widely recognized as one of the top projects in India. The portal also provides business training by offering online short-term skill development courses. It also engages in career counseling for women entrepreneurs and self-employed women. It creates awareness through training programs, organizing workshops for new women entrepreneurs who are interested in joining the Mahila E-haat portal.

At the grassroots level, various training had been conducted across all the states of India. Women micro-entrepreneur had been the part of financial literacy and digital training workshops to use this e portal. There were given opportunities to show and sell their products through melas and tradeshows. It also caters to various services such as stitching, catering, project undertaking, etc. Some of them are the Mahalaxmi Saras Exhibition (2017), Women of India (2017 and 2018), and Vibrant Gujarat Global Trade Show (2019). It is exceptionally relevant for women entrepreneurs as they can handle their entire business through mobile. It solves the agency problem by linking the direct connection between women entrepreneurs and buyers. Buyers can directly contact through offline mobile phones or email, displaced on the portals. There is a zero registration fee for vendors, and there is also no hidden cost for both buyers and sellers. It also facilitates cashless transactions through the direct link of Aadhaar numbers are with women entrepreneurs/SHGs/NGOs.

### **Mann Deshi Model**

Mann Deshi is the first women-run urban cooperative bank run and has also received an RBI banking license for rural areas. It has designed financial products that are demand-driven and gender-responsive in characteristics, especially for women-led micro-entrepreneur generating unorganized cash flow. It impacted the lives of 25,000 women entrepreneurs every year and uplifted their enterprises. Mann Deshi had thoroughly involved in the livelihood promotion program with its financial and non-financial service. Under its flagship program, 'Mann Deshi Udyogini,' launched in 2006, aims to provide short- and long-term business management courses and entrepreneurship to its women entrepreneurs. It also takes into account of challenges faced by micro-entrepreneur such as financial

illiteracy. They started compulsory 'Financial Literacy Classes,' which made these informal women-owned entrepreneurs access credit, such as easy availability of bank loans. Under the training program, Udyogini centers offer three training categories covering all aspects of challenges and issues faced by women-led micro-entrepreneur. The first category focuses on technical aspects for entrepreneurs such as technical training for those whose whole business is into agricultural sector veterinarian and non-agro based livelihoods. The second category includes financial aspects focusing on financial management courses of financial planning and wealth management. In contrast, the third category covers the business management aspects like training on market mapping, basic financial modeling, accounting, and book-keeping, recruiting, and training.

One of the significant barriers for rural women entrepreneurs to attend the training session is distance questions on women's safety and mobility. Rural women are often reluctant to travel far due to safety issues and societal issues like family. In 2007, the program had launched a business school. These buses act as a classroom for training programs giving skill-enhancing training for home-based entrepreneur courses like tailoring, computers, and beauty, along with courses covering a business's financial and marketing aspects. It helps them in setting up and scaling their business. This mobile classroom broke the significant barriers to the training program, which reluctantly traveled far as these buses are traveling to India's rural villages. Its main motive was to focus on safety and mobility issues. For any successful training module, there must be a focus on the safety and mobility of women. Suggestion for providing them self-defense training would make them more secure in the workplace environment can be useful. The Mann Deshi model was based on the cooperation between both banks and NGOs, worked together for easy access to credit and financial products, and provided them with business training, knowledge, and skills to become a successful entrepreneur. Mann Deshi comprises two organizations, a rural cooperative bank run -Mann Deshi Bank and Mann Deshi Foundation, a registered NGO. Both work in conjunction to empower women entrepreneurs.

Mann Deshi Bank has designed demand-responsive products, especially for women-owned entrepreneurs. To avoid NPAs, banks always maintain data on their market vendors using a short questionnaire called 'financial diary.' Bank's staff collects the data. It had supported more than 3 lac women entrepreneurs with ease of credit availability by introducing RuPay cards and doorstep banking services, and customized loan products for seasoned businesswomen. It also gave them a business link for women entrepreneurs through launching a marketing platform 'Marketing Mahotsav' in 2014 and a unique Wealth Card that helps entrepreneurs track their income and assets and promotes a better understanding of their business performance and investments.

Similar practice preached in a developing country, financial institution, sometimes in partnership with micro leasing company gave training program for women-led micro-enterprise, which also focuses on financial innumeracy issues. If we compare Tanzania with India, one of the developing countries, Tanzania, with very low GDP and ranks at 154 out of 189 countries and comes in the lowest 20 percent. (HDI,2017). The first financial institution took the

initiative in partnership with a micro-leasing company, Sero Lease, and finance to prove credit to women entrepreneurs. It provides training on banking services such as facilitation of the transfer of credit histories of borrowers good from a microfinance institution to a commercial bank, the loan application process, business planning, and management to ensure safe business for women-led entrepreneurs this innovative program. It launched a tailor-made saving product, "Tumaini" savings and loan products primarily focus on giving access to formal credit. The program taught them business management and planning and financial literacy, which mainly focuses on providing credit, such as training on the loan application process.

### Conclusion

Concluding, new skill development would give them more opportunities and increase their productivity of works. The training needs to include all the aspects of the business-finance, technology, and operations. Such as operational training like driving skills, digital literacy -scanning documents, photography skills. It must be able to eradicate financial illiteracy by giving training in basic mathematics and essential record-keeping. There is a need to examine existing training modules and emphasize more towards training women as financial intermediaries. A practical training module meant for women as financial intermediaries must focus on creating outreach and awareness about the various financial products specially designed for micro-enterprises. For any successful training module, there must be a focus on the safety and mobility of women.

Providing them self-defense training would make them more secure in the workplace environment. Considering the gender norms and family barriers where the family is often reluctant to send women as they have to travel far, family members should be counseled to join the training in such a scenario. It would also help in building confidence and trust both among women and their family members. It must ensure the employability of women as financial intermediaries. The training program can build a partnership between sector skills council, NBFCs and small banks, Training institutes, NGOs, which would create job opportunities for women, encouraging them to join the training. This training would create a huge job opportunity for women in the financial sector also create a safe ecosystem within the financial system so that their work is also acknowledged and appreciated as equal men. Some suggestions to focus on business skills and life skills lessons to improve the business training program. In Peru, there is a training program under the institution named FINCA-Peru, 19. Its primary focus was to train women general business skills such as calculating production costs and their pricing and life skills, such as separating business and home finances. As an outcome, there is indeed a significant impact on female-led enterprises' revenue through this training program. There is a need to pair the necessary business skills training such as soft skills - leadership and a focus on change in people's mindset, like breaking gender norms.

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