# Public sector banks and financial management of Women owned MSMEs in Thirunelveli District – Achievements and Challenges

**K.Azhwar Selvi**
Assistant Professor(Commerece), Thriruvalluvar College
Papanasam-627425

**Dr. C.Azhakappan,** Ph.D, Principal (Retired)
Thriruvalluvar College, Papanasam-627425

**Abstract**

Women accomplishment in different spheres of activities like academics, politics, administration, social work are phenomenal. Their contribution and eminence percolated into business also and running their enterprise magnificently. Now women have arisen as an imperative part of industrial growth. To accomplish equivalent status with men, women have to come out of their traditional responsibilities and have to generate an identity for themselves, presumptuous a diversity of functions. Further, economic independent found to be the significant determinant of empowerment. Economic empowerment denotes a procedure of redistribution of resources and power among different groups. The present paper made an attempt to map out the Financial Management of Women owned MSMEs in Thirunelveli District, 300 samples from Thirunelveli district have collected. The findings of the study indicated that several components pertaining to financial transactions and physical components of the MSMEs owned by women entrepreneurs have influence the financial management and the distress of the MSMEs eventually lead sickness of the selected MSMEs in Thirunelveli district.

Key words: Women entrepreneur, MSMEs, financial management

## Introduction

The involvement of women in the economic growth procedure can be largely classified into rural or urban employment with systematized sector or unorganized sector, self-employment in rural or urban, businesspersons in rural or urban areas. Establishment of entrepreneurship is considered to be meticulously connected to societal, ethnic, religious and psychological variables and these transition seem to have become suitable norms in the framework of women at work in the Indian condition largely converting into women participatory oriented development. Several factors like urbanization, technical development, women education etc., have intensely transformed the traditional circumstances even in a developing country like India. Financial restraints considered as significant bottleneck of MSMEs for long period, the situation became more complex after globalization, many of these industries displayed scale economies, which indicated that they got special position but after globalization these industries were experienced lot of organizational transformation which altered the activities of SMEs, several studies relates to SMEs have displayed that ineffective financial management was the root reason of the sickness and deficit of the SMEs in India, as major proportion of the SMEs didn't have distinct financial existing financial management system apart from big investment concerned with function, so the regular fund management didn't attain the imperative place, as these funds are utilized for carrying out the monotonous business processes containing of purchase of raw materials, payment of direct and indirect expenditures, carrying out of production, investment in stocks and stores and amount to be sustained in the form of money. It epitomizes funds with which business is carried on. It can also be observed as that percentage of the company's total capital, which is engaged in short term processes. It is not essential that the amount is continually available in the form of cash. The ineffectiveness in financial management found to be the first among managerial difficulties. The deficiency of finance distresses the capability of the MSMEs severely. Every kind of constraint, irrespective of raw material, power, transport or marketing encountered by an entrepreneur in its eventual analysis turns out to be a delinquent of finance. The small industry gets jostled out by the huge and medium scale industries in the obtaining of bank finance and institutional credit. A severe problem which is obstructing small scale sector is its sickness. Many small units have fallen sick due to one problem or the other. Some aggregate economic behaviours of the country such as growth in Gross National Product, availability of credit, volume of money supply, capital market activity or level of investment and price level fluctuations, may have important bearing on industrial sickness in the country. The crux of the problem is very often that of finance. Small Scale Industries are very poor and have little to offer as security for raising finance. This study is a modest attempt to examine the financial management practices of MSMEs owned by women entrepreneurs in Thirunelveli district. The study concentrated on six areas of financial management namely financial planning, analysis and control, accounting information, working capital management, investment management and management accounting.

