# The Role of Women Entrepreneurs in Human Development

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**Abstract**: Different researchers propagate different theories of the relationship between entrepreneurship and economic development. Many feel that there exist strong connections between economic growth and human development as this economic growth can in turn lead to mold the human development, although it is not the only antecedent to the human development. There are also empirical findings that support the proposition that the women entrepreneurs can play a salient role in the economic development of a country. So, it is very much appropriate to look after the relationship between entrepreneurship and economic development. Their growth can be pivotal in reducing the regional disparity in the economy of a country. This paper will attempt to explore the current status of women entrepreneurs in Manipur keeping in faith that academic exercises of such character will sure enable to push the economy and human development of Manipur to certain acknowledgeable level.

**Keyword**: Women Entrepreneur, Human Development, HDI, Economic Development, GEM.

## I. INTRODUCTION

Development without well-beings of the people and its ecosystem has no place in this modern world. Even though impressive human development progress has been observed in various human development components over the years in almost every economy, it is still uneven even within an economy. Although the narrative of economic growth of human development might not be wholly true, it is arguably true that economic growth is an important means to human development (UNDP, 2016). The first part is so because the intensity of the impact of economic growth on human development depends upon a variety of factors, such as economic structures, income and asset distribution, institutional quality, and policy choices many or all of which vary across countries (Mustafa, Rizov & Kernohan, 2017). Following this line of thought, women entrepreneurs can play a big role in pushing up the status quo of human development parameters in an economy (particularly in developing economies) via economic development channel.

This paper is an attempt to explore the role of entrepreneurs in general and women entrepreneurs in particular, in the realm of economic development which finally can prop human development. Section 2 introduces the concept of human development and HDI, section 3 gives a glance at women entrepreneur, section 4 discusses the relation between entrepreneur, human development and economic development, section 5 questions the status of women entrepreneurs in Manipur in connection to the development sphere and section 6 presents the conclusion of the discussion.

## II. HUMAN DEVELOPMENT

According to UNDP Report 2016, human development is nothing but the process of enlarging people's choices. Indeed, it is a vast concept focusing on enhancing various aspects of human well-being, from maximizing income to expanding capabilities, from optimizing growth to enlarging freedoms, rather than on simply the richness of economies (UNDP, 2016).

With an aim to measure the development of a country based on people and their capabilities, the Human Development Index (HDI) was designed. It integrates three basic dimensions of human development: life expectancy at birth reflects the ability to lead a long and healthy life, mean years of schooling and expected years of schooling reflect the ability to acquire knowledge, and gross national income per capita reflects the ability to achieve a decent standard of living (UNDP, 2016). As HDI attempts

to capture only a few snapshots of human development, it cannot be equated to human development (HD); HD goes well beyond the HDI (Ranis, Stewart, Samman, 2006).

Despite its huge popularity in human development studies, the HDI has its profound negative sides too. First, it is understandable to all that it neglects several other dimensions of human well-being. Second, it implies and quantifies implied substitution possibilities between the three-dimension indices, for example, a decline in life expectancy can be offset by a rise in GDP per capita in ways some researchers found questionable. The third point, the HDI uses an arbitrary weighting scheme of the three components. Finally, the HDI is often criticized because it only looks at the average achievements and, thus, does not take into account the distribution of human development within a country (Grimm et. al., 2008).

There are two versions of HDI:  global HDI and regional or national HDI. The global HDI was first presented in the 1990 Human Development Report (HDR) and is used in comparing the achievements of the countries in the field of health, knowledge and living standards. The methodology and indicators for calculating the HDI were then revised in the 2010 and 2014 Human Development Reports. HDI indicators however is region specific and is not uniform within a country, thus necessitates development of the national HDI to assess levels of human development in specific regions.

For calculating global HDI, it sets a minimum and a maximum value for each indicator (Table 1). Four indicators are currently used (in UNDP 2014) to capture the three dimensions: (a) life expectancy at birth (long and healthy life) (b) mean years of schooling of population of ages 25 and over (knowledge), expected years of schooling for children (knowledge); and (c) Gross National Income (GNI) per capita adjusted by purchasing power parity (PPP) (standard of living).

