Financial Management: A Case Study of Women Entrepreneurs in Visakhapatnam District

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ABSTRACT

Small & Medium Enterprise sector (SME’S) had been the back bone of the Indian economy. SME’s in India employ’s close to 40% of India’s workforce and contributes 45% to India’s manufacturing output, SMEs play a critical role in generating millions of jobs, especially at the low-skill level. The country's 1.3 million SMEs account for 40% of India's total exports.

Although they employ 40% of India's workforce, they only contribute 17% to the Indian GDP. Why? Too many firms stay small, unregistered and un-incorporated in the unorganized sector. This could be they can avoid taxes and regulations. The reason behind such a slow growth process as per the latest Indian economic survey is that "The firms have little incentive to invest in upgrading skills of largely temporary workers or in investing in capital equipment.

Women entrepreneurship in India has stood the test of time, however, majority of these women driven enterprises had showed marginal growth signs. Given this slow growth amongst women entrepreneurs, this research aimed to consider the financial management strategies adapted by women entrepreneurs.

The study identified challenges faced by women entrepreneurs in managing business finances, the challenges they are exposed in, financial management (lack of training in financial management, need to cater attention towards family needs, lack of confidence in financial management skills). The study also emphasized on the need for providing financial management skills, that helps in development and or improve the entrepreneurial abilities amongst women entrepreneurs which in turn would enable them in enhancing their future business prospects and growth. The research concludes that, entrepreneurs should be made aware that enterprise survival and growth are futile without appropriate financial management and should seek for proper training and investment management in order to help them to effectively utilize their financial resources.

Keywords---- Skills, Economic, Finance

I. INTRODUCTION

According to Dr Rana Zehra Masood (2011) Women entrepreneurs today represent a group of women who have broken away from the beaten track and are exploring new avenues of economic participation. The reasons for women to run successfully organized enterprise is because of their skills & knowledge, their talents, their abilities & creativity in business, and their strong desire of wanting to achieve something positive. Women entrepreneurs are known for their significant contributions to innovation, wealth creation and big providers of employment opportunities in all growing economies (Brush et al. 2006). It is high time that policies initiated by developing countries rise to the challenge and create more support systems in encouraging more number of entrepreneurship amongst women. At the same time, it is up to women to come out of the stereotyped mindset. As cited by Orser, et al (2006), who argue that the female entrepreneur stereotype is portrayed as maternal, care giving, nurturing and struggling to balance work and domestic responsibilities.

The entry of women into organized business in India is a fairly recent phenomenon. Women entrepreneur’s plays a prime role in industrial development. India is known and has always been a land of entrepreneurs and also occupied a strategic position in the Indian economy. Today SME’S units in India accounts for about 45% of the total industrial production, 30% of the countries exports with an estimation of 96 million persons across India. According to Maritz (2004) The Government of India has defined women entrepreneurs based on women’s participation in equity and their enterprising abilities. While entrepreneurs are people who habitually create and develop new ventures of value around perceived opportunities.
Women in India, seeking to establish their own venture finds it difficult to secure finance since they are unable to furnish collateral and at the same time due to their low level of education exposes them to poor financial management. Though women in India have the right to own, acquire and dispose financial assets, only a small minority has the access to these assets.

The entrepreneurial world in India is still male dominated, Singh(1993), with women participation in entrepreneurial activities started in the early 1970’s, Ganesan. Et,al,(2003). More than 4 decades, the number of entrepreneurial Initiatives among women is still not that active. Women in India prefer smaller projects with an investment of not more than Rs. 10 Lakh.

Women in India still face barriers such as resistance and opposition from the society and their very own families, balancing their business with their house hold responsibilities, lack of self confidence (Socio-Cultural Barriers). Accompanied with lack of formal education, no prior work experiences, not exposed to training on trading, low business skills and lack of formal financial knowledge due to low education standards (Education and Training Barriers). They also face difficulties in lack of financial support and obtaining loan facilities (Financial Barriers). Added to this women entrepreneurs also experiences issues related to lack of information about how to proceed with business, where to apply for loans or obtain training, whom to approach for help (Lack of Information/ Access to Network Barriers). They also experience delay in the payment from the buyers, difficulty in interacting with buyers and suppliers (Gender Related Barriers)

