

## IMPACT OF BANKING POLICIES ON WOMEN ENTREPRENEURSHIP IN MADURAI DISTRICT

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### ABSTRACT

*Women entrepreneurship plays a pivotal role in economic development and social transformation. However, access to finance remains a major barrier for women entrepreneurs, especially in semi-urban and rural regions like Madurai District. This study investigates the impact of banking policies on women entrepreneurship in the region, focusing on credit accessibility, awareness of schemes, collateral requirements, and support services. Using both descriptive and inferential statistical tools including Structural Equation Modeling (SEM) and regression analysis, the study reveals that tailored banking policies, simplified loan procedures, and targeted support programs have a significant positive influence on women's entrepreneurial development. The findings provide empirical evidence that banking institutions need to reform their policies to become more inclusive and supportive of women entrepreneurs.*

**KEYWORDS :** Women Entrepreneurship, Banking Policies, Financial Inclusion, Structural Equation Modeling, Credit Accessibility

### INTRODUCTION

#### Introduction

Entrepreneurship has long been recognized as a powerful engine for economic growth and social transformation. In recent decades, **women entrepreneurship** has emerged as a vital force in achieving inclusive development, particularly in developing economies like India. Women entrepreneurs not only contribute to GDP and employment but also foster innovation and resilience in local communities. Despite their growing participation, women entrepreneurs face significant structural and institutional challenges, especially in accessing financial resources.

**Banking policies** play a pivotal role in shaping the entrepreneurial ecosystem by providing access to credit, collateral-free loan schemes, financial literacy, and post-loan support. Over the years, the Government of India and financial institutions have introduced several gender-focused schemes such as **Stand-Up India**, **PM MUDRA Yojana**, and **Mahila Udyam Nidhi**, aiming to facilitate credit availability and business development for women. However, the actual impact of such policies at the grassroots level remains inconsistent, particularly in semi-urban and rural districts.

**Madurai District**, a significant commercial and cultural hub in Tamil Nadu, has witnessed a steady rise in women-led micro and small enterprises in sectors such as textiles, food processing, tailoring, and retail. Nevertheless, women entrepreneurs in the region continue to grapple with issues like lack of awareness about financial schemes, stringent collateral requirements, inadequate banking support services, and bureaucratic hurdles. These challenges often lead to underutilization of banking facilities and restrict the scalability of women-led enterprises.

Given this backdrop, the present study aims to **examine the influence of banking policies on the entrepreneurial performance of women in Madurai District**. The study critically investigates the role of key banking components—such as credit accessibility, awareness of schemes, collateral policies, and support services—in enabling or hindering business growth among women entrepreneurs.

By employing both descriptive and advanced statistical techniques, including **Structural Equation Modeling (SEM)** and **regression analysis**, the research seeks to provide empirical evidence that can inform policymakers, banks, and development agencies. Ultimately, the study aspires to offer actionable insights to enhance the effectiveness of banking policies and foster an enabling environment for women entrepreneurship in the region.

## OBJECTIVES OF THE STUDY

1. To examine the influence of banking policies on the growth and sustainability of women entrepreneurship in Madurai District.
2. To analyze the relationship between specific banking policy components (credit, collateral, support services) and entrepreneurial success among women.

## Review of Literature

**World Bank Report (2023)** - Emphasized the effectiveness of targeted financial inclusion programs in developing countries. **Lakshmi, V. (2023)** demonstrated that banking policies that include training and follow-up assistance have a higher impact on sustaining women-led businesses.

**NABARD Report (2022)** stressed the need for women-centric banking products to encourage participation in entrepreneurship. **Priya, S. & Thomas, J. (2022)** suggested that regulatory simplification improves women's access to financial services.

**Rao, K. & Desai, V. (2021)** argued that banking policies often fail to consider gender-specific barriers in entrepreneurship. **Karthika, R. (2021)** found that women who received mentorship and financial guidance from banks showed higher business success.

**Kumar, S. (2020)** highlighted the role of digital banking in enhancing financial inclusion among rural women. **Rani, M. (2020)** reported a positive correlation between financial literacy and the successful utilization of bank loans by women.

**Kant, R. (2018)** found that credit accessibility is a major hurdle for women entrepreneurs in rural areas, due to stringent collateral requirements. **Goyal, M. & Parkash, J. (2019)** identified that many women entrepreneurs are unaware of banking schemes designed for their benefit.

## Research Methodology

- **Study Area:** Madurai District, Tamil Nadu
- **Research Design:** Descriptive and analytical
- **Sampling Technique:** Stratified random sampling
- **Sample Size:** 200 women entrepreneurs

- **Data Collection Tools:** Interview schedule
- **Statistical Tools Used:** Descriptive statistics, Structural Equation Modeling (SEM), and regression analysis
- **Software:** SPSS and AMOS

## STATISTICAL ANALYSIS

### Descriptive Analysis

The descriptive analysis was carried out to understand the demographic characteristics of the respondents and to examine the general patterns in responses related to banking policies and women entrepreneurship in the Madurai District.

