

Role of Bank Finance in Women Entrepreneurs of Informal Sectors in respect of Kohima District, Nagaland

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ABSTRACT

Informal Sector is an unorganized sector where workers are unable to organize themselves in pursuit of their common interest due to ignorance, illiteracy, and certain other constraints such as, casual natures of employment and small and scattered size of establishments. A section of women, even today, have businesses in these informal sectors, though they may not fulfill the established norms required for them to fall under the category of 'women entrepreneurs'. There are many women who start businesses at homes, on the street and in the market place with small investments. These women entrepreneurs are often unnoticed and ignored. By focusing on women, specifically Naga women, working in informal sectors, the paper attempts to highlight the various problems faced by these women.

The research attempts to explore whether these women entrepreneurs require financial assistance to develop their small economic activities; whether the financial institutions provide loans and, if provided, whether these loans are sufficient for their business to ameliorate the prevailing economic condition of their families. This study has been undertaken in the area of Kohima district, Nagaland. 100 samples were collected for the study and Snowball sampling method was adopted to identify the women entrepreneurs.

This study indicates that [a] there appears to be meager financial facilities available to women entrepreneurs engaged in informal sectors; [b] the financial facilities available did not reach them, sometimes. Hence, the agencies working for the betterment of women have to take steps to ameliorate the economic condition of these vendors for the sake of their survivability and sustainability.

KEYWORDS: Entrepreneurs, women entrepreneurship, informal Sector

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I. INTRODUCTION

It is a known fact that women play an important role in the society. The contribution of women towards powering the economy of a country through income generation for the family, the community, the society, the state and the country should not be undermined. Women in India constitute 48.9% of the total population, of which 14% are entrepreneurs. Of this 14%, about 25% start their business between the early age of 20 and 30. About 73% women entrepreneurs generate revenue of under Rs.10, 00,000 in a financial year and about 71% women employ around 5 or less people in their business.³ Women Entrepreneurs in Nagaland have surged due to the increase in literacy rate and limited government jobs. Combined with the rising numbers of the educated-unemployed, entrepreneurship has become an alternative to permanent jobs.

According to the Government of India, women entrepreneurs are "those women who own and control an enterprise by having a minimum financial interest of 51% of the capital and giving at least 51% of employment to women in the generated enterprise". However, **Parker (2009)**, views women entrepreneurship as women who achieve "economic independency and generates employment opportunities to others by running an enterprise". Women Entrepreneurs may generally be defined as women or a group of women, who initiate, organize and operate a business enterprise. These definitions of women entrepreneurs are confined to those women who start businesses in formal sectors and fulfill the established norms to be an entrepreneur. There are many women who start businesses at homes, on the street and in the market place with small investments. These women entrepreneurs are often unnoticed and ignored. This paper attempts to bring their problems into light. Though they may not fulfill the established norms required to fall under the category of 'women entrepreneurs', their contribution to the economy of the state and country cannot be kept in isolation, nor should

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³https://www.startupindia.gov.in/content/sih/en/women_entrepreneurs.html

they be left unnoticed. The performance of these women entrepreneurs need to be studied and the agencies working for the welfare of women need to create steps by facilitating the necessary resources to uplift their economic condition.

Meaning of Informal Sector

Keith Hart was the first person to introduce the term "Informal Sector". He introduced it at a conference while making a presentation on "Informal income opportunities and urban employment in Ghana" in the Institute of Development Studies (IDS) in September 1971. As per SNA (1993), the informal sector consists of units engaged in the production of goods or services with the primary objective of generating employment and income to the persons concerned. These units typically operate at a low level of organization, with little or no division between labour and capital as factors of production and generally work on a small scale.

The First Indian National Commission on Labour (1966-69) defined "unorganized sector workforce" as "those workers who have not been able to organize themselves in pursuit of their common interest due to certain constraints like casual nature of employment, ignorance and illiteracy, small and scattered size of establishments."

