Microfinance as a Tool for Women Entrepreneurial Development in Karnataka: An Empirical Study

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ABSTRACT

Women entrepreneurship is one of the most effective forces that have become important to the economic growth, job creation and social empowerment. But, it is a significant problem for many female business owners to have restricted access to financial resources. Microfinance has been hailed as a good instrument to tackle the financial exclusion and encourage entrepreneurial activities among women. The present study is an attempt to explore the role of microfinance in entrepreneurial development of women in Karnataka. The study is descriptive, analytical and uses primary and secondary data. Primary data were obtained from 200 women entrepreneurs by using structured questionnaire and interviews and secondary data were obtained from NABARD reports, RBI publications, Government reports and research journals. The data was analysed using statistical tools namely Percentage analysis, correlation, regression and ANOVA. The results show that microfinance has both positive and meaningful effects on entrepreneurial development, income generation and women empowerment. The study concludes that microfinance plays a significant role in the economic and social development of women entrepreneurs in Karnataka, but at the same time, the constraints faced by the women entrepreneurs including low loan size and inadequate entrepreneurial support are still affecting the sustainability of their businesses.

Keywords: Microfinance, Women Entrepreneurship, Entrepreneurial Development, Financial Inclusion, Women Empowerment, Self-Help Groups (SHGs), Income Generation, Karnataka.

INTRODUCTION

Women entrepreneurship is an important contributor to economic development as it creates employment, boosts household income and empowers the society. But many women entrepreneurs have problems like limited credit facility of women, no collateral etc and also knowledge about finance is very limited of women. Microfinance is one effective instrument that has been developed to help overcome these challenges, by offering small-scale loans, savings products and other financial services to economically marginalised women. Microfinance institutions, Self-Help Groups (SHGs) and Government schemes have played an important role in encouraging women-led businesses in Karnataka, especially in rural and semi-urban communities. Women can take advantage of microfinance opportunities and pursue new and existing business ventures in agriculture, dairy, handicrafts, retail and food processing. In addition to financial support, microfinance also contributes to improving the decision making power and economic independence of women. Hence, the study of the role of Microfinance in the development of women entrepreneurs is important to understand the contribution of Microfinance towards empowerment and sustainable economic growth in Karnataka.

Background of the Study

Microfinance is defined as provision of small financial services like credit, savings and insurance to the poor who cannot access formal financial institutions. Women entrepreneurship has expanded in India and Karnataka as a result of the positive awareness building, government support and financial inclusion programmes. Microfinance allows women to access capital and financial resources to start-up and/or scale up businesses, thereby fostering economic empowerment, self-employment and sustainable entrepreneurial development.

Statement of the Problem

Although women are increasingly engaged in entrepreneurship, there are still numerous financial challenges confronting them, including financial literacy, lack of collateral security, and limited access to formal credit. Microfinance has arisen as a potential solution to these challenges; however, the impact of microfinance on entrepreneurial growth and empowerment is still being investigated. Hence, an evaluation of the contribution of microfinance towards the entrepreneurial development of women in Karnataka is required.

Research Questions

- Does microfinance significantly influence entrepreneurial development among women?
- What is the impact of microfinance on income and business performance?
- How does microfinance contribute to women's empowerment?

Objectives of the Study

- To examine the role of microfinance in promoting women entrepreneurship in Karnataka.
- To assess the impact of microfinance on income generation and business growth.
- To analyze the relationship between microfinance access and women empowerment.
- To identify challenges faced by women entrepreneurs in utilizing microfinance services.

Hypotheses

- H1: There is a significant relationship between access to microfinance and women entrepreneurial development.
- H2: Microfinance significantly increases the income levels of women entrepreneurs.
- H3: Microfinance positively influences the social and economic empowerment of women entrepreneurs.

REVIEW OF LITERATURE

Previous studies have reported that microfinance plays a critical role in advancing women entrepreneurship and women's economic empowerment. A number of studies have identified that women's access to microcredit can help them to establish and develop small businesses which can lead to better income and living standards. Studies have shown that entrepreneurial skills and decision-making capacities of women are improved by financial assistance and training and capacity building initiatives with the help of Self-Help Groups (SHGs) and microfinance institutions. Research carried out in various parts of India, such as Karnataka, shows that microfinance is a source of financial inclusion and for reducing poverty and social empowerment. Nevertheless, some researchers have also found that interest rates, loan amounts, lack of business skills, and a lack of access to markets are impediments to the viability of women entrepreneurs. The results indicate further empirical research on the effectiveness of microfinance for women entrepreneurs' development in Karnataka is needed.