Despite of the various barriers experienced by women entrepreneurs, more and more women are showing interest to enter into the field of entrepreneurship and to note their contribution to the economic growth is well established. However great deals still remains to be achieved with connection to economic empowerment for women. Since women entrepreneurs are facing uphill challenges, it demands for a range of initiatives to strengthen women entrepreneurs and help them in moving forward. These includes timely training on business related skills and knowledge in financial matters, Entrepreneurial development programs, confidence building capacity programs, credit and loan facilities and other assistances in strengthening theirs marketing opportunities, Kentor,(2001), Sinha, (2003, 2005)

II. PROBLEM STATEMENT

Women in general had experienced several challenges which range from their social- cultural values to how they run their business which in general are in Small and Medium scale Business (SME’s). According to Cohoon et.al. (2010), though Successful men and women entrepreneurs undergo similar motivations and thus achieve success in under similar challenges. However, in practice most of the upcoming Indian women entrepreneurs face problems that are of different dimensions and magnitudes than that faced by their male counterparts. These problems, generally, prevent these women entrepreneurs from realizing their potential as entrepreneurs, Gurendra, Swati.Dr. Babitha Pandey and puspamitha, (2011). The major obstacles women entrepreneurs in India face in running their business generally come from financing and balancing of life.

The aim of this study is to establish whether women in SME’S in India use Business finances for social or business purpose and the impact it had on their overall business performance.

Based on the above identified problems, the following hypotheses is drawn.

**Hypotheses**

**H0: Confidence in managing their finance is not determined by their education levels.**
**H1: Confidence in managing their finance is determined by their education levels.**

**H0: Confidence in managing their finance is not related to their training in financial management**
**H1: Confidence in managing their finance is related to their training in financial management**

**H0: Confidence in managing their finance is not determined by their financial management skills.**
**H1: Confidence in managing their finance is determined by their financial management skills.**

**H0: Confidence in managing their finance is not determined by their ability to manage.**
**H1: Confidence in managing their finance is determined by their ability to manage.**

**H0 : The Responsibility of Managing their finance is not determined by their work experience.**
**H1 : The Responsibility of Managing their finance is determined by their work experience.**

III. LITERATURE REVIEW

Small and Medium Enterprises (SME’s) in India has been the driving force of our Indian economy. There is a need to initiate strategies through our economic policies in order to alleviate poverty, encourage and support SME’s. The elimination of obstacles for women entrepreneurship requires a major change in traditional attitudes and mindsets of people in society rather than being limited to only creation of opportunities for women. Gurendra, Swati.Dr. Babitha Pandey and puspamitha, (2011).

Hall and Young (1991) carried out a study in UK by Considering 3 out of 100 small enterprises that were
exposed to involuntary liquidation in 1973, 1978 and 1983. The reasons found by the authors were the failure of the business of the selected firms was of financial nature in 49.8%. The positive correlation between poor or non-existent financial management (including basic accounting) and business failure has well been documented in western countries according to Peacock (1985, 2004).

According to McMahon (2002) A study of financial management characteristics on business growth and performance among small and medium-sized enterprises (SMEs) engaged in manufacturing. The author states that enterprise characteristics seem to dominate in their impact upon SME achievement, with financial management characteristics, other than use of external financing being relatively unimportant. Development orientation and the existence of internal and external constraints appear to be the most influential enterprise characteristics.

The research by Peel and Wilson (1996) on the capital budgeting and working capital practices of small firms. The author presented the results of a preliminary study on the working capital and financial management practices of a sample of small firms located in the north of England. The results of the survey indicated that a relatively high proportion of small firms in the sample claimed to use quantitative capital budgeting and working capital techniques and to review various aspects of their companies’ working capital. In addition, the firms which claimed to use the more sophisticated discounted cash flow capital budgeting techniques, or which had been active in terms of reducing stock levels or the debtors’ credit period, on average tended to be more active in respect of working capital management practices.

Accounting for and documenting exact worldwide figures on women in entrepreneurship remains elusive but there is no doubt that the women’s place as a part of the entrepreneurial field is becoming more relevant (Mboko and Smith-Hunter, 2009). Women represent approximately 50 percent of most countries population and thus 50 percent of the potential workforce. Mboko and Smith-Hunter argue that this workforce is often marginalized and exist on peripheral boundaries of a country’s mainstream labour market facing obstacles, and being denied their rightful place as contributing income earners in their society.