Informal Sector encompasses all jobs which are not recognized as normal source of income and on which taxes are not imposed. The informal sector activities include petty trading, small-scale agriculture and crafts. Workers in the informal economy generally have no contracts, no fixed hours, and no employment benefits. There are no official figures on the informal economy available since it is untaxed. Terms such as black economy or moonlighting are often used to address such informal sector activities. Some sociologists defend such activities as perfectly legal, those which fall under subsistence occupations, such as skills which are bartered. Different criteria are used to identify the informal sector, but because of different empirical situations none of them are universally applicable (Papola, 1981).

Women Entrepreneurs in Kohima District

Women entrepreneurs in Kohima District, employed in informal sectors, engage in different economic and income generating activities. However, the employment opportunities available to them are not as secured as that of the educated women in the society.

They find jobs in informal sector more easily since it has flexibility and engage in pursuing such businesses due to push and pull factors. The push factors include insufficient family income, unemployment, need for flexible work schedule because of family responsibilities, etc., whereas the pull factors include, desire for economic freedom, social status, co-operation and support of family. Such push and pull factors motivate the women to start their own business, whether big or small.

In order to recognize and encourage the youth in Nagaland to undertake entrepreneurial activities in the state, the Government of Nagaland declared the year 2010 as the "Year of Entrepreneur". **The Morung Express, on 1st May 2010** reported that the declaration envisaged providing assistance in the form of training for capacity building, subsidized power connection, easy loans and land to establish their business.

As per the data collected from the Directorate of Industries and Commerce, Nagaland, 2012, it has been found that while 1000 youths have been selected under this program, only 128 individuals have been provided with assistance by the Government through this program. Out of the 128 beneficiaries, 108 were male entrepreneurs and 20 were female entrepreneurs. These 20 female entrepreneurs were engaged in piggery, floriculture, T-shirt making, cyber-café and beauty parlor. Even in the recent study conducted where 70 respondents were randomly selected, it has been found that women entrepreneurs of the State are engaged as vegetable vendors, beauticians, florists, selling traditional cloths and items, readymade goods, dress making and tailoring, hotels and restaurants, and other shops selling different varieties of items, beads manufacturing, candle making, etc.

II. REVIEW OF LITERATURE

Literature review shows that sufficient amount of research works have been done in the area of Women Entrepreneurship, MSME, and Micro Finance. However, the financial opportunity provided towards entrepreneurial activities, particularly in informal sector, is limited. Financial Institutions such as i) National Small Industries Corporation (NSIC), ii) All-India Development Banks (AIDBs), viz. IDBI, IFCI, ICICI, IIBI, IDFC and SIDBI, iii) Specialized Financial Institutions (SFIs), viz. Exim Bank and NABARD, iv) Investment Institutions, viz. LIC, GIC, NIC, NIA, OIC, UII and UTI, v) Regional/ State-Level Institutions, viz. NEDFI, SIDCs and SFCs, vi) Commercial Banks, vii) Co-operative Banks, etc., have extended full support to those women entrepreneurs who comply with the terms and conditions laid down by the institutions. The same assistance to women engaged in business in the informal sector is, however, questionable.

Charumathi (1991), in his research, explores the challenges and prospects of Women Entrepreneurs, but fails to explore the business activity in the informal sector. **Pal (1997)** studies the need for financial sector

reform to uplift the women entrepreneurs but overlook women entrepreneurs in informal business. **Kumar (1998)** in his research advocates the importance of entrepreneurship development programs for women, but fails to recognize the informal sector. **Mohanty (2008)** in his research work explores women in management of Micro Enterprises but not informal business.