Global Studies on Microfinance and Entrepreneurship

A number of studies in the global arena have emphasised the contribution of microfinance to entrepreneurship development for low-income families. Research conducted by Yunus (2007) showed that microcredit would improve women's economic independence and opportunities for self-employment, especially for women. According to the research carried out by the World Bank (2018), access to financial services can help to enhance business formation and income generation in developing countries. Likewise, Banerjee et al. (2015) found that microfinance boosts business activity and household resilience, but does not have much impact on the growth of large enterprises. The studies highlighted the significance and role of microfinance for entrepreneurial development and financial inclusion.

Studies related to the role of women entrepreneurs in India.

The link between microfinance and women entrepreneurship has been explored in several studies in India. Women's access to credit and increased self-employment activities were found to be significantly affected by microfinance programs by Nair (2015). NABARD reports that the financing through Self-Help Group (SHG) has helped in improving the income generation and financial independence for the rural women. Swain and Varghese (2009) found that women's decision making ability and status were strengthened through being involved in microfinance programs. But it also suggests that lack of business knowledge, poor market access and reliance on small business units can be a hurdle to the growth of entrepreneurship despite receiving financial assistance.

Research undertaken in Karnataka.

The study in Karnataka has brought to light the beneficial role of microfinance and SHGs in the empowerment of women entrepreneurs. Research conducted by Karnataka State Women's Development Corporation and the National Bank for Agriculture and Rural Development found women beneficiaries had higher incomes, savings, and involvement in economic activities. Reddy & Manjunath (2018) noted that businesses that were empowered by microfinance in the dairy sector, tailoring and food processing sectors played a significant role in improving the welfare of the households. But some studies noted some challenges in loan repayment pressure, lack of financial education, and challenges in business scaling. The results indicate that merely giving business start-ups financial support does not guarantee their ability to remain successful in business.

Research Gap

While several studies have explored the link between microfinance and women empowerment at a global, national and state level, the focus so far has been on the direct link between microfinance and entrepreneurial development of women in Karnataka has been sparse. Studies have focused on financial inclusion and poverty reduction, or social empowerment, instead of on business performance and enterprise development. Moreover, existing studies are primarily descriptive in nature, which implies a gap regarding empirical studies to determine the effect of microfinance on income generation, business growth and sustainability of entrepreneurs. In this study, the gaps are to be filled with empirical evidence from Karnataka.

RESEARCH METHODOLOGY

The present study is descriptive and analytical in nature, which aims to study the role of the microfinance in the women entrepreneurial development in Karnataka. The study area includes selected districts of Karnataka, Bengaluru Urban, Mysuru, Belagavi and Dharwad, with varying socio-economic and entrepreneurial atmosphere. Various sources of data (primary and secondary) are used. The primary data are gathered from the women entrepreneurs receiving microfinance support using the structured questionnaire and personal interviews. Secondary data are collected from NABARD reports, RBI publications, government documents, relevant research journals and so on. We conducted a study on women entrepreneurs who availed microfinance services. Stratified random sampling technique is used to get enough number of samples that is 200 respondents. Access to microfinance is the independent variable of the study and the dependent variables are business growth, income generation, creation of employment and level of empowerment. To analyze the collected data, statistical tools such as percentage analysis, mean, standard deviation, chi-square test, correlation analysis, and regression analysis are used. ANOVA is used wherever it is needed, to increase the reliability of the finding and to look at difference among respondent groups.

DATA ANALYSIS AND INTERPRETATION

Data analysis and interpretation is an important component of the study as it can be used to analyse the relationship between microfinance and women entrepreneurial development in the state of Karnataka. Collect data from 200 women entrepreneurs are systematically classified, tabulated and analyzed by appropriate statistical tools. Demographic profile and the utilization of microfinance services are represented by percentage analysis and mean and standard deviation measures central tendency and variations. Chi-square tests are used to analyze association between variables while correlation and regression analysis are used to analyze the influence of microfinance on the growth of business, income generation, employment and empowerment. The results are analyzed to make sense of them and help answer the study questions.

