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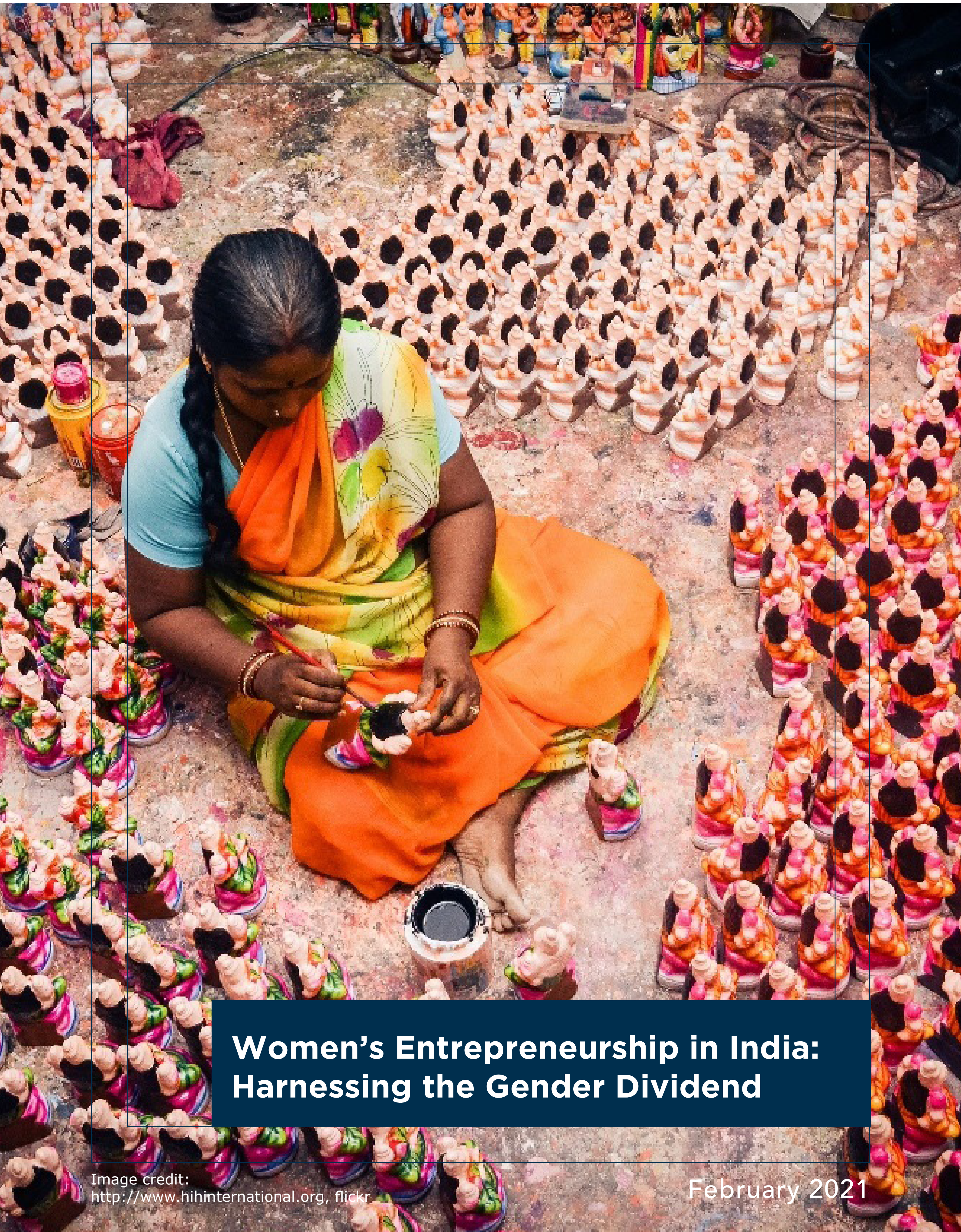

Women's Entrepreneurship in India: Harnessing the Gender Dividend

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Overview

India's economic growth story has eluded a large section of the micro, small and medium enterprises (MSMEs)—in fact the smallest of the enterprises led by women. This is evident in the fact that, despite the growing number of MSMEs in India, as of 2018–19, only one in every five enterprises was owned by women (21.5 per cent)[1]. Not only is women's representation across sectors low, the growth of existing enterprises also seems to have stagnated over time. According to 2015 National Sample Survey (NSS) estimates, between 2010 and 2015 the share of women-led enterprises and the gross value added (GVA) did not increase. Moreover, there was a fall in worker share from 18 per cent to 16 per cent. [2]A recent study conducted by Mastercard ranked India 49th amongst 57 countries in its 2020 Mastercard Index of Women Entrepreneurs.[3] This ranking speaks volumes for the odds stacked against women in India's entrepreneurship ecosystem.