**Source of Finance for SMEs**

Finance is a key element of production, distribution and development. It is therefore, appropriately designated as the "life-blood" of industry and is a pre-requisite for enduring the procedure of industrial development. During the pre-independence period, financial lacunas had hampered the quick development of industries in the country. After independence, the Government has built up a network of specialized financial institutions to deliver financial support to all kinds of industries, comprising small scale industries. A developing economy wants the support of a financial structure which is receptive to the requirements of growth. In India, in the procedure of financial deepening, public sector commercial banks have bear exceptional tasks in meeting the financial requirements of numerous sectors of the economy, at various phases of growth. In the procedure, they have evolved numerous methods and tools of financing, shaped numerous administrative originations, transited from traditional commercial banking and changed into development banks, receptive to socio- economic requirements. Finance largely made available to MSMEs entrepreneurs on a totality basis by public sector commercial banks, except in cases where the State Financial Corporations and other similar financing agencies step in to meet their medium – term requirements. A suitable type of credit is established for the construction of the factory construction, the purchase of plant, machinery and tools, and for working capital wants. In some cases, loans are advanced for the extension, renovation and upgrading of plant and machinery. Banks and financial institutions deliver the export finance required by MSMEs for letters of credit and extension of pre - shipment and post - shipment credit services. The interest rate construction is frequently graded on a slab substance, with a favorable prejudice to the smaller loans. Institutional sustenance and economic factors are encouraging entrepreneurial activities and thus generating more vigorous economic development. However, the financial management of MSMEs is within the company activities

**Financial management of MSMEs**

Financial management of MSMEs is the important component of the organizational structure. Efficient management of funds facilitates the firm to flourish and develop. It is the maladministration of funds of the firm that transformed successful business into an ineffective one. Thus without sufficient finance no business can subsist and without effective financial management no business can persist. The existence and development of a companies depends in use of funds in an optimal manner. The amplification of wealth is probable if the funds of the company are obtained from the right sources and capitalized in an effective way. Inadequate production management and bad sales management have eliminated their hundreds, but faulty finance has slain its thousands. If MSMEs disregards finance, it does so at its own jeopardy. A appropriate financial management delivers a robust inspiration for work in the right direction.

**Objectives**

- ❖ To examine the financial management of women owned MSMEs in Thirunelveli district
- ❖ To map out the constrains in access to institutional finance for women owned MSMEs in Thirunelveli district

**Data and Methodology**

This study is based on primary data. The primary data utilized mainly for evaluating the financial management and oriented issues of women owned MSMEs Thirunelveli district. A semi-structured draft of the interview schedule made and circulated among fellow researchers for critical appraisal. The draft was then reviewed in the on the basis of comments. The restructured interview schedule has given to 300 MSMEs owned by Thirunelveli district to collet the data.

**Table. 1: Descriptive statistics**

| | Response Category | Nos | Percent | Mean | Median | Std. Deviation |
|---|---|---|---|---|---|---|
| Age | Less than 26 | 1 | 0.4 | 3.44 | 4 | 0.76 |
| | 26 - 35 | 46 | 15.2 | | | |
| | 36 - 45 | 73 | 24.3 | | | |
| | More than 45 | 180 | 60.1 | | | |
| Number of Years of Experience | Less than 6 | 27 | 9.1 | 2.62 | 3 | 0.65 |
| | 6 to 10 years | 58 | 19.3 | | | |
| | 11 to 15 years | 215 | 71.6 | | | |
| | More than 15 years | 0 | 0 | | | |
| Educational Qualification | High School | 0 | 0 | 1.72 | 2 | 0.451 |
| | Graduate | 86 | 28.8 | | | |
| | Post Graduate | 214 | 71.2 | | | |
| IT Knowledge | Strategic | 86 | 28.8 | 1.72 | 2 | 0.41 |
| | Operational | 214 | 71.2 | | | |