Yusuff (1995) argues that access to finance is one of the most critical factors contributing towards a successful business by enabling the women entrepreneurs to start-up their business. That being said, the business of women entrepreneurs in the informal sector is still not clearly defined. In fact, **Brush (1992)** found that women are labelled as “risky” borrowers, thus, hindering them from securing financial capital. This has been proved by **Constinidis et al., (2006)** in their study which considers financial capital as one of the biggest challenges for women entrepreneurs since more restrictions are imposed on them than their male counterparts. This is because most women entrepreneurs do not have experience in running businesses, borrowing and repaying financial history (**Mahmood, 2014**). But **Richard (2000)** advises that women who want to be entrepreneurs or engage in entrepreneurial activities can have sufficient capital by seeking other sources of capital, namely micro finance. **Brana (2008)** states that, micro finance plays as capital resource for entrepreneurs and creates opportunity for entrepreneurs to generate income. **Salwa et al., (2013)** affirms that micro credit financing significantly lead to success and positively affects the entrepreneurs success.

The paper, thus, attempts to fill this gap between women entrepreneurs in formal and informal business and the financial assistance received from financial institutions.

Literature Gap

This literature review shows that sufficient amount of research work is done on women entrepreneurs availing bank finance for their business, but no research work have been done in the context of women entrepreneurs engaged in informal sector availing bank loan in Kohima District. Hence, this study holds significance since it attempts to support the women entrepreneurs of informal sector and explore financial difficulties faced by them.

Statement of the Problem

The recent study conducted reveals that women entrepreneurs in the state are mainly engaged in business activities as vegetable vendors, beauticians, florists, selling traditional cloths and items, readymade goods, dress making and tailoring, hotels and restaurants, and other shops selling different varieties of items, beads manufacturing, candle making, etc. These activities mainly fall under the category of informal sector. No proper studies have been done on informal sector in the state as well as in the district. It is, therefore, hard to calculate and analyze the exact impact and contribution of the sector to the state economy, even though this sector has significantly contributed to the economy both in terms of employment and revenue generation.

There are a good number of women street vendors doing business in various part of the city, who bring different types of village products such as organic vegetables, crafts & handloom products and make available to the city customers at reasonable rates. In this respect, the DMC made an assessment of the various categories of street vendors who sold their products by the road side in the open space. The present study attempts to explore whether these women entrepreneurs need financial assistance to develop their small economic activities, whether the financial institutions provide loans and, if provided, whether these loans are sufficient for their business to ameliorate the prevailing economic condition of their families. Though they may be part of SHGs or receive economic benefits from the Government, the assistance provided by financial institutions become the need of the hour. By focusing on women, specifically Naga women, working in informal sectors, the paper attempts to highlight the various problems faced by these women.

Objective of the Study

Given the survey of literature and scope, the following objectives have been established for the purpose of the study:

1. To explore the different types of loan provided to Women Entrepreneurs.
2. To analyze the degree of association between ‘Bank Finance’ and ‘Women Entrepreneurs of Informal Sector’ in respect of Kohima District

Hypotheses

Given the objectives, survey of literature and scope, the following hypotheses are established for the purpose of the study:

H₁: There is no positive association between ‘Bank Finance’ and ‘Women Entrepreneurs of Informal Sector’ as perceived by Women Entrepreneurs.

Research Methodology

A survey was conducted with the help of Snowball sampling method to identify women entrepreneurs covering 7 RD Blocks of Kohima District that include a) Kohima, b) Jakhama, c) Botsa, d) Chuboboza, e) Chunlika, f) Tsuminyu and g) Sechu(Zubza). The data were collected with the help of two set of questionnaires with 5 Points Likert Scale for Bank Finance and Women Entrepreneurs. Around 100 samples were considered for the study.

Table No: 1		
Name of the Businesses Formal Sector in Kohima		
Sl.No	Name of the Establishments	Numbers of Establishments
1	Garments	30
2	Handloom & Handy Craft	8
3	Schools	8
4	Tailoring Units	5
5	Beauty Parlor	4
6	Pharmacy	2
7	Bakery	3
8	Company	2
9	Hotel	2
	Total	64

Source: Compiled from Survey Data

Table No: 2		
Name of the Businesses Informal Sector in Kohima District		
Sl.No	Name of the Establishments	Numbers of Establishments
1	Green House	4
2	Home Based Business	1
3	Vegetable Shops	21
4	Florist	3
5	Other Business	7
	Total	36

Source: Compiled from Survey Data

Latent variable considered for the study

[a] 'Bank Finance Availed by Women Entrepreneurs'— this variable has been considered to measure the intensity of bank finance availed by women entrepreneurs to promote their business.