In India, opportunities for women who are able and willing to work have been restricted due to inflexible work schedules and wage disparity. For those seeking entrepreneurial activities this has resulted in survivalist ventures mainly aimed at subsistence and sustainable income.

This brief seeks to highlight the key challenges to women's entrepreneurship in India, including social norms and biases, lack of education, unequal opportunities for affordable financing, and limited networking opportunities which prevent them from exploring their full entrepreneurial potential. It also seeks to document some of the key recommendations to address these social, economic and technological constraints.

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[1] Annual Report, Ministry of Micro, Small and Medium Enterprises, 2019–20.

[2] National Sample Survey Office (NSSO), Ministry of Statistics and Programme Implementation.

[3] Mastercard Foundation (2020). The Mastercard Index of Women Entrepreneurs. https://www.mastercard.com/news/media/1ulpy5at/ma_miwe-report-2020.pdf

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Social and Cultural Challenges

Social Norms

Cultural and social dynamics play a key role in forming institutional mindsets that are major constraints to the development of entrepreneurship among women in India. Limited agency and low self-efficacy only further exacerbate the barriers imposed by institutions of male bias. This in turn defines the role of a man and a woman, both inside and outside the boundaries of a household.

In 2019, India fell into the rank of the 10 countries with the lowest female labour force participation rate (FLFPR) rate at 23.3 per cent, even as labour force participation (LFP) for men was recorded at 76.1 per cent. [4]A potential argument for this decline follows the U-shaped hypothesis, wherein girls who were previously staying at home and were forced to work are now increasingly encouraged to attend school and gain formal learning. Increasing women's literacy rate certainly signals empowerment, but only if they are able to seize economic opportunities after their education, like their male counterparts.

At present, much of women's representation is in the 'traditional' sectors, which are characterised as labour intensive, with low technological advancements and often using skillsets passed down from generations, with little room for growth and penetration of disruptive methods of production. This is evident in that only 10 industries account for just over 90 per cent of all female-owned firms in urban India. These are apparel, retail, tobacco, textile, personal services, education, miscellaneous manufacturing, restaurants, food and health. Of these, apparel, retail, tobacco, textile and domestic services are the top five accounting for 75 per cent[5].

The following section explores the various social barriers and norms that inhibit women entrepreneurs from performing at full capacity as their male counterparts.

Unpaid Care Work

Women seem to face extremely high stress with regard to running their businesses while managing household responsibilities—the burden of one impacting the time spent on the other. The National Sample Survey Office (NSSO)survey has revealed

[4] Periodic Labour Force Survey (PLFS), 2018–19.

[5] NSSO, Ministry of Statistics and Programme Implementation

that 91.8 per cent of women in India between the ages of 15 and 59 participated in unpaid domestic work for household members in 2019. On the other hand, only 20.6 per cent of men participated in such unpaid domestic activity[6].

In terms of productive working hours, these figures mean that a woman is able to dedicate only 5.8 hours a day on average to her home-based business that is intermittently interrupted by 6.6 hours of unpaid caregiving work. The lack of family support and unequal distribution of unpaid work has only increased during the COVID-19 pandemic and widened existing divisions. A COVID-19 Enterprise Response Research study conducted by LEAD at Krea University showed that one in every two women-run businesses reported a decrease in time spent on business activities, with over 43 per cent of respondents stating that there was an increase in household chores, and 35 per cent[7] stating an increase in unpaid work and a disproportionate divide between men and women with regard to the duties at home.

Mobility

For decades, women's ability to travel has been a result of mobility decisions made by the male members of the household. Migration trends have highlighted that women are often 'marriage migrants'[8] and are likely to move with their husbands, having to uproot their entire life and any and all economic and non-economic opportunities that come with it.