Source: Primary Survey

**Result and discussion**

The empirical verification derived from the analysis implicitly revealed that majority of the selected women entrepreneur's' age is more than 45 as 60.1 percent constitute in this category. Similarly, a number of years of experience were more than 10 years which implied that women entrepreneurs relatively have sound experience and a significant portion of the employees (71.6%) are post-graduate. Further, 71.2% percent has got IT knowledge. The principal component analysis applied various explanatory variables associated one another The study undertaken to recognize the component dataset that maximizes modification, making standard linear models potentially more influential. The study proposed to appraise the financial management practices and challenges of women owned entrepreneurship by evaluating the various components pertaining to financial transactions and business activities of selected MSMEs. Further, Factor Loadings of Deliberate diversion of funds, Poor collections, Unexpected payments to creditors, High Inventory, Hardship to prove the repaying capacity to funding agency, Unproductive expenditure, Unclear restrictions to get the fund, Challenging to get loans from authorized financial institutions, Delay in Sanction of loans, Postponement in implementation of project. Based on the Eigenvalues, which could be witnessed from the empirical findings.

The Principal Component Technique was utilized to identify the most significant factors persuading the financial management of selected women owned MSMEs as detailed below:

$Z = a_1X_1 + a_2X_2 + a_3X_3 \ldots\ldots.. + a_nX_p$

Where $x_1$, $x_2$, $x_3 \ldots.x_p$ re the P variates deliberated for the study and i=1, 2, 3…p were the components.

$X_1$= Deliberate diversion of funds
X2 = Poor collections
X3 = Unexpected payments to creditors
X4 = High Inventory
X5 = Hardship to prove the repaying capacity to funding agency
X6 = Unproductive expenditure
X7 = Unclear restrictions to get the fund
X8 = Challenging to get loans from authorized financial institutions
X9 = Delay in Sanction of loans
X10= Postponement in implementation of project

The coefficients a1 to an were selected in order that the emerging variates (Zi) assumed for as much inconsistency possible consecutively between themselves but were unassociated within themselves. The principal components with Eigen values less than one were excluded as per Kaiser's rule (Kaiser 1960) and such components with Eigen values equivalent to larger than one were reserved as the constituents in the present study. The number of remarks for the PC examination would be the total number of components increased by their respective number of variables of financial process. Principal component analysis was taken up on 10 pre-identified indicators to decide their influence on the organizational construction of the business units. Though the goal of PCA is to utilize a small set of principal components (linear groupings of the original variables), it primarily recognizes the same number of converted components as the indicators of which only a few are consequently retained for the examination based on the Kaiser criterion.

**Table.2: Principal Components and Factor Loadings Financial Indicators Influencing the organizational structure**

| | | **Principal Components** | | | |
|---|---|---|---|---|---|
| **Sl.No.** | Indicators | I PC Factor Loadings | II PC Factor loadings | III PC Factor Loadings | IV PC Factor Loadings |
| **1** | Deliberate diversion of funds | 0.793 | 0.23 | 0.4833 | 0.22 |
| **2** | Poor collections | 0.687 | 0.3219 | 0.221 | 0.229 |
| **3** | Unplanned payments to creditors | 0.767 | 0.214 | 0.04282 | 0.392 |
| **4** | High Inventory | 0.15 | 0.177 | 0.901 | 0.326 |
| **5** | Hardship to prove the repaying | 0.159 | 0.4403 | 0.899 | 0.189 |
| **6** | Unproductive expenditure | 0.333 | 0.602 | 0.462 | 0.363 |
| **7** | Unclear restrictions to get the fund | 0.809 | 0.291 | 0.166 | 0.139 |
| **8** | Challenging to get loans from | 0.743 | 0.306 | 0.117 | 0.351 |
| **9** | Delay in Sanction of loans | 0.0927 | 0.146 | 0.03282 | 0.869 |
| **10** | Postponement in implementation of project | 0.083 | 0.131 | 0.030 | 0.782 |
| | Eigen values | 3.42 | 2.875 | 2.081 | 1.45 |
| | Variation explained | 28.55 | 23.95 | 17.33 | 12.14 |
| | Cumulative variation explained | 28.55 | 52.51 | 69.85 | 81.99 |

Source: Primary survey

Principal Components and the Factor Loadings of numerous contests in financial management and obtaining loan influencing the organizational structure of MSMEs units. Based on the Eigen values, it is implied that 28.54 per cent, 23.96 per cent, 17.33 per cent and 12.15 per cent of variation in the administrative structure was elucidated by the first, second, third and fourth components in that order. Thus entirely four components which cumulatively explained 81.99 per cent of the difference were retained for the analysis. It is found from the Table that some indicators are marked with high factor loadings and some with low factor loadings in each of the principal components, all of which are extracted by default in the course of analysis.