Demographic Profile of Respondents

Demographic profile of the respondents give the significant information about socio-economic background of the women entrepreneurs availed the microfinance services. The age, educational qualification, marital status, area of residence affect the entrepreneurial behavior, sources of financial resources and business performance. It is observed that such characteristics help in understanding the profile of women entrepreneurs which also helps in assessing the effect of microfinance on the entrepreneurial development of Karnataka.

Table 4.1: Demographic Profile of Respondents

Variables	Category	Frequency	Percentage (%)
Age	Below 25 Years	20	10.0
	25–35 Years	70	35.0
	36–45 Years	65	32.5
	46–55 Years	30	15.0
	Above 55 Years	15	7.5
Educational Qualification	Primary Education	30	15.0
	Secondary Education	60	30.0
	Higher Secondary	50	25.0
	Graduate	45	22.5
	Postgraduate & Above	15	7.5
Marital Status	Married	140	70.0
	Unmarried	35	17.5
	Widowed	15	7.5
	Divorced	10	5.0
Area of Residence	Rural	110	55.0
	Urban	90	45.0

Source: Primary Data

The demographic profile of the respondents is shown in table 4.1. The majority of respondents (35%) fall in the age group 25-35 years showing that the entrepreneurial activities were actively participated by women in the middle age group. From the educational perspective, 30% of the women entrepreneurs have completed their secondary education and 25% have higher secondary education which is a moderate level of education among the women entrepreneurs. By marital status, a majority (70%) are married indicating that entrepreneurship is often done to complement family livelihood. Additionally, 55% of the interviewees live in rural areas, and 45% in urban areas. The results suggest that the microfinance services have been extended to women with varying socio-economic characteristics, and have been a significant contributor in the growth of entrepreneurship in Karnataka.

Relationship between Access to Microfinance and Women Entrepreneurial Development

The present hypothesis is an attempt to find out whether there exists a significant relationship between microfinance and the entrepreneurial development of women in Karnataka. Correlation analysis is used to find the relationship and its strength between the two.

- H_0: There is no significant relationship between access to microfinance and women entrepreneurial development.
- H_1: There is a significant relationship between access to microfinance and women entrepreneurial development.

Table 4.2 - Correlations

Variables	Access to Microfinance	Entrepreneurial Development
Access to Microfinance	Pearson Correlation	1
	Sig. (2-tailed)	-
	N	200
Entrepreneurial Development	Pearson Correlation	.624**
	Sig. (2-tailed)	.000
	N	200

Source: Computed from Primary Data using SPSS ** Correlation is significant at the 0.01 level (2-tailed).

There is a strong positive correlation between access to microfinance and entrepreneurial development (r = 0.624). Significance value (p = 0.000) is smaller than 0.01, which means that the relationship is statistically significant. Hence, the null hypothesis is rejected and the alternative hypothesis is accepted. The outcome of this indicates that increased access to microfinance makes significant contribution in the entrepreneurial development of women in Karnataka.

Impact of Microfinance on Income Generation among Women Entrepreneurs

To establish regression analysis, the degree of influence of accessing microfinance on income generation of women entrepreneurs is determined. The analysis examines the ability of microfinance to be a meaningful determinant of higher incomes.

- H_0: Microfinance does not significantly influence income generation among women entrepreneurs.
- H_1: Microfinance significantly influences income generation among women entrepreneurs.

Table 4.3.1 - Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.712a	.507	.504	.476

a. Predictors: (Constant), Access to Microfinance

Table 4.3.2 - ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	46.152	1	46.152	198.754	.000b
Residual	44.978	198	.227		
Total	91.130	199			

b. Predictors: (Constant), Access to Microfinance

Table 4.3.3 - Coefficients

Model	Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	t	Sig.
(Constant)	1.214	.245	-	4.955	.000
Access to Microfinance	.731	.052	.712	14.098	.000

Source: Computed from Primary Data using SPSS, Dependent Variable: Income Generation

According to the model summary, 50.7% of the variance in income generation ($R^2 = 0.507$) is predicted by access to microfinance. As seen in the ANOVA table model is statistically significant (F = 198.754, p = 0.000).

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Additional analysis of the coefficient table also indicates a positive and significant impact of access to microfinance on income generation ($\beta = 0.712$, $p < 0.001$). Thus, the null hypothesis is rejected and the alternative hypothesis is accepted. The results prove that microfinance plays a vital role in increasing income of women entrepreneurs.

Impact of Microfinance on Women Empowerment

To investigate the difference in level of empowerment among women entrepreneurs based on their level of using microfinance services, One way ANOVA is used. Analysis will attempt to identify the impact of microfinance on women's empowerment.