Okpara (2011) observes that previous studies have shown that a number of factors hamper the growth of small businesses, including lack of capital or financial resources; however the degree to which limited financial resources alone are major obstacles to business is still controversial. To underscore this point Okpara (2011) cite Moore and Buttner expressed through their research that dismal economic conditions, high unemployment rates, rising divorce rates and the number of unmarried women, as well as the perpetual discrimination against women in the mainstream labour market is propelling women into alternative employment opportunities such as entrepreneurship. Mboko and Smith-Hunter conclude that a strategic approach to managing small firms is necessary for the growth and recommended that Malaysian female entrepreneurs be supported through the provision of managerial training that emphasize the need to strategize and execute the chosen strategy. However, Okpara (2011) points out that researchers identified management problems or group of problems contribute the most to the failure of small businesses but he concedes that they have not identified which management problem contributes most to the failure of SMEs. Hence this paper seeks to examine the impact of lack in financial management knowledge had on the business outcome operated or managed by women entrepreneurs.

Majority of women entrepreneurs do not have management skills such as bookkeeping, inventory management, personnel management, and basic marketing strategies, hence most business owners end up losing track of their daily transactions and cannot account for their expenses and profits at the end of the month Okpara, (2011). Management problems in particular to the lack in financial management have led to the closure of some businesses, thereby making it significant in the study of small businesses and women entrepreneurs exposure to the societal pressure in looking after their nucleus and extended families. Okpara (2011) points out some do not keep records/accounts nor do they have a bank account. They end up spending their capital because they cannot differentiate between business capital and profit. This leads to business stagnation and failure and one wonders whether the lack of growth of women owned businesses as observed by Mboko and Smith-Hunter (2009) is not a product of poor financial management.

According to Amatucci and Crawley (2011), postulate that possibly one of the less glamorous aspects of entrepreneurship, financial management is necessary for the successful launch and operation of a small business. They contend that weaknesses or discomfort in this area of management may translate into key areas or errors in judgment that can be fatal to the business.

Generally, effective management of finance can lead both business survival and growth given the observation Lam (2010) who points out that what is agreed in the literature is that demand for entrepreneurial finance is unquestionable, meaning that attention has tended to focus on the supply of finance, mainly on gaining access to finance from the business owners’ side or increasing supply from lenders, investors or business support agencies.

One of the key weaknesses is the underlying that finance is a resource that is “supplied” and should be accessible to entrepreneurs in order to meet the businesses’ financial needs, (Lam, 2010). He further says the “funding gap” remains in a deadlock due to disparities between what is demanded and what is supplied. Consequently,
entrepreneurs have to find alternative ways of funding business operation which according to Scheienbacher and Lam (2010) include two ways i.e. entrepreneurs can wait until they raise enough money to complete their project or use limited resources to achieve some intermediate milestone. In that regard, they have to be prudent financial managers if they are to grow their businesses intrinsically through the use of existing capital and generated profits.

Majority of the SMEs do not prepare formal books of accounts, do not embrace information technology and are faced with challenges in accessing finance (Briggs, 2009). McMahon et al. (1993) defines financial management based on mobilizing and using sources of funds. According to McMahon et al. (1993) financial management is concerned with raising of funds needed to finance their enterprise’s assets and activities, the allocation of these scarce funds between competitive uses, and with ensuring that the funds are used effectively and efficiently in achieving the enterprise’s goal.

The study by Nguyen (2001) emphasized that financial management is made of fixed assets management, capita structure management, financial planning, working capital management, financial reporting and accounting information system. However, according to Meredith (2003), financial management is concerned with all areas of management, which involve finance not only the sources, and uses of finance in the enterprises but also the financial implications of investment, production marketing or personnel decisions and the total performance of the enterprise.

According to Peel et al. (1996), financial management practices most particularly working capital management has a strong effect on the firms’ profitability. The same view is shared by Padachi (2006) and insists that there is need for a tradeoff between receivables and holding inventory if the firm is to attain the required profits. However, businesses needs to be cautioned that heavy investment in inventory ties up capital which in the end reduces firm’ profitability.

Thus summing up all the views of the previous researchers together with the relevant theories of resource based view, knowledge theory and dynamic capabilities theory, financial management is conceptualized as working capital management practices, financing practices, investment practices, financial reporting practices and accounting information practices. A multiplicative effect of all the constructs of financial management would have a reasonable influence on SMEs profitability (Nguyen, 2001).