Given these circumstances, many women seeking work opportunities have found the alternative of setting up home-based businesses or workshops on adjacent spaces so as to shuttle between domestic care duties and business activities. This argument does stand when assessing the share of women-run home-based businesses, which is 78 per cent.[9] Mobility constraints and societal expectations, coupled with lack of support from male members of the household, deter women from utilising their full capabilities to run as well as scale businesses.

Women's mobility constraints are far more deep-rooted and extend beyond the boundaries of patriarchal home structures. Addressing women's ability to freely move requires us to address the issue of safety, which is a key determinant of women's ability to access work opportunities. A lack of emphasis on gender-responsive public infrastructure and abysmally inadequate safety standards prevent women from targeting opportunities the same way that men would. According to a study by ICRW, this difference in safety standards is fragmented, with lack of safety for women being higher in rural communities (9.7 per cent) than in urban areas (5.9 per cent).[10] This actual or perceived lack of safety has certainly hindered women's and girls' ability to freely travel in an attempt to keep them 'safe', further restricting their choice of opportunities

Lack of Awareness and Education

The literacy levels measured in 2019 do not tell us a new story—the literacy gap only seems to widen the existing divide between men and women and their ability to transfer knowledge from formal learning institutions onto their business. Studies go on to state that a 10 per cent increase in the average years of educational attainment amongst women can increase the number of female entrepreneurs in India, with hired workers, by 18 per cent.[11] This section explores both the gender-specific skills and education gap that hinder the growth prospects of their respective enterprises.

Skilling

Women's low literacy rate is already indicative of their limited exposure to classroom training and skilling. Additionally, low LFP, as highlighted in the PLFS 2018–2019,[12] further signals that women may categorically be exposed to fewer on-the-job training opportunities across sectors as well. This restricts their entrepreneurial ventures to traditional sectors which require limited technical capabilities, or to subsistence entrepreneurship where the focus is on consistent income, rather than growth and profit.

In order to address this, various state governments have taken it upon themselves to create training modules for women entrepreneurs. While this is a step in the right direction, the trainings are not always gender responsive and, in some cases, further perpetuate existing gender stereotypes. For instance, various state and central schemes and training programmes that focus on upskilling

[6] Ibid.

[7] Narasimhan, M.P. and M. P. Karthick (2020). 'The Harm Covid is Causing to Women Entrepreneurs, Live Mint, 8 September. https://www.livemint.com/opinion/online-views/the-harm-covid-is-causing-to-women-entrepreneurs-11599551879344.html

[8] Dutta, R. (2020). August 30). 'Moving the Needle from Subsistence to Growth for Home-based Businesses', 30 August. IWWAGE. https://iwwage.org/moving-the-needle-from-subsistence-to-growth-for-home-based-businesses/

[9] NSSO, Ministry of Statistics and Programme Implementation.

[10] Welsh, A. (2016). 'Public Safety for Women and Girls in Rural Areas', 9 August. ICRW. https://www.icrw.org/not-just-an-urban-problem-how-icrw-is-working-to-expand-public-safety-to-women-and-girls-in-rural-areas-3/

[11] Daymard, A. (2015). 'Determinants of Female Entrepreneurship in India', OECD Economics Department Working Papers, No. 1191. Paris: OECD Publishing. https://doi.org/10.1787/5js4rfh5gtbq-en.

[12] Periodic Labour Force Survey, 2018-19.

and training entrepreneurs or individuals assign activities like plumbing, electricity and construction to male applicants. For women, on the other hand, activities are often centred on beauty and wellness or handicrafts. This signalling in policy design creates segregation in the workforce, such that men and women are nudged into professions based on their sex and not on their interests and capabilities. Moreover, categorically, the training provided for men has a higher potential for earning as compared to that for women.

Information about Entitlements

In addition to fewer networking opportunities and limited understanding of the market landscape, women have a significantly lower rate of awareness of government and banking policies that would help grow their business. A recent report published by the International Finance Corporation highlights that only 17 per cent of women entrepreneurs in India were even aware of financial schemes launched by the government.[13]

Lower literacy levels and oppressive social norms which do not allow women to explore cheaper financing opportunities prevent them from acquiring knowledge about available finance options, advantages and disadvantages, costs of various options, benefits of borrowing, etc. As a consequence, they face reluctance from formal channels to access finance.