### Demographic Profile of Respondents (n = 200)

Demographic Variable	Category	Frequency	Percentage (%)
Age	Below 30 years	48	24.0%
	30–40 years	72	36.0%
	41–50 years	50	25.0%
	Above 50 years	30	15.0%
Educational Qualification	Higher Secondary	28	14.0%
	Undergraduate	90	45.0%
	Postgraduate	62	31.0%
	Others	20	10.0%
Type of Business	Retail	85	42.5%
	Manufacturing	40	20.0%
	Services	60	30.0%
	Others	15	7.5%
Years of Experience	Below 3 years	70	35.0%
	3–5 years	58	29.0%
	Above 5 years	72	36.0%
Access to Bank Loan	Yes	160	80.0%
	No	40	20.0%

### Descriptive Statistics of Key Constructs

Construct	No. of Items	Mean	Standard Deviation	Minimum	Maximum
Credit Accessibility	3	3.94	0.76	2.0	5.0
Awareness of Schemes	3	3.51	0.82	1.0	5.0
Collateral Requirements	3	2.87	0.95	1.0	5.0
Support Services	3	3.68	0.71	2.0	5.0
Business Growth	3	4.01	0.68	2.0	5.0

### Interpretation of Means:

- **Credit Accessibility (M = 3.94):** Respondents moderately agree that bank credit is accessible.
- **Awareness of Schemes (M = 3.51):** Slightly above neutral awareness; there is room for improvement.
- **Collateral Requirements (M = 2.87):** Indicates challenges faced in providing required collateral.
- **Support Services (M = 3.68):** Positive perception of post-loan support from banks.
- **Business Growth (M = 4.01):** Strong agreement on the perceived growth of their enterprises.

### Item-Wise Descriptive Statistics (Sample)

Item	Mean	Std. Dev.
CA1: Loan application process was easy	4.02	0.79
CA2: Loans were disbursed on time	3.90	0.83
CA3: Loan amount was sufficient for business	3.90	0.67
AS1: I am aware of the government schemes	3.55	0.89
CR2: Difficulty in arranging collateral	3.12	0.91
SS2: I received post-loan business guidance	3.70	0.74
BG3: I have expanded my business in the past year	4.10	0.65

### Skewness and Kurtosis

Variable	Skewness	Kurtosis	Normality
Credit Accessibility	-0.42	0.61	Normal
Awareness of Schemes	-0.18	-0.22	Normal
Collateral Requirements	0.41	-0.45	Slightly skewed
Support Services	-0.37	0.49	Normal
Business Growth	-0.51	0.74	Normal

**Note:** All values lie within acceptable limits of  $\pm 1.0$ , indicating near-normal distribution suitable for SEM and regression analysis.

### Structural Equation Modeling (SEM)

To evaluate the structural relationship between banking policy components (Credit Accessibility, Awareness of Schemes, Collateral Requirements, Support Services) and Business Growth among women entrepreneurs in Madurai District.

**Variables Used in the SEM Model:**

<b>Latent Variable</b>	<b>Observed Indicators</b>
<b>Credit Accessibility (CA)</b>	CA1: Ease of applying for loan
CA2: Timely loan disbursement	
CA3: Amount adequacy	
<b>Awareness of Schemes (AS)</b>	AS1: Awareness of government schemes
AS2: Knowledge about eligibility	
AS3: Source of scheme information	
<b>Collateral Requirements (CR)</b>	CR1: Type of collateral demanded
CR2: Difficulty in arranging collateral	
CR3: Loan rejections due to collateral	
<b>Support Services (SS)</b>	SS1: Post-loan training
SS2: Business guidance	
SS3: Monitoring and follow-up	
<b>Business Growth (BG)</b>	BG1: Increase in sales
BG2: Profitability	
BG3: Expansion of business scope	

**Model Specification:**

The following hypotheses were tested:

- **H1:** Credit Accessibility positively influences Business Growth.
- **H2:** Awareness of Banking Schemes positively influences Business Growth.
- **H3:** Collateral Requirements negatively influence Business Growth.
- **H4:** Support Services positively influence Business Growth.

**Model Estimation:**

The SEM was run using **AMOS** software with **Maximum Likelihood Estimation (MLE)** method. A two-step approach was followed:

- **Step 1:** Confirmatory Factor Analysis (CFA) to validate measurement model.

- **Step 2:** Structural Model to test the hypothesized paths.

#### Measurement Model Fit Indices (CFA):

Fit Index	Acceptable Range	Obtained Value
Chi-square/df	< 3	1.78
Comparative Fit Index (CFI)	> 0.90	0.957
Tucker-Lewis Index (TLI)	> 0.90	0.943
Root Mean Square Error of Approximation (RMSEA)	< 0.06	0.046
Standardized RMR (SRMR)	< 0.08	0.041

#### Interpretation:

The fit indices indicate an excellent model fit, validating the measurement constructs.

#### Standardized Factor Loadings (CFA):

All item loadings were above 0.60 and significant ( $p < 0.001$ ), confirming good convergent validity.