IV. METHODOLOGY

One hundred and ten (110) women owned entrepreneurs in the small and medium enterprises where taken as the sample for the study, these respondents were randomly selected from within the district of Visakhapatnam. A questionnaire was executed only after consulting expert’s opinion who were connected in rendering services to the SME’s in order to validate the structure and content of the questionnaire. Out of the 110 questionnaire distributed, we could only consider 81 completely filled in questionnaire. The regression analysis was used to test the hypotheses at 95% confidence interval and the Stata 11 statistical package was used to regress the data.

Entrepreneurs covered in research are women mostly involved in business in ready-made garment manufacturing units, food processing units, bakery, handicrafts, printing and press, book binding, electronic spare parts units, flouriest culture, rice mills, toy making, stationary whole sales units, whole sales fruits, foot wear, rolling mills etc. Covering the entire district of Visakhapatnam.

V. ANALYSIS AND INTERPRETATION OF THE RESULTS

Education

The study reveals out of the responses received it was found that majority (40%) of the respondents have just Xth standard as their highest qualification while (32%) of the respondents had XIIth (intermediate) or PUC as their highest qualification, (3.7%) of the respondents are diploma holders and (25%) of the respondents have their degree has their highest qualification.

Historically, educational levels of women in India are comparatively very low as indicated by literacy rate. More recently the gender gap has narrowed, through the women participation in the family related financial matters but the participation of women in professional training course still remained very low. Limited access to educational opportunities and lack of adequate training places limits on exploring better business opportunities, their access to information related to market trends, latest technology, various schemes of assistance, and so forth, Basargekar,(2007).

The research sort to test the null hypothesis about the confidence in managing their finance is not determined, by their education levels. The P-value of 0.003 which is less than 0.05, the null hypothesis is rejected at 5 per cent confidence level implying that education is an important factor in building confidence in managing their finance properly. The above data clearly states that lack of formal education among women entrepreneurs has a serious impact on the performance and development of the SME’s owned and managed by them, as the evidence is clear the money generated by these women entrepreneurs were mostly used for their domestic purpose or repayment of the loans borrowed from unorganized financial money lenders rather than thinking of reinvestment with fear that if they do not repay their loans they would be deprived from future lending by the lenders on one hand and the...
interest charged by the lenders is also very high when compared to that of the interest charged by the banks.

**Training and Confidence**

The study found that from out of the respondents who had responded only (28%) of them had some form of training either from their spouses or the children whereas (72%) of the respondents do not have any form of training in managing their finance.

The researcher sought to find out if training is an important factor in boosting the confidence of the women entrepreneurs in managing their finance by testing the null Hypothesis that confidence in managing their finance is not related to the training they had in finance. The null hypothesis is not rejected since P-value of 0.071 greater than 0.05 stating that there is no significant relationship between training and the confidence in managing their finance however evidence from the study states that although majority of the respondents were of the opinion that they were confident in managing their finance since they could run the business since its inception. Only (32%) of the respondents had reinvested less than 40% of their profits back into their business showing a lack in managing their profits. The study also found that most of the respondents acquired their assets for their business before their second year in business and as business started growing these assets have been diminishing with less than 8% acquired business assets in the seventh year. Majority of the respondents were using their profits earned through business for their personal consumption such as renovating their house which rose from 6% of their profits in the first year to around 28% in the fifth year. Due to which the business was experiencing insufficient investment. 54% of the business units maintain average monthly sales volumes of Rs. 12,32,000 since 5 to 6 years. Majority of the business units have not grown in terms of employees over 68% of the units maintained less than 18 workers over the first six years.

**Age and Asset Acquisition**

Null hypothesis is rejected on the bases of P-value of 0.003 and is 97% confident that age does determine asset acquisition. (62%) of the respondents less than 30 years old acquired assets such as land, house sites, furniture and jewelry, while only (19%) of the respondents in the same age group acquired assets related to their business. It was observed through the research that (18%) of the respondents around the age group of 30-39 years old bought personal or domestic related assets whereas (72%) of the respondents of the same age group used their profits in purchasing assets related to their business. The respondents in the age group of 40-49 years old used just (8%) of their profits for their personal consumption while (92%) of them used their profits to purchase business related assets. 100% of the respondents in the age group 50 and above used their profits for the business related assets. Hence it could be concluded that there was a strong relationship between the age and acquisition of the assets.