- H_0: There is no significant impact of microfinance on women empowerment.
- H_1: There is a significant impact of microfinance on women empowerment.

Table 4.4 - ANOVA

Source of Variation	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	18.746	3	6.249	8.531	.000
Within Groups	143.554	196	.732		
Total	162.300	199			

Source: Computed from Primary Data using SPSS, Dependent Variable: Empowerment Level

ANOVA results indicate that the calculated F value is 8.531 with a significance value of 0.000 which is less than the prescribed significance value of 0.05. This suggests that there is a significant difference between empowerment levels of the respondents according to their use of microfinance services. Thus, the null hypothesis is rejected and the alternative hypothesis is accepted. Results show that microfinance has a very positive impact on women's empowerment in terms of their economic independence, decision-making ability, and entrepreneurial involvement.

RESULTS AND DISCUSSION

The study results indicate that micro finance contributes significantly in the women entrepreneurial development in Karnataka. The demographic analysis shows that most of the respondents are economically active, educated and engaged in entrepreneurial activities. The correlation analysis indicates a high positive correlation between the two variables, access to microfinance, and entrepreneurial development, suggesting that access to microfinance has a strong impact on entrepreneurial development and sustainability. The results of regression analysis has confirmed that microfinance has a significant effect on income generation, which helps women entrepreneurs to achieve financial stability and expand their business. Moreover, the ANOVA results show that the effect of microfinance on women is significant in improving their decision capacity, economic independence and social participation. The finding is in line with the earlier studies which emphasize the role of microfinance in micro-entrepreneurship and financial inclusion. Despite the availability of loans, women entrepreneurs still face several difficulties including low loan sizes, lack of business training and constraints in accessing the market, highlighting the need for holistic support besides finance for the long-term expansion of women entrepreneurs.

The study revealed that the effect of microfinance on the women entrepreneurial development in Karnataka is positive and significant. Most of the respondents were in the productive age group and also had secondary level education which enabled them to make effective use of microfinance services. The correlation analysis showed that there was a significant relationship between microfinance access entrepreneurial development. The regression analysis revealed that microfinance has a significant positive impact on business growth and income generation of women entrepreneurs. The ANOVA result showed that there was positive relationship between the use of microfinance and women's empowerment as evidenced by the increase in their financial independence, decision making power, social participation. The study also revealed that microfinance has the capability to promote self-employment and enterprise development in rural areas, especially. But, problems

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like low loan availability, poor entrepreneurial skill building, high repayment pressure, and poor access to market still persist in the sustainable growth and expansion of women entrepreneurs. The results emphasize the need to enhance MFIs capacity and institutional development.

SUGGESTIONS AND POLICY IMPLICATIONS

Based on the study results, some of the measures could be recommended for improving the effectiveness of microfinance in enhancing women entrepreneurial development in Karnataka state. Microfinance institutions should offer bigger and more flexible loan sizes to assist business growth and sustainability. A regular entrepreneurship development program, financial literacy training and skill enhancement workshop should be organized to boost managerial and financial skills of the female entrepreneurs. Government and financial institutions should enhance market linkage programmes to boost women's access to larger markets and boost profitability. The use of digital financial services and online businesses should be encouraged to advance financial inclusion and business opportunities. In addition, a partnership between the government, the microfinance institutions, banks and Self-Help Groups (SHGs) should be encouraged to offer joint support services. The measures can help in building more vibrant entrepreneurial ecosystem, augmenting income generation and socio-economic empowerment of women entrepreneurs in the state of Karnataka.

CONCLUSION

The study finds that microfinance is an effective instrument to improve women entrepreneurial development in Karnataka which helps in access to financial resources, fostering women business creation and better income generation opportunity for women entrepreneurs. The empirical results reveal that there is a positive and significant relationship between access to microfinance and entrepreneurial development, income generation and women empowerment. With the support of microfinance, women entrepreneurs have been able to start and grow their business, improve their economic status and engage in the family and community decision making process. Despite these gains, access to credit, inadequate training of businesses and market access limitations remain a problem to the growth of entrepreneurs. Hence, complementary support services like skill development, financial literacy and market linkage programs besides credit provision play a pivotal role in the success rate of the microfinance efforts. This effort can be strengthened to make microfinance more supportive for sustainable women entrepreneurship and inclusive economic development in Karnataka.

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