First step in HDI calculation is evaluation of three separate indices for each of the three dimensions: one for long and healthy life, one for knowledge and one for decent standard of living respectively. These are normalized values between 0 and 1 calculated using the equations (1) and (2).

$$Dimension\ index = \frac{actual\ value - minimum\ value}{maximum\ value - minimum\ value} \quad (1)$$

$$Dimension\ index = \frac{\ln[actual\ value] - \ln[minimum\ value]}{\ln[maximum\ value] - \ln[minimum\ value]} \quad (2)$$

The minimum and maximum values for each indicator are presented in the table 1. In estimating health index, equation 1 is applied using the value observed in the country as actual value. For education, equation 1is applied to each of the two sub-components, then the arithmetic mean of the two sub-indices obtained is evaluated. For income, equation 2 is taking natural logarithm of all the entries, making the transformation function from income to capabilities is likely to be concave (Anand and Sen, 2000).

Table 1. Ranges for indicators of 2014 global HDI.

| Dimension | Indicator | Minimum | Maximum |
|---|---|---|---|
| Health | Life expectancy (years) | 20 | 85 |
| Education | Expected years of schooling | 0 | 18 |
|  | Mean years of schooling | 0 | 15 |
| Standard of living | Gross national income per capita (PPP 2011 $) | 100 | 75,000 |

Source UNDP (2014)

In the second step, the geometric mean of dimension indices is calculated using equation 3 and is the value of global HDI.

$$HDI = \sqrt[3]{I_{health} \text{ X } I_{education} \text{ X } I_{income}} \qquad (3)$$

where I= Dimension Index.

Equation 3 embodies imperfect substitutability across all HDI dimensions, addressing one of the most serious criticisms of the previous linear aggregation formula, which implied that all dimensions were perfect substitutes (UNDP HDRO, 2015).

As for India, the Government of India (Planning Commission) made certain changes in the calculation of HDI in the National Human Development Report 2001 (GOI 2002). A composite health index consisting of life expectancy with a weight of 65 per cent and infant mortality rate with a weight of 35 per cent was proposed. In case of composite index on educational attainment, the literacy rate was given a weight of 35 per cent and formal education was assigned 65 percent weight. Finally, in case of indicator on economic attainment namely, inequality adjusted per capita consumption expenditure, an adjustment for

inflation over the period was made to make it amenable to inter-temporal and inter-spatial comparisons (P. Nayak, 2008).

## III. WOMEN ENTREPRENEURS

Many scholars view entrepreneurs as individuals who can extract opportunities from chaos, confusion and contradiction (Kuratko & Hodgetts, 2004). They are the catalytic agents of change, which generates employment opportunities for others and create wealth of the society. Basically, an entrepreneur is a person who is responsible for setting up a business or an enterprise. In this regard, Vesper states "the overall field of entrepreneurship is loosely defined as the creation of new business enterprises by individuals and small groups".

According to the Scumpeterian concept of innovative entrepreneurs, women who innovate, imitate or adopt a business activity are called "women entrepreneurs". The Govt. of India has defined women entrepreneurs based on women participation in equity and employment of business enterprise. Accordingly, women entrepreneur is defined as "an enterprise owned and controlled by a woman having minimum financial interest of 51 percent of capital and giving at least 51 percent of the employment generated in the enterprise to women". However, this definition is subjected to criticism mainly on the condition of employing more than 50 percent women workers in the enterprises owned and run by the women (Khanka, 1999).

According to Vinze (1987), "a woman entrepreneur is a person who is an enterprising individual with an eye for opportunities and an uncanny vision, commercial acumen, with tremendous perseverance and above all, a person who is willing to take risks with the unknown because of the adventurous spirit she possesses".

GEM Women's Entrepreneurship 2016/2017 Report gives an estimated 163 million women were starting or running new businesses in 74 economies around the world in 2016. In addition, an estimated 111 million were running established businesses. This figure not only enlighten the impact of women entrepreneurs across the globe, but also imply their contributions to the growth and well-being of their societies. Scholars and researchers view the growth of women's entrepreneurship as a potential source of economic and social development.

Although women entrepreneurs can act as a galvanizing force of economic development, according to the same GEM report, there remain some challenges for women entrepreneurs still. These include a greater likelihood of necessity motivation (compared to opportunity) for women entrepreneurs, lower growth expectations, and higher rates of discontinuance than their male counterpart. These challenges imply need for support in the form of coaching, access to capital, education and training, and other resources to help sustain them.