**Financial Management Skills and Confidence in Managing their Finance**

The study states that confidence in managing their finance is not determined by their financial management skills. The null hypothesis was rejected based on the P-value of 0.002, implying that 98% are confident that confidence in managing their finance depends on the skills acquired in the financial management either through training or through their experience. The research finding had indicated that 28% of the respondents had received some sort of training on how to manage their finance and the rest through their long time existence in business; hence they expressed that they can manage their business has long as they are able to sustain their business. Thus confidence in managing their finance can largely be attributed to the skills acquired either through their own experience or through the formal training.

**Confidence in Managing their Finance and the Ability to Manage their Business**

The null hypothesis was rejected as the P-value 0.03 hence it can be referred to 97% confident that one’s confidence in managing their finance is influenced by their personal ability to manage their finance. The research had stated that 68% of the respondents had indicated that they had confidence in their ability to manage financial resources which in turn had been influencing their abilities to accumulate their business knowledge through their experience as 27% of the respondents had been exposed to more 10 years in business. More over added to this, they had expressed the positive relationship between the confidence to manage the business finance and confidence to manage their business can be attributed to the growing experience of their exposure through the association with their business. The respondents strongly expressed that their experiences in their personal life had given them the confidence in-spite of the various obstacles they have been experiencing both financially and technically. They were stratified with the profit margin they could earn, which enabled them to continue their business and have never let their business profit fall down.

**Their Responsibility of Managing their Finance and Work Experience**

The null hypothesis on their responsibility in managing their finance is not determined by their work experience was rejected based on the P-value of 0 thus it can be concluded that one’s prior work experience is not a determinant on their ability in managing their finance. Around 81% of the respondents had prior experience in managing their domestic finance and had expressed that their ability in managing their domestic finance was termed as a determinant on the assumption of their ability to manage their business finance.

As seen in the above analysis most the of the respondents have not been able to reinvest their profits and maintained the same size of their business because for the attention they were trying to fulfill their family needs or
self needs or trying to reduce their borrowings only with a hope that whenever a need arises for additional finance they could get it from the unorganized lenders. Due to which it was observed that the skills in managing their finance was very low and it was also observed that majority of them sort help from their spouse or from their children to complement their lack in the required financial skills.

VI. CONCLUSION

The researcher could draw from the study that, women entrepreneurs covered in the study had very limited skills to manage their finance which could be the strong reason behind their inability to influence their business to grow further. The study also indicates that women entrepreneurs used very little profits out for the expansion of their business or it was found that a large part of the profit was used for acquiring non-business related assets. It was observed that most of the women entrepreneurs covered in the study did not follow some basic management skills such as bookkeeping, personal account, inventory management and they do have the basic knowledge about how to improve the market. Few of them were depending on their workers either to help them in the basic accounting skills, marketing their products or on tracking their daily transaction. Education and timely training would help them to develop their skills and gain more confidence to manage their business. It was observed that almost all the respondents were maintaining accounts with the banks, but due to low profits and poor level of assets they were unable to get required loans from the banks. More over the banks showed no interest in guiding them properly on how they could avail necessary support and advise from time necessary. This poor connection with the bank and in most cases the transaction with the bank was operated through their family members or employees, the relationship was further narrowed down. It was also observed that some of the respondents had expressed that only if they could maintain sufficient bank balance with the banks they would be able to approach banks for necessary support. They were also in a dilemma that banks would support them financially when they had built in sufficient assets as collateral they would be supported by the banks financially. Due to which they were using their profits by acquiring non-business related assets such as agricultural lands rather than reinvesting it into their business. Few of them have expressed that they are building non-business related assets for their children’s future requirements or in case of any uncertainty they would be able to switch over to agricultural activity. The poor networking between the banks and the entrepreneurs led to a strained relationship between the knowledge and association with the banks. The easy access to the unorganized money lenders in spite of the high rate of interest was also the other reason why they could not increase their profits or reinvest into their business.

To conclude if women entrepreneurs are exposed to timely training on business related skills and knowledge in financial matters, regular conduct of Entrepreneurial development programs through which they could be updated with the changing business environment and customers needs, organize frequently confidence building capacity programs by the government officials, provide them the timely information on credit and loan facilities and other assistances through the banks. Would enable the women entrepreneurs to be empowered with all the required skills and know how. Such initiatives by the government, banks, research centers would bring in tremendous strength and a strong determination among women entrepreneurs in managing their business and learning on how to improve their financial strategies and market opportunities, which would strengthen the society and pave way for a better economic development.

REFERENCE