Unequal Access to Finance

Trends in MSME lending show that women represent only about 6 per cent of total MSME advances.[14] Despite the fact that financing needs for women-owned enterprises are not radically different from the needs of male-owned enterprises, the level of financial exclusion is indeed much higher. Prevailing norms influence perceptions of financial institutions and the ability of women entrepreneurs to access finance. According to a study published by the International Finance Corporation[15] in 2015, the finance gap for women-owned MSMEs was 6.37 trillion ($116 billion), or 73 per cent of total demand. The 6th Indian Economic Census Data reaffirms this gap. It underscores that the source of finance for 79 per cent of female entrepreneur-led organisations is their own capital since banks and other financial institutions remain unsure of the business models or loans.

A demand side assessment points to women avoiding formal banking channels due to complicated documentation, low awareness of schemes and programmes, and ineligibility. On the supply side, bias about the capability of women-led enterprises, lack of a gender-inclusive environment and limited gender-aware programmes deter setting up large-scale projects or more innovative, capital-intensive ventures. Therefore, the 58 per cent of female entrepreneurs in India who start businesses between the ages of 20 and 30 years have to rely largely on self-financing; they mostly deplete their savings, or use inherited capital assets or physical property that can be mortgaged. This section explores the barriers that inhibit women from accessing finance equally as their male counterparts.

Perceived Risks and Apprehensions of Bankers

The response of financial institutions to the MSME segment has been found to be unfavourable to women-led businesses. Banks generally consider women-owned enterprises as a high-risk sub-segment as these enterprises operate mostly in the informal sector and are usually micro in scale.

Guzman and Kacperczyk (2019)[16] find that females are 63 per cent less likely than males to obtain external financing in terms of risk capital, and much of the significant financing gap can be attributed to differences in gender. Even though there are exceptions, an unconscious bias exists against women entrepreneurs, indicated by the low uptake of financial services. One likely explanation for this bias is the skewed gender representation in the staff structure or an inherent gender bias while reviewing applications.[17] Only 17 per cent of employees in scheduled commercial banks in India are female,[18] which is likely to impact the outlook of staff towards women-owned enterprises, but more importantly, dissuades women entrepreneurs from approaching formal lending institutions for financial support.

[13] International Finance Corporation (2018). Financial Inclusion for Woman-Owned Micro, Small & Medium Enterprises (MSMEs) in India. https://www.ifc.org/wps/wcm/connect/ca5c0868-e89d-4b43-ace5-8a702ed29b25/Financial+Inclusion+for+Women-owned+MSMEs.July+31.pdf?MOD=AJPERES&CVID=mOK28X8

[14] Ramaswamy, A., R. Asrani and S. Singh (2015). Funds for SHE—Study on Efficiency of Bank Loans for Women Entrepreneurs in the MSME Sector in India. GiZ. https://www.giz.de/de/downloads/giz2015-en-analysis-loan-products-women-entrepreneurs-india.pdf

[15] International Finance Corporation (2018). Financial Inclusion for Woman-Owned Micro, Small & Medium Enterprises (MSMEs) in India. https://www.ifc.org/wps/wcm/connect/ca5c0868-e89d-4b43-ace5-8a702ed29b25/Financial+Inclusion+for+Women-owned+MSMEs.July+31.pdf?MOD=AJPERES&CVID=mOK28X8

[16] Guzman, J. and A.O. Kacperczyk (2019). 'Gender Gap in Entrepreneurship', Research Policy, 48(7): 1666–80. https://doi.org/10.1016/j.respol.2019.03.012

[17] Brock, J. M. and R. D. Haas (in press). 'Gender Discrimination in Small Business Lending. Evidence from a Lab-in-the-field Experiment in Turkey'. Working Paper, European Bank for Reconstruction and Development.

[18] Singh, A. and A. Pareek (n.d.). Poor Access to Finance for Women-owned Businesses in India: The Role of Financial Institutions. SME Finance Forum. https://www.smefinanceforum.org/post/poor-access-to-finance-for-women-owned-businesses-in-india-the-role-of-financial-institutions

Moreover, bankers are apprehensive of lending to MSMEs with limited documentation, despite prescribed gender-friendly policies and programmes. The most commonly cited challenge by bankers is the inability to identify genuine women-run enterprises. Male entrepreneurs often register their businesses in their wives' names to benefit from women-friendly schemes and laws.

Compared to male-owned MSMEs, lending to women-owned ones faces the challenges of high cost of servicing, given the relatively small ticket sizes of the loans, and low capitalisation of entities. As a result, the cost of acquisition of a woman-owned MSME client and the cost of credit processing and delivery is higher. Women borrowers also grapple with high turnaround time and lack of clarity on the status of their application.

. Lack of Collateral

Further, absence of collateral causes banks to avoid this sub-segment. Parental immovable property (land/building/house) or business goes to the male child by succession. Although various succession acts[19] and their amendments have worked towards women becoming coparceners to ancestral property, not much has changed in practice.

As a result, women face difficulty in obtaining finance, managing the working capital and credit, i.e. property to pledge to formal finance officials in order to obtain loans for their business. An International Finance Corporation study reported that 31 per cent of the women surveyed cited their lack of capacity to meet the collateral requirements as a factor for loan rejections by banks.[20] In addition, a woman entrepreneur often must name her husband, father or brother as a co-signer before the loan is dispatched, by default involving them in their business. Given this constraint, access to collateral remains a key issue, especially for women entrepreneurs, given social and legal restrictions around inheritance and land ownership rights. Even if a woman legally owns an asset, male members of the family will often hold the title deed, making it a challenge for women to pledge the asset at their discretion for a loan without having to jump multiple hurdles set up by her family.

.Lack of Relevant, Gender-responsive Policies and Products

A GIZ report[21] on evaluating schemes and products offered by public sector banks found that over 89 per cent of the schemes were gender neutral and not sensitive to the requirements of women-led businesses.

In addition to the difficulty in securing a loan in the first place, it is a challenge for women to secure a loan at affordable rates as banks often use traditional credit scoring models—relying on credit history and collateral—to assess creditworthiness. This poses challenges for many women who simply do not have access to collateral, credit history or transaction footprint because family norms have historically prevented them from dealing with any form of finance.

Lack of Networks

The analysis of challenges impeding entrepreneurship growth will not be complete without exploring women's access to networks. This plays out through two different methods—either network effects or role model effects. While examining factors that prevent women from scaling up their business, one potential explanation is a lack of incumbent female entrepreneurs in the immediate vicinity. Network effects can manifest as either sales factors such as access to markets, or knowledge factors such as information sharing.

A study by Ghani et al. highlights that women entrepreneurs tend to be more spatially isolated within local areas and less networked than male entrepreneurs, and consequently depend upon other female-owned firms more than other factors of market linkages.[22] Due to the lack of business connectivity, and their hesitation to network with male-led enterprises, especially in non-traditional sectors, women-led enterprises take a hit.

Further exploring network effects, Shetty explains that women who receive training with a friend are more likely to take out business loans, and also report increased business activity and

[19] This is in reference to the Hindu Succession Act (2005), The Indian Succession Act (1925), Muslim Personal Law (Shariat) Application Act (1937)—all of which focus on women's right to access inheritance.

[20] International Finance Corporation (2018). Financial Inclusion for Woman-Owned Micro, Small & Medium Enterprises (MSMEs) in India (p. 84). Retrieved from https://www.ifc.org/wps/wcm/connect/ca5c0868-e89d-4b43-ace5-8a702ed29b25/Financial+Inclusion+for+-Women-owned+MSMEs.July+31.pdf?MOD=AJPERES&CVID=mOK28X8

[21] Ramaswamy, A., R. Asrani and S. Singh (2015). Funds for SHE—Study on Efficiency of Bank Loans for Women Entrepreneurs in the MSME Sector in India. GiZ. https://www.giz.de/de/downloads/giz2015-en-analysis-loan-products-women-entrepreneurs-india.pdf

[22] Ghani, Ejaz, William Kerr and Stephen O'Connell (2013). 'Local Industrial Structures and Female Entrepreneurship in India', Journal of Economic Geography, May, 13: 929–64. https://doi.org/10.1093/jeg/lbt004.

improved incomes.[23] These improved outcomes are primarily a function of women recognising that they would have a network to rely on, that would provide support for loan applications, and help understand the skills required to run their business.

Building on improving the effect of networks might help bridge the gender gap in entrepreneurship among men and women due to increased confidence, support from their social network, or, potentially, through shifting norms.

Discussion

It would be unfair to state that all the barriers that women entrepreneurs face are an equal burden to all. India is characterised by social and economic demographic divides that run deep in society. They cause different sets of issues for women who have both the working and social capital to start businesses and for those who simply do not. The underlying issues that women across different classes may be the same, but the magnitude greatly differs in proportion.

Over the years, the discussion on women's overall economic participation has gained much popularity, with the discourse moving beyond political and economic issues to understanding social barriers.

That said, the topic of women's entrepreneurship has often been restricted to subsistence entrepreneurship or social entrepreneurship, where one is a function of necessity and the other of values women identify better with. The potential for riskier but high growth yielding propositions is often not a part of the discourse surrounding women's entrepreneurship. While each challenge detailed in this brief is inhibiting by itself, together they have a compounding effect, affecting women's participation in economic opportunities, especially businesses that have the potential to graduate.

Lastly, we submit that our brief, barring the discussion around social capital, focuses mostly on addressing barriers to entry and not necessarily barriers to growth. This is a crucial body of work, one that requires its own audience, and hence has not been included in this brief.

In response to these challenges there is a paved path for growth with the assistance of three key stakeholders: the government, financial institutions and the ecosystem at large. The following are suggested areas of intervention.

The Government

Cultural and social norms are being perpetuated in society and passed on from generation to generation because there is no counter narrative to these views. Targeted intervention by the government is the need of the hour; it is imperative to create exposure to non-traditional roles in schools so that women can set aside their internalised beliefs of gender roles and pursue their career interests. Modules and immersive education (activities, exposure visits) should be introduced as a part of the curriculum to inculcate entrepreneurial and risk-taking attitudes early in student life. Career counselling, mentoring, reinforcing the importance of women's entry into non-traditional roles, and motivating women who show interest and promise in their respective fields are important interventions.

Ensuring skillability is only one part of the puzzle and by itself will be rendered less useful unless there is access to these economic opportunities. It is important, now more than ever, for gender-responsive infrastructure design to address challenges to the socio-economic mobility of women. Poor roads, water services, limited connectivity to markets and lack of lighting in public spaces, whether urban or rural, can exacerbate the gender gap in entrepreneurship in many ways.

Financial Institutions

Lack of education on the subject of banking schemes and financial incentives, for example, stems from a deep-rooted sense of fear: fear of an area that is unexplored for women historically because they have always shied away from formal finances and financial institutions. To mitigate this, banks and financial institutions could explore the following ways to build trust among women entrepreneurs:

- Banks should penetrate the rural market with more branches and station representatives to

[23] Shetty, N. (2020). 'Exploring Barriers to Scale For Women Entrepreneurs in India' (online). Available at: <https://www.hks.harvard.edu/sites/default/files/degree%20programs/MPAID/files/Shetty%2C%20Niriksha%20SYPA.pdf> Accessed 20 December 2020.

hold regular training and knowledge transfer sessions on the importance of financial literacy tailored for this segment.

- Create awareness among women around the importance of establishing a banking relationship through marketing campaigns and external agents.
- Introduce community relationship managers who would know their clients and businesses well, allowing for closer monitoring of women's businesses. This would be a helpful investment towards increasing their awareness and financial knowledge, which, in turn, would improve the probability of their availing of loans.

Banks and financial institutions still have a long way to go in creating an inclusive space for women in formal finance. As a first step, financial institutions could ensure gender sensitisation of banking staff and promote 'gender-less lending' to the segment of women entrepreneurs. Ideally, this should include training, along with developing and disseminating toolkits for loan officers along the lines of global best practices. It is important that questions asked of women are gender sensitive and focus on their personal goals for developing their business, and not those that would push women to involve men in their business to instill confidence. To do this effectively, financial institutions should focus on delivering a superior customer experience for women, as opposed to relying on a product-driven strategy.

Similarly, it is important for banks in institutions to start creating tools and products for women and not repackaging existing products that are not compatible with this segment. Understanding the needs of the underbanked and the underserved is crucial, and where traditional credit and transaction data is limited, it is imperative to identify proxy data and indicators to assess the creditworthiness of their applicants. To this effect, various fintech houses such as Kaleidofin, LendingKart, AyeