



Enhancing women entrepreneurship in MSMEs: Challenges and policy interventions

Narbda Rana

Department of Economics, Government Meera Girls College, Mohan Lal Sukhadiya University, Udaipur, Rajasthan, India

Abstract

Women's participation in Micro, Small, and Medium Enterprises (MSMEs) is pivotal for national industrial growth and the achievement of socio-economic objectives. This study explores the significant yet often overlooked contributions of women entrepreneurs to economic development. Despite their critical role, women-led enterprises face substantial barriers including limited access to financial resources, insufficient managerial and technical skills, and challenges in reinvesting profits. The research highlights that while independence, achievement motivation, and human relations are key success factors for women entrepreneurs (Danabakyam & Kurian, 2012) ^[5], systemic issues persist that impede their business sustainability.

The study identifies that many first-generation women entrepreneurs struggle to secure necessary loans from commercial banks, leading to high failure rates or withdrawal from entrepreneurship. To address these challenges, the paper argues for targeted government intervention. Recommendations include the development and implementation of comprehensive support plans that enhance financial accessibility, offer training to improve managerial and technical skills, and foster policies that encourage reinvestment into women-led businesses (Cleves, Gould & Gutierrez, 2004; Wong, 2005) ^[4, 14].

In conclusion, the study emphasizes the need for strategic governmental action to overcome barriers faced by women entrepreneurs. By improving financial support mechanisms, skill development programs, and reinvestment strategies, the sustainability and growth of women-led MSMEs can be significantly enhanced, thereby contributing to broader economic and social development goals.

Keywords: Women entrepreneurship, MSMEs, financial access, government intervention, economic development

Introduction

In India, Micro, Small, and Medium Enterprises (MSMEs) rank as the second largest employment sector after agriculture. They contribute nearly 40% to industrial production, encompass 95% of industrial units, account for 34% of exports, and produce over 6,000 different products (Ravi, 2009) ^[10]. This diverse sector manufactures a wide range of industrial goods, including food products, beverages, tobacco, textiles (such as cotton, wool, silk, and synthetic materials), jute products, wood and furniture, paper products, and various machinery and electrical equipment.

Women Entrepreneurs in Indian Society

Women entrepreneurs are defined as individuals or groups of women who start, manage, and control business ventures. Specifically, an enterprise owned and controlled by women, where they hold at least 51% of the capital and employ at least 51% women, qualifies as a women-led enterprise (Government of India). Women are making significant strides across various industries, including telecom, IT, and finance, and are redefining traditional roles. They balance responsibilities as daughters, wives, and mothers while also pursuing entrepreneurial ambitions. This evolving role reflects a broader shift where women seek mutual respect, dignity, and autonomy, including the option of living independently or parenting without a spouse.

Despite these advancements, women typically engage in different sectors compared to men and have lower participation rates in entrepreneurship. Research, policies, and programs often cater predominantly to men, failing to address the unique needs of women entrepreneurs. This disparity means that equal opportunities in entrepreneurship remain unfulfilled. Women entrepreneurs undertake

numerous roles, including assessing new business opportunities, taking risks, innovating, and providing effective leadership. They play a crucial role in reducing poverty through their productive work and contribute to broader developmental goals such as poverty alleviation, improved family health, and women's empowerment. As women represent approximately half of the global population, their involvement in entrepreneurship is pivotal. Their participation in various activities, boosted by globalization, has had a significant impact both domestically and internationally.

Development of Women Entrepreneurship in India

Historically, in many developing countries like India, women were largely seen as homemakers, leading to restricted mobility and limited educational opportunities, which in turn created significant communication barriers. It was only with the Fifth Five Year Plan (1974-78) that a clear recognition of women's roles emerged, shifting the focus from mere welfare to genuine development and empowerment. Women's entrepreneurship has become a key priority in planning and policy-making. Various initiatives and policies are now in place to support and develop women entrepreneurs in India. In contemporary society, women have increasingly stepped beyond traditional roles, engaging in a wide range of activities (Singh and Raina 2013) ^[12]. Since the mid-1990s, India has experienced significant economic transformations due to liberalization, globalization, and privatization policies implemented by the government. These changes have unveiled substantial entrepreneurial potential within the country. Evidence shows that entrepreneurship is not exclusively a male domain, yet India's traditionally male-dominated society has restricted women's potential and entrepreneurial abilities

due to their lower societal status. There remains a pressing need to shift societal attitudes and provide women with equal rights as guaranteed by the constitution. Progress towards gender equality has been sluggish, partly because financial resources were not adequately aligned with policy commitments. However, in the past thirty years, women entrepreneurship has gained significant traction, with a rise in women-led enterprises and their notable contribution to economic growth. Today, women are more aware of the resources offered by both state and central governments, as highlighted in the Eighth Five Year Plan of 1992. Currently, women's participation in economic activities is characterized by a low work participation rate, a heavy concentration in the informal sector, and employment in less skilled roles. The industrial performance of the Asia-Pacific region, driven by Foreign Direct Investment, technological advancements, and export manufacturing, has created a range of economic and social opportunities for women entrepreneurs.

Reasons and categories of women entrepreneurs

Category: Main Reasons/Motivations

Chance/Natural Entrepreneurs

- Desire to stay engaged, Pursuing a hobby, Family or spouse's business involvement, initiating a business through careful and methodical planning.

Force Entrepreneurs

- Financial necessity or need for income.

Created or Pulled Entrepreneurs

- Flexibility and control over time, Desire to take on a personal challenge or prove one's abilities, Pursuit of independence and self-satisfaction, setting an example for children, providing employment to others or contributing to meaningful work. (Source: Das, 2000)

Needs of women's economic activities and entrepreneurship

Women entrepreneurs in India face significant challenges due to insufficient recognition and strategic support from the national government, particularly regarding access to finance and the skills necessary for managing small businesses effectively. Given that the MSME sector supports 49% of employed women, there is a critical need for improved policy support, respect for women's basic rights, and enhanced access to essential resources such as finance, infrastructure, skills, technology, and a favorable macro-economic environment to attract international investment. Women largely rely on MSMEs for their livelihoods, primarily because the national government has not adequately addressed their survival and entrepreneurial needs. Despite women initiating new businesses and enterprises at twice the rate of men, they encounter considerable difficulties in advancing their businesses to the next level.

Socio-economic issues and challenges

The primary obstacle for women entrepreneurs is their gender. A patriarchal social structure acts as a significant barrier to their business success. Women entrepreneurs often face limitations imposed by social customs and strong religious constraints (Sultana, 2012) ^[13], which complicate their entrepreneurial efforts. Although women generally

receive slightly more financial support from family and friends compared to their male counterparts, they tend to receive less investment from family businesses. Overall, there is minimal gender variation in the trends among self-financed entrepreneurs (Palaniappan, Ramanigopal, & Mani, 2012) ^[9]. Beyond male dominance, women entrepreneurs encounter several specific challenges:

1. Finance

Financial institutions often harbor doubts about women's entrepreneurial capabilities. Banks impose stringent and unreasonable requirements for loans to women entrepreneurs. Despite evidence that women have higher loan repayment rates than men, they face greater difficulties in securing credit due to discriminatory attitudes from banks and informal lending groups. Women entrepreneurs frequently struggle to access external funds due to their lack of tangible assets, as very few possess such property (Singh & Raina, 2014; Kushalakshi, 2013; Sanyang & Huang, 2008) ^[11].

2. Family Obligations

Family responsibilities hinder women's success as entrepreneurs in both developed and developing countries. With primary responsibilities for children, home, and elderly family members, few women can dedicate all their time and energy to their businesses. Financial institutions often assume that women might abandon their businesses to return to domestic roles, leading to their reliance on personal savings and loans from family and friends. The success of their ventures also heavily depends on the support received from family members in business management.

3. Managerial skills

There is a perception that women entrepreneurs possess lower managerial skills compared to men. They often rely on office staff and intermediaries, especially for marketing and sales functions. According to Kebede (2002) ^[7], effective management skills are a crucial differentiator between male and female entrepreneurs.

4. Competition

Gender-based competition adds another layer of difficulty for women entrepreneurs. Despite their ability to deliver prompt and reliable services, women often face constraints due to their comparatively lower organizational skills, which impacts their ability to manage competition effectively.

5. Raw Materials

Women entrepreneurs struggle with knowledge about alternative sources of raw materials and have limited negotiation and bargaining skills, affecting their business ventures.

6. Education and technology

Education and technological knowledge are critical factors influencing business success. The literacy rate among women in India is lower compared to men (Kushalakshi & Raghurama, 2014) ^[8]. Many women in developing countries lack the education and technological skills needed for successful entrepreneurship, limiting their ability to conduct research and gain necessary training.

7. Risk Tolerance

A low tolerance for risk is another factor impacting women's decisions to engage in business. Limited education often results in lower self-confidence and self-reliance, making it challenging for women to invest money, maintain operations, and reinvest profits. Successful entrepreneurship requires a high level of risk-taking, courage, and confidence.

8. Socio-economic constraints

Women entrepreneurs often experience limited freedom of movement and expression compared to their male counterparts (Chib, 2012) ^[3]. This restricted mobility reflects broader socio-economic constraints on their entrepreneurial activities (Anis & Hasan, 2013) ^[1].

9. Marketing

Challenges in marketing for women entrepreneurs include poor shop locations, inadequate transportation facilities, and intense competition.

10. Production

Production issues such as the unavailability of machines and equipment, lack of training facilities, labor shortages, and high machine costs contribute to the slow growth of women entrepreneurs. Subcontracting can help by providing training, skill development, and upgrading of machinery and equipment (Itoh & Urata, 1994) ^[6].

11. Health

Women entrepreneurs often face health problems such as backaches, eyestrain, fatigue, and headaches due to lack of rest and demanding schedules. Additionally, they deal with high production costs, insufficient infrastructure, power shortages, labor scarcity, high labor costs, societal attitudes, low achievement motivation, and a lack of self-confidence.

Conclusion

The role of women in Micro, Small, and Medium Enterprises (MSMEs) is crucial for the industrial growth of a country and the achievement of its socio-economic goals. The invaluable contributions of women to both national society and economic development cannot be overstated. Key factors contributing to the success of women entrepreneurs include their independence, motivation for achievement, and strong interpersonal skills (Danabakyam & Kurian, 2012) ^[5]. Despite these advantages, women-led enterprises face significant challenges, particularly in accessing financial resources, acquiring managerial and technical skills, and reinvesting profits effectively.

One of the primary obstacles encountered by women entrepreneurs is their limited access to financial services. This difficulty is compounded by a lack of managerial expertise and technical knowledge, as well as an insufficient ability to reinvest profits into the business. Many first-generation women entrepreneurs experience initial success but struggle to sustain their ventures due to challenges in obtaining crucial loans from commercial banks. As a result, these women either withdraw from entrepreneurship or face failure, which underscores the need for improved financial support mechanisms (Cleves, Gould & Gutierrez, 2004) ^[4].

To address these challenges, it is imperative that government intervention plays a pivotal role in fostering entrepreneurial growth. This intervention should include the

development, monitoring, and implementation of comprehensive master plans aimed at supporting women entrepreneurs. Effective strategies could involve enhancing access to diverse financial resources, providing targeted training programs to improve managerial and technical skills, and creating supportive policies that facilitate reinvestment into women-led enterprises (Wong, 2005) ^[14].

In conclusion, while women entrepreneurs make significant contributions to the economy, there are systemic barriers that hinder their success. Addressing these barriers through strategic government intervention and support is essential for nurturing a thriving ecosystem for women in MSMEs. By focusing on improving financial accessibility, skill development, and reinvestment opportunities, it is possible to enhance the sustainability and growth of women-led enterprises, thereby contributing to broader economic and social development goals.

References

1. Anis MZ, Hasan MM. Women entrepreneurs of small and medium enterprises in Rajshahi area: Opportunities and challenges. *International Journal of Scientific and Research Publications*, 2013;3(8):1-13.
2. Annual Report 2012-13. Govt. of India, Ministry of micro, small, and medium enterprises.
3. Chib Sandeep Singh. "Prospects and Problems in Micro, Small and Medium Enterprises in Rural Districts of Jammu and Kashmir (J&K)". *International Journal of Entrepreneurship & Business Environment Perspectives*, 2012;1(2):147-153
4. Cleves MW, Gould, R Gutierrez. "An Introduction to Survival Analysis Using Statistics Revealed", College Station, TX: Stata Press, 2004.
5. Danabakyam M, Kurian S. Women Entrepreneurship in Micro, Small and Medium Enterprises (MSME) In Chennai City, *International Journal of Marketing, Financial Services & Management Research*, 2012, 1(10).
6. Itoh M, Urata. Small and Medium-Size Enterprise Support Policies in Japan, Policy Research Working Paper 1403, World Bank, Policy Research Department, Washington, D. C, 1994.
7. Kebede B. Land Tenure and Common Pool Resources in Rural Ethiopia: A Study based on Fifteen Sites, *Journal of African Development Review*, 2002;14(1):4-9.
8. Kushalakshi, Raghurama A. Problems of Women Entrepreneurs of Micro, Small and Medium Enterprises (MSMEs), *Global Journal for Research Analysis*, 2014;3(1):9-10
9. Palaniappan G, Ramanigopal CS, Mani A. A Study on Problem and Prospects of Women Entrepreneurs with Special Reference to Erode District. *International Journal of Physical and Social Sciences*, 2012;2(3):220-230.
10. Ravi S. Entrepreneurship Development in the Micro Small and Medium Enterprise Sector in India, 2009.
11. Sanyang SE, Huang WC. Small and Medium Enterprise for Women Entrepreneurs in Taiwan. *World Journal of Agricultural Sciences*, 2008;4(S):884-890.

12. Singh A, Raina M. Women Entrepreneurs in Micro, Small and Medium Enterprises, International Journal of Management and Social Sciences Research, 2013, 2(8).
13. Sultana A. Promoting Women's Entrepreneurship through SME: Growth and Development in the context of Bangladesh, IOSR journal of business and management, 2012;4(1):18-29
14. Wong. Entrepreneurship, Innovation and Economic Growth: Evidence from GEM Data. Small Business Economics, 2005;24(3):335.