[b] 'Women Entrepreneurs of Informal Sector'— this variable has been used to measure the improvement realized by the women entrepreneurs in their business performance due to availing of loan.

Results & Discussion

I. Types of Loan Provided to Women Entrepreneurs

1. Annapurna Scheme

This scheme is offered by the State Bank of Mysore, now merged with SBI, for those women entrepreneurs who are setting up food catering industry. Under this loan, a guarantor is required along with the assets of the business being pledged as collateral security.

2. Stree Shakti Package for Women Entrepreneurs

This scheme is offered by most of the SBI branches to women who have 50% share in the ownership of a firm or business and have taken part in the state agencies run Entrepreneurship Development Programmes (EDP). The scheme also offers a discounted rate of interest by 0.50% in case the amount of loan is more than ₹2 lakhs.

3. Bharatiya Mahila Bank Business Loan

This loan is a support system for budding women entrepreneurs looking to start new ventures in the fields of the retail sector, loan against property, MICRO loans, and SME loans. The maximum loan amount under this loan goes up to ₹20 crores in case of manufacturing industries and a concession is also available to the extent of 0.25%.

4. Dena Shakti Scheme

This scheme is provided by Dena bank to those women entrepreneurs in the fields of agriculture, manufacturing, micro-credit, retail stores, or small enterprises; who are in need of financial assistance. The interest rate is also decreased by 0.25% along with the maximum loan amount being ₹20 lakhs.

5. Udyogini Scheme

This scheme is offered by Punjab and Sind Bank so as to provide women entrepreneurs involved in Agriculture, retail and small business enterprises to get loans for business at flexible terms and concessional interest rates. The maximum amount of loan under this scheme for women between the age bracket of 18-45 years is ₹1 lakh but family income is also taken into consideration and is set at ₹45,000 per annum for SC/ST women.

6. Cent Kalyani Scheme

This scheme is offered by the Central Bank of India with the aim of supporting women in starting a new venture or expanding an existing enterprise. This loan can be availed by women who are involved in village and cottage industries, micro, small and medium enterprises, self-employed women, agriculture and allied activities, retail trade, and government-sponsored programs.

7. MahilaUdyamNidhi Scheme

This scheme is launched by Punjab National Bank and aims at supporting the women entrepreneurs involved in the small scale industries by granting them soft loans that can be repaid over a period of 10 years. The maximum amount granted under this scheme is ₹10 lakhs and the interest depends upon the market rates.

8. Mudra Yojana Scheme for Women

This scheme has been launched by the Govt. of India for individual women wanting to start small new enterprises and businesses like beauty parlors, tailoring units, tuition centres, etc. as well as for groups of women wanting to start a venture together. The loan doesn't require any collateral security.

i. Shishu – loan amount is limited to ₹50,000 and can be availed by those businesses that are in their initial stages.

ii. Kishor – loan amount ranges between ₹50,000 and ₹5 lakhs and can be availed by those who have a well-established enterprise.

iii. Tarun – loan amount is ₹10 lakhs and can be availed by those businesses that are well established but require further funds for the purpose of expansion

9. Orient MahilaVikasYojana Scheme

This scheme is provided by Oriental Bank of Commerce to those women who hold a 51% share capital individually or jointly in a proprietary concern. No collateral security is required for loans of ₹10 lakhs up to ₹25 lakhs in case of small-scale industries and the period of repayment is 7 years. A concession on the interest rate of up to 2% is given.

II. Impact of Bank Finance on Women Entrepreneurs of Informal Sector

Area		Mean	Std. Deviation	N
Kohima	W.E of Informal Sector	4.3800	.29642	30
	Bank Finance	3.2767	.39364	30
Jakhama	W.E of Informal Sector	4.4667	.30628	15
	Bank Finance	3.3267	.27894	15
Botsa	W.E of Informal Sector	4.4500	.24608	10
	Bank Finance	3.4100	.28067	10
Chuboboza	W.E of Informal Sector	4.2600	.28810	5
	Bank Finance	3.5800	.70498	5
Chunlika	W.E of Informal Sector	4.3100	.34464	10
	Bank Finance	3.7300	.25841	10
Tsuminyu	W.E of Informal Sector	4.4467	.27482	15
	Bank Finance	3.6467	.41381	15
Sechu(Zubza)	W.E of Informal Sector	4.3467	.29488	15
	Bank Finance	3.8533	.33778	15

Source: Compiled from Survey Data

The association between the variables and related data are tested with the help of z-test.

P > 0.05 Accept

P < 0.05 Reject

	Bank Finance	Women Entrepreneurs of Informal Sector
Mean	3.5	4.392

Known Variance	0.178383838	0.085187879
Observations	100	100
Hypothesized Mean Difference	0	
z	-17.37462546	
P(Z<=z) one-tail	0	
z Critical one-tail	1.644853627	
P(Z<=z) two-tail	0	
z Critical two-tail	1.959963985	

Source: Compiled from Survey Data

Here, the calculated p value is $17.37 > 1.96$, thus establishing that there is no association between Bank Finance and Women Entrepreneurs of Informal Sectors. The findings reveal that sufficient amount of loan is not provided to women entrepreneurs engaged in the Informal Sectors and, when provided, the meager loan is unable to meet the full potential of women entrepreneurs. Further analysis attempts to find the level of relationship between these two variables which is given in table no-5 and 6.

Table -5			
Pearson Correlations Between Bank Finance and Women Entrepreneurs of Informal Sectors			
		Bank Finance	Business Performance
Bank Finance	Pearson Correlation	1	.197
	Sig. (2-tailed)		.050
	N	100	100
Business Performance	Pearson Correlation	.197	1
	Sig. (2-tailed)	.050	
	N	100	100

Source: Compiled from Survey Data

Table-6				
Spearman's rho Correlations Between Bank Finance and Women Entrepreneurs of Informal Sectors				
		Bank Finance		Business Performance
Spearman's rho	Bank Finance	Correlation Coefficient	1.000	.195
		Sig. (2-tailed)		.051
		N	100	100
	Business Performance	Correlation Coefficient	.195	1.000
		Sig. (2-tailed)	.051	
		N	100	100

Source: Compiled from Survey Data

Findings from the above Table No 5 & 6, shows the existence of a low relationship between Bank Finance and Women Entrepreneurs of informal sectors. This is because sufficient financial assistant have not been provided to them.

Limitations

This research study did not collect any feedbacks from the financial institutions of Kohima District. This study identified very limited number of women entrepreneurs engaged in informal sector and may not, thereby, reflect the real picture of informal sector.

III. CONCLUSION

Businesses involved in the informal sectors need special attention since the number of women engaged in this business is growing day by day. It becomes a societal responsibility to look into the grievances of these women entrepreneurs. As mentioned earlier, a good number of Naga women are engaged in small business activities such as vegetable vendors, florists, beauticians, selling traditional cloths and items, readymade goods, dress making and tailoring, hotels and restaurants, and other shops selling different varieties of items, beads manufacturing, candle making, etc., whose economic conditions continue to remain stagnant.

This study indicates that [a] there appears to be meager financial facilities available to women entrepreneurs engaged in informal sectors; [b] the financial facilities available did not reach them, sometimes. Hence, the agencies working for the betterment of women have to take steps to ameliorate the economic condition of these vendors for the sake of their survivability and sustainability.

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