## IV. ENTREPRENEURS, ECONOMIC GROWTH AND HUMAN DEVELOPMENT

**Relationship between economic development and Human development:**

Although skepticism is still running high, many researchers feel that there exist strong connections, perhaps a two causal chains between Economic Growth (EG) and Human development (HD). On the one hand, EG provides the resources to permit sustained improvements in HD. On the other, HD improvements raise the capacities of economic agents who make the critical contributions to EG (Ranis and Stewart, 2005; see Gries & Naude, 2011).

Ranis and Stewart argue that in chain A, Gross national product (GNP) contributes to HD through household and government activity, community organizations and non-governmental organizations (NGOs). Further, this same level of GNP can lead to very different HD performances depending on the allocation of GNP to various groups and to distribution within each category.

Turning to Chain B, from HD to EG, the authors opined that higher levels of HD can affect the economy by enhancing people's capacities and, consequently, their creativity and productivity. As people become healthier, better nourished and educated, they contribute more to economic growth through higher labour productivity, improved technology, attracting more foreign capital, and higher exports.

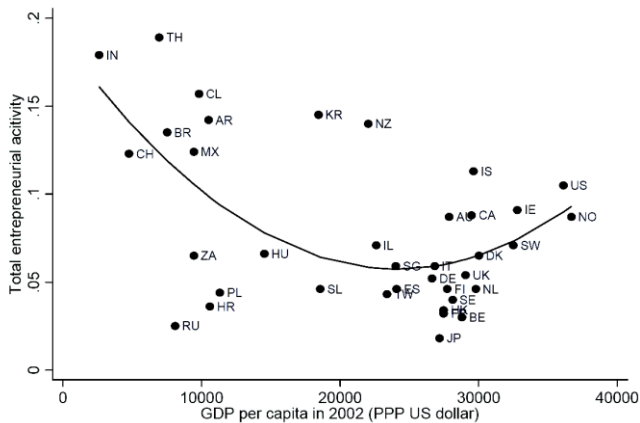**Relationship between entrepreneurship and economic development:**



Fig.1. Entrepreneurial growth vs economic growth.

Source: Van Stel et al. (2005) and World Bank (2007).

Different researchers propagate different theories of the relationship between entrepreneurship and economic development. Using GEM data on total entrepreneurial activity (TEA-a measure of nascent entrepreneurship) from 37 countries, many researchers argue a U-shaped relationship between self-employment, total entrepreneurial activity and per capita income (figure 1). This U-shaped fitted line was obtained by regressing total entrepreneurial activity against per capita GDP and per capita GDP squared. The results were as follows:

$$TEA = 0.187 - 0.00GDP + 2.24GDP^2$$

with adjusted

$$R^2 = 0.30$$

and all the coefficients statistically significant at the 5 per cent level (Naude, 2008).

At low levels of economic development, self-employment is quite high due to lack of satisfactory wage-employment. This situation is common (i) in the traditional society where production take place within the household or (ii) where larger firms are mainly absent due to lack of economies of scale. In this stage of development there will be many persons possessing high entrepreneurial ability, but there is no favourable environment for economic growth.

Then population growth and technological advances in agriculture and transport result larger markets, where economies of scale can be reaped and where innovation, creativity, and learning can take place. In fact, favourable environment starts to surface. Entrepreneurs will identify greater opportunities in this context, which will result in growing investment and re-allocation of production factors from the traditional subsistence sector, to the modern sector, and economic growth will start.

With entrepreneurs creating new and growing firms and as wages start to rise in the more productive modern sector, the opportunity costs for self-employment will rise and the ratio of self-employed to wage-employed will decline. This corresponds to the downward sloping part of the U-shaped curve. According to Winnekers, Van Stel, Thurik & Reynolds (2005) "from a certain level of economic development onwards, the employment share of manufacturing starts declining, while that of the services sector keeps increasing with per capita income, providing more opportunities for business ownership".

Finally, growth in the service sector and adoption of new technologies that lessens the need for economies of scale opens up many new opportunities that can be utilized by small firms, and leads to a rise in self-employment, corresponding to the upward-sloping portion of the U-shaped curve.
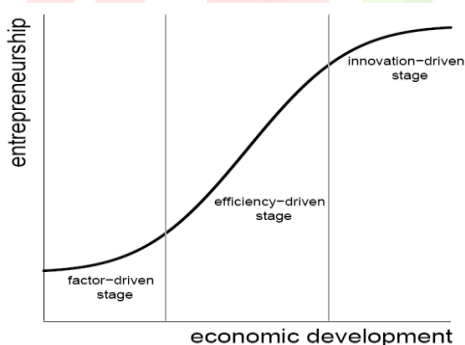


Fig.2 Entrepreneurship and the corresponding stages of Development

Source: Ács & Szerb (2010)

However, Acs and Szerb (2010) bets for a mildly S-shaped relationship between entrepreneurship and economic development, not U-shaped. Figure above shows the relationship. The intersection of the S-curve on the vertical axis suggests that entrepreneurship is also a resource, and that all societies have some amount of economic activity, but that activity is distributed between productive, unproductive and destructive entrepreneurship (Baumol, 1990).