**Table.3: Results of Principal component analysis**

| Sl.No. | Indicators | I PC Factor Loadings | II PC Factor loadings | III PC Factor Loadings | IV PC Factor Loadings |
|---|---|---|---|---|---|
| 1 | Deliberate diversion of funds | 0.793 | -- | -- | -- |
| 2 | Poor collections | 0.687 | -- | -- | -- |
| 3 | Unplanned payments to creditors | | 0.767 | -- | -- |
| 4 | High Inventory | | 0.809 | -- | -- |
| 5 | Hardship to prove the repaying capacity to funding agency | -- | 0.602 | -- | -- |
| 6 | Unproductive expenditure | -- | | 0.961 | -- |
| 7 | Nebulous restrictions to get the fund | -- | | 0.837 | -- |
| 8 | Difficult to get loans from authorized | -- | -- | | 0.901 |
| 9 | Delay in Sanction of loans | -- | -- | | 0.899 |
| 10 | Delay in implementation of project | | | | 0.886 |
| | Deliberate diversion of funds | 3.427 | 2.875 | 2.081 | 1.458 |
| | Variation explained | 28.554 | 23.957 | 17.339 | 12.147 |
| | Cumulative variation explained | 28.554 | 52.511 | 69.85 | 81.997 |

Source: Primary Survey

The varimax rotation approach was deployed in order to attain a unblemished outline of loadings. Such a rotation maximized the discrepancies on the new axes to attain a pattern of loadings on each of the four reserved factors that is as varied as possible from one another, thereby permitting for an easier interpretation of the indicators' contribution. The subsequences of the rotation have been shown in Table. 3. The table displays only those variables which create the maximum influence to each component. two indicators, namely the deliberate diversion of funds, Poor collections whose factor loadings ranged from 0.687 and 0.793 emerged under the first component. Three indicators such as Challenging to get loans from authorized financial institutions, Delay in Sanction of loans, Postponement in implementation of project 0.602 to 0.809 developed underneath the second component. Indicators such as unproductive expenditure, Unclear restrictions to get the fund congregated under the third component with the range of 0.961 and 0.837 correspondingly, while unexpected payments to creditors, High Inventory and Hardship to prove the reimbursing capacity to funding agency loading fluctuated from 0.886 to 0.901

coming under the last component. Hence, it could be concluded from the analysis that highly difficult to obtain the institutionalized loans from the public sector banks which instigate the financial crisis along with the inefficient financial management structure existing in selected MSMEs. More so, access to institutionalized finance largely influencing the women owned MSMEs and also have repercussions on financial mismanagement which eventually affect the performance of MSMEs.

## Conclusion

Financial management is the key component of success of nay companies especially MSMEs have been undergoing serious constraints after the implementation of new economic policy. The existing MSMEs need to compete with the giant MNCs whose economic, technical power, market size. In the same line, Government imitative, women education and empowerment enabled the women to involve in business largely and they also competing in the business environment along with institutional inhibitions. Thus, the present study examined the various components pertaining to financial oriented issues on the financial management of the women owned MSMEs as the challenges is more than male counterpart. The outcome of the study indicated that inhibitions in access to institutional finance have accelerated the financial distress in the MSMEs which eventually affected the performance of women owned companies. Even though gender is not played effective role still the constraints encountered of being women is also noticeable and bottleneck. Government, civic societies and other financial institutions need to enhance the scope for institutional financial access and provide adequate management training to the women entrepreneurs with more effective way thereby ensure equitable development.

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