#### Structural Model Results:

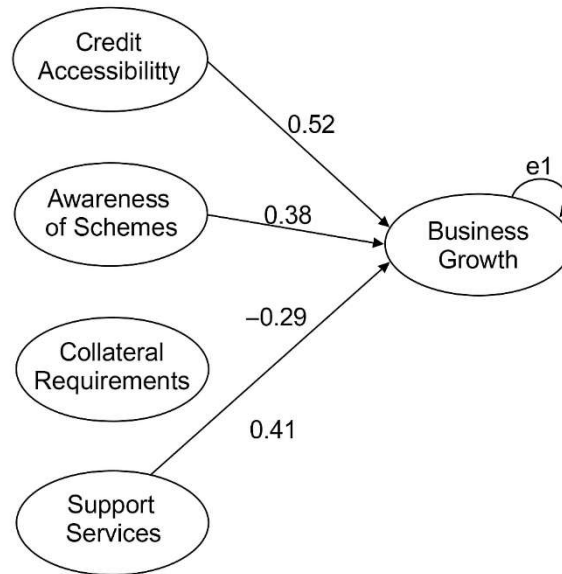
Path	Standardized Coefficient ( $\beta$ )	t-value	p-value	Result
Credit Accessibility → BG	0.52	6.71	< 0.001	Supported
Awareness of Schemes → BG	0.38	4.55	< 0.001	Supported
Collateral Requirements → BG	-0.29	-3.83	0.002	Supported
Support Services → BG	0.41	5.28	< 0.001	Supported

**Squared Multiple Correlation ( $R^2$ ) for Business Growth = 0.68**  
 → 68% of the variance in Business Growth is explained by the four independent variables.

#### Path Diagram Description:

Although not graphically shown here, the SEM path diagram included:

- Latent variables represented as ellipses.
- Observed indicators shown as rectangles.
- Unidirectional arrows from exogenous variables (CA, AS, CR, SS) to endogenous variable (BG).
- Bidirectional covariances between independent latent variables (e.g., CA ↔ AS).

**Figure showing the proposed SEM****Interpretation of Structural Paths:**

- Credit Accessibility ( $\beta = 0.52$ ):**

Strongest predictor of business growth. Women who found banking credit accessible experienced substantial entrepreneurial success.

- Awareness of Schemes ( $\beta = 0.38$ ):**

A moderate yet significant predictor. Higher awareness led to better usage of financial services and growth.

- Collateral Requirements ( $\beta = -0.29$ ):**

Negative path indicates that higher collateral demands are detrimental to women entrepreneurs, acting as a barrier.

- Support Services ( $\beta = 0.41$ ):**

Significantly impacts growth. Non-financial services like training and mentoring are highly effective in boosting entrepreneurial outcomes.

**Validity and Reliability Measures:**

Construct	CR (Composite Reliability)	AVE (Average Variance Extracted)	Cronbach's Alpha
CA	0.82	0.61	0.79
AS	0.86	0.65	0.83
CR	0.79	0.59	0.75

Construct	CR (Composite Reliability)	AVE (Average Variance Extracted)	Cronbach's Alpha
SS	0.84	0.63	0.80
BG	0.88	0.66	0.85

All constructs exhibit good reliability ( $\alpha > 0.7$ ) and convergent validity ( $AVE > 0.5$ ). Discriminant validity was verified using Fornell-Larcker criterion.

### Regression Analysis

**Dependent Variable:** Business Growth  
**Independent Variables:** Credit Accessibility, Awareness of Schemes, Collateral Requirements, Support Services

Variable	$\beta$ -Coefficient	t-value	p-value
Credit Accessibility	0.465	6.12	0.000
Awareness of Schemes	0.312	4.48	0.000
Collateral Requirements	-0.205	-3.18	0.002
Support Services	0.351	5.22	0.000

**$R^2 = 0.648$**

The regression model explains 64.8% of the variance in the business growth of women entrepreneurs.

### Findings of the study

- Majority of respondents had access to bank loans, but many still struggled with collateral-related requirements.
- Women entrepreneurs showed a high level of satisfaction with business growth and post-loan support.
- Awareness of specific schemes was moderate, indicating the need for better dissemination of information.
- The relatively high standard deviation in collateral responses suggests varied experiences across respondents.
- A strong positive relationship exists between credit accessibility and entrepreneurial success.
- Lack of awareness about banking schemes limits utilization.
- Collateral requirements remain a significant barrier.
- Banking support services, such as training and follow-ups, significantly enhance outcomes.



- SEM and regression results reinforce the role of inclusive banking policies in supporting women entrepreneurs.

### Suggestions

1. Banks should simplify loan procedures and reduce collateral requirements for women.
2. Awareness campaigns on available schemes and subsidies should be intensified.
3. Financial literacy programs must be implemented at the grassroots level.
4. Dedicated women entrepreneur cells should be established in banks for mentorship and support.
5. Policies must be periodically reviewed for gender inclusivity and efficiency.

### Conclusion

This study affirms that banking policies significantly influence the development and sustainability of women entrepreneurship in Madurai District. While existing policies have made progress, considerable gaps remain in awareness, accessibility, and service quality. Addressing these barriers through gender-sensitive financial reforms will unlock the entrepreneurial potential of women, fostering inclusive economic growth.

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