## V. WOMEN ENTRENEURS IN MANIPUR

Table 2. HDI of Northeastern States and India in 2001

| State/Country | Index | | | HDI | |
|---|---|---|---|---|---|
| | Education | Health | Income | Value | Rank |
| Ar. Pradesh | 0.55 | 0.68 | 0.23 | 0.49 | 8 |
| Assam | 0.62 | 0.76 | 0.13 | 0.50 | 7 |
| Manipur | 0.73 | 0.85 | 0.18 | 0.59 | 3.5 |
| Meghalaya | 0.62 | 0.72 | 0.23 | 0.52 | 6 |
| Mizoram | 0.87 | 0.83 | 0.30 | 0.67 | 1 |
| Nagaland | 0.67 | 0.76 | 0.29 | 0.57 | 5 |
| Sikkim | 0.71 | 0.80 | 0.29 | 0.60 | 2 |
| Tripura | 0.73 | 0.79 | 0.25 | 0.59 | 3.5 |
| India | 0.64 | 0.78 | 0.28 | 0.56 | - |

Source: Tripura Human Development Report 2007

The HDI value during 1981 for Manipur is 0.461 as against national average of 0.302. But in 2001, HDI value of the state is 5.9, ranking 3.5 among the North East states because of low-income level despite high performance in education and health sectors (Table 2).

To pump up the income level of Manipur, the entrepreneurs both male and female in the state can play a major role. In this connection, findings of author's own PhD research (2013) on economic and time management of women entrepreneurs in Manipur reveals some interesting facts. The research was done on a sample of 400 women entrepreneurs which were selected from 2 districts namely Imphal West and Thoubal using stratified random sampling in 5 entrepreneurial units namely, embroidery, jewellery, beauty parlour, kids care centre and tailoring.

Some related findings extracted from my research thesis are listed here:

(a)     The average monthly household income and expenditure of the women entrepreneurs were found to be Rs. 9424.50 and Rs. 6440.75 respectively.

Further, there is ample evidence that most of the women become entrepreneurs (60.75 percent) merely for earning a livelihood and domestic management irrespective of the type of enterprises. Only 14.5 and 10.75 percent of the women entrepreneurs asserted a desire to achieve something and the needs for becoming an independent entrepreneur. This shows that most of them are mere necessity entrepreneurs.

(b)     The average monthly income of an entrepreneur was found to be Rs. 6184 approximately. This along with findings in (a) hints the role of women entrepreneurs in bearing the economic development of their respective families.

(c)      As for employment generation, an entrepreneur can provide jobs to four people on average. On total, the 400 women entrepreneurs generate jobs to 1727 workers out of this 1545 were female workers and remaining 182 were male workers. Each worker earning Rs.1310 on average per month.

(d)      It has been found that 77.39 percent of women entrepreneurs in embroidery, 75 percent in jewellery, 80.73 percent in beauty parlour, 74.54 percent in tailoring and 94.73 in kids care centre respectively are self-funded. Further the study reveals that the least interest financial institutions (regional and nationalized banks) are least approached by the women entrepreneurs in the state (Bimolata, 2013).

Some of the inferences that can be drawn from these findings include unsound economic background and necessity-oriented intention of   women entrepreneurs, lack of institutional support because of which they are self-funded, and low monthly income. Only the silver lining side visible is they generate jobs although worker's wage is low.

## VI. CONCLUSION

This paper tries to interrelate the women entrepreneurs, economic development and human development and it also reinstates that there are positive relations among them given certain constraints. Although income level is low, women entrepreneurs still largely contribute to the welfare of their families and generate jobs. Considering the current scenario, the future of women entrepreneurs in Manipur is not bright in the face of open market competition; so, demands to set a healthy entrepreneurial environment for pushing up the state's economy and human development.

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