

# Socio-Economic Impact of Women-Led Micro Enterprises on Rural Community Development in Tamil Nadu

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**Abstract-** Women-led micro enterprises have emerged as a powerful instrument for rural transformation in India. In Tamil Nadu, rural women entrepreneurs contribute significantly to livelihood generation, employment creation, and community development through small-scale enterprises in agriculture, food processing, handicrafts, tailoring, dairy, and service sectors. This study examines the socio-economic impact of women-led micro enterprises on rural community development with particular emphasis on income enhancement, livelihood sustainability, employment generation, and ecosystem development. Primary data were collected from 220 rural women entrepreneurs across selected districts of Tamil Nadu using a structured questionnaire. Statistical tools such as percentage analysis, correlation, and regression were employed. The findings reveal that women-led micro enterprises significantly improve household income, enhance social status, generate local employment, and stimulate rural economic ecosystems. The study concludes that strengthening institutional support and financial access mechanisms is essential to sustain rural women entrepreneurship.

**Index- Terms:** Women Entrepreneurship, Rural Development, Micro Enterprises, Livelihood, Community Upliftment, Tamil Nadu.

## I. INTRODUCTION

Rural development in India is closely linked to the empowerment of women and the expansion of livelihood opportunities. Micro enterprises have become a critical pathway for economic participation among rural women, particularly in states like Tamil Nadu, where self-help group movements and cooperative models are strong.

Women-led micro enterprises typically operate with limited capital, local resources, and family-based labour. However, despite their small scale, these enterprises contribute substantially to household income, poverty reduction, and community-level economic growth.

Government initiatives such as National Rural Livelihood Mission and Pradhan Mantri Mudra Yojana have facilitated credit access and entrepreneurial support for rural women. Tamil Nadu's proactive SHG network has further strengthened this ecosystem.

This study aims to analyze how women-led micro enterprises influence socio-economic development in rural communities.

## II. REVIEW OF LITERATURE

### 2.1 Women Entrepreneurship and Rural Development

Women entrepreneurship has increasingly been recognized as a catalyst for inclusive rural development. Agarwal (2018) argues that women's economic participation enhances household bargaining power and community-level development outcomes. Similarly, Kabeer (2012) emphasizes that economic empowerment is a prerequisite for social empowerment and sustainable rural transformation.

In the Indian context, Datta and Gailey (2012) observed that women-owned micro enterprises significantly reduce poverty by diversifying rural income sources. Their study found that participation in micro-enterprise activities improved asset ownership and financial resilience among rural households.

### 2.2 Livelihood Sustainability and Micro Enterprises

The Sustainable Livelihood Framework proposed by Chambers and Conway (1992) highlights the importance of income diversification and asset accumulation in reducing vulnerability. Micro enterprises enable rural women to shift from seasonal agricultural income to stable non-farm income.

According to Ellis (2000), non-farm enterprises contribute to livelihood security by providing alternative income streams during agricultural off-seasons. Empirical evidence from South India by Rajendran (2019) indicates that women-led enterprises significantly enhance household consumption stability and savings behavior.

### 2.3 Financial Empowerment and Income Generation

Financial empowerment is a core dimension of women entrepreneurship. Mayoux (2001) argues that access to micro-credit increases women's financial autonomy and decision-making authority. However, she cautions that credit alone is insufficient without capacity-building support.

In Tamil Nadu, studies by Swain and Wallentin (2009) demonstrated that Self-Help Group (SHG) participation improved income levels, savings, and financial inclusion among rural women. The linkage between microfinance and enterprise development was found to be statistically significant in enhancing economic independence.

Further, Banerjee et al. (2015) found that micro-enterprise interventions improved business investments and consumption expenditure among rural households in India.

#### 2.4 Employment Creation and Local Economic Development

Women-led micro enterprises contribute to employment generation at the grassroots level. Mead and Liedholm (1998) observed that micro and small enterprises are major contributors to non-farm rural employment in developing economies.

In the Indian rural context, Kantor (2001) found that women-owned enterprises not only provide self-employment but also create indirect employment opportunities within communities. These enterprises strengthen local supply chains and reduce rural-urban migration.

Empirical findings by Tambunan (2009) suggest that women entrepreneurs significantly contribute to regional employment growth in developing countries.

#### 2.5 Social Empowerment and Community Participation

Economic independence often translates into social empowerment. Malhotra et al. (2002) define women's empowerment as the expansion of women's ability to make strategic life choices. Entrepreneurship enhances mobility, public participation, and leadership.

Research by Hashemi et al. (1996) in South Asia showed that women engaged in income-generating activities exhibited higher participation in household decision-making and community forums.

In Tamil Nadu, Sathiabama (2010) reported that rural women entrepreneurs experienced increased social recognition and improved self-confidence after establishing micro enterprises.

#### Research Gap

Rural communities in Tamil Nadu continue to experience income instability, limited non-farm employment opportunities, and socio-economic disparities despite the expansion of women-led micro enterprises. While numerous government initiatives promote rural women entrepreneurship, the structural contribution of these enterprises to overall community development remains insufficiently quantified. Existing research largely examines economic or empowerment aspects independently, without assessing their combined impact through a comprehensive empirical framework. Consequently, policymakers lack evidence-based structural insights to design integrated rural development strategies. This study seeks to address this problem by examining the socio-economic impact of women-led micro enterprises through a multidimensional SEM-based approach.

#### Objectives of the Study

1. To assess the socio-economic characteristics of women-led micro enterprises.
2. To examine the impact of livelihood sustainability on rural community development.
3. To analyze employment creation effects.
4. To evaluate financial and social empowerment dimensions.

5. To test a structural model explaining rural community development.

#### Need for the Study

The Need for this study arises from five critical considerations:

1. Rising importance of women entrepreneurship in rural transformation.
2. Policy emphasis under schemes such as National Rural Livelihood Mission.
3. Increasing role of SHGs and micro enterprises in Tamil Nadu's rural economy.
4. Lack of integrated empirical models linking enterprise activities to community-level outcomes.
5. Limited application of Structural Equation Modelling in rural women entrepreneurship research.

A scientifically validated model can support policymakers, development agencies, and academic researchers in designing targeted interventions to strengthen rural enterprise ecosystems.

#### Hypotheses Development

- H1: Livelihood Sustainability significantly influences Rural Community Development.  
H2: Employment Creation significantly influences Rural Community Development.  
H3: Financial Empowerment significantly influences Rural Community Development.  
H4: Social Empowerment significantly influences Rural Community Development.  
H5: Micro Enterprise Ecosystem Development significantly influences Rural Community Development.

### III. RESEARCH METHODOLOGY

#### Research Design

Descriptive and analytical research design using quantitative approach.

#### Sample Size and Area

Sample: 320 women entrepreneurs

Area: Salem, Namakkal, Dharmapuri, Krishnagiri (Tamil Nadu)

Sampling Technique: Stratified random sampling

#### Data Collection

Primary data: Structured questionnaire (5-point Likert scale)

Secondary data: Government reports, journals, policy documents.

#### Statistical Tools

- Descriptive Statistics
- Reliability Analysis
- Confirmatory Factor Analysis (CFA)
- Structural Equation Modeling (SEM)

- R<sup>2</sup> Analysis

Software Used: AMOS / Smart PLS

#### IV. DATA ANALYSIS AND RESULTS

##### Reliability and Validity

All constructs show Cronbach's alpha above 0.85. Composite reliability exceeds 0.70. AVE values are above 0.50 confirming convergent validity.

Table 1-Reliability and Convergent Validity Analysis

Construct	No. of Items	Cronbach's Alpha	Composite Reliability (CR)	Average Variance Extracted (AVE)
Livelihood Sustainability (LS)	5	0.89	0.91	0.67
Employment Creation (EC)	4	0.87	0.89	0.64
Financial Empowerment (FE)	5	0.91	0.93	0.71
Social Empowerment (SE)	4	0.88	0.90	0.66
Micro Enterprise Ecosystem Development (MEED)	5	0.92	0.94	0.74
Rural Community Development (RCD)	6	0.94	0.95	0.76

Source: Primary Data

##### Interpretation:

All constructs demonstrate high internal consistency, with Cronbach's alpha values exceeding the recommended threshold of 0.70. Composite Reliability values confirm measurement reliability, while AVE values above 0.50 indicate strong convergent validity. Therefore, the measurement model satisfies reliability and validity requirements for SEM analysis.

Table 2- Model Fit Indices (AMOS Output)

Fit Index	Recommended Value	Obtained Value	Model Status
$\chi^2/df$	< 3.0	2.11	Acceptable
CFI	> 0.90	0.94	Good Fit
TLI	> 0.90	0.92	Good Fit
GFI	> 0.90	0.91	Good Fit
RMSEA	< 0.08	0.056	Excellent Fit
SRMR	< 0.08	0.048	Excellent Fit

Source: Primary Data

**Interpretation:**

The model exhibits strong goodness-of-fit indicators. RMSEA and SRMR values fall within excellent range, while CFI and TLI exceed 0.90, confirming that the structural model adequately represents the observed data. The  $\chi^2/df$  ratio further supports model adequacy.

Table 3- Structural Path Coefficients

Hypothesis	Path	Standardized $\beta$	t-value	p-value	Result
H1	LS $\rightarrow$ RCD	0.28	4.72	0.000	Supported
H2	EC $\rightarrow$ RCD	0.24	3.95	0.001	Supported
H3	FE $\rightarrow$ RCD	0.31	5.48	0.000	Supported
H4	SE $\rightarrow$ RCD	0.22	3.64	0.002	Supported
H5	MEED $\rightarrow$ RCD	0.35	6.12	0.000	Supported

$R^2$  (RCD) = 0.68

Source: Primary Data

**Interpretation:**

All hypothesized relationships are statistically significant at the 1% level. Micro Enterprise Ecosystem Development ( $\beta = 0.35$ ) exerts the strongest influence on Rural Community Development, followed by Financial Empowerment ( $\beta = 0.31$ ). The model explains 68% of variance in rural community development, indicating strong predictive power.

**Discussion**

The findings confirm that women-led micro enterprises contribute significantly to rural transformation. Financial empowerment enhances savings and investment capacity. Employment creation reduces rural underemployment. Social empowerment strengthens leadership participation. The ecosystem dimension including SHG networks, digital adoption, and market access acts as a structural amplifier. Therefore, rural entrepreneurship success depends not only on individual effort but also on systemic support mechanisms.

**Conceptual Model Figure Explanation**

The conceptual model proposes that five latent constructs—Livelihood Sustainability (LS), Employment Creation (EC), Financial Empowerment (FE), Social Empowerment (SE), and Micro Enterprise Ecosystem Development (MEED)—directly influence Rural Community Development (RCD).

- LS represents income stability and asset growth.
- EC reflects direct and indirect job generation.
- FE captures savings, credit access, and financial autonomy.
- SE denotes participation in decision-making and social recognition.
- MEED represents institutional support, market linkages, and digital adoption.

Arrows from LS, EC, FE, SE, and MEED toward RCD indicate hypothesized direct structural relationships. The model assumes that ecosystem development strengthens the impact of other variables, functioning as a structural amplifier. SEM is used to test the strength and significance of these relationships.

The model ultimately explains the proportion of variance in Rural Community Development ( $R^2$ ), validating the systemic impact of women-led micro enterprises.

#### Theoretical Contributions

1. Integrates Sustainable Livelihood and Empowerment theories.
2. Proposes ecosystem-based rural entrepreneurship model.
3. Extends SEM application in rural development research.

#### Practical Implications

- Promote cluster-based rural enterprise hubs.
- Strengthen digital marketing training.
- Improve micro-credit accessibility.
- Establish rural incubation centres.

#### Policy Recommendations

Integration with national programs such as:

- National Rural Livelihood Mission
- Pradhan Mantri Mudra Yojana
- Stand Up India

Policy focus should move from credit distribution to ecosystem strengthening.

#### Limitations

- Limited to selected districts.
- Cross-sectional study.
- Self-reported data.

#### Scope for Future Research

- Multi-state comparative SEM studies.
- Longitudinal rural entrepreneurship studies.
- Moderation analysis (education, experience).
- Impact of digital entrepreneurship in rural women enterprises.

## V. CONCLUSION

The present study substantiates that women-led micro enterprises act as a vital catalyst for socio-economic transformation in rural regions of Tamil Nadu. Empirical findings from the SEM

analysis confirm that women's entrepreneurial engagement significantly improves rural livelihoods, employment creation, household income stability, and community participation. The results further reveal that a well-supported micro-enterprise ecosystem comprising institutional finance, self-help groups, skill development initiatives, and market access enhances enterprise sustainability and local economic resilience.

Women entrepreneurs not only generate economic value but also contribute to social capital formation and community upliftment through collective growth and inclusive development practices. Strengthening policy frameworks, digital inclusion, and ecosystem-based support mechanisms can further accelerate rural transformation. Thus, promoting women-led micro enterprises emerges as a strategic pathway for achieving sustainable and equitable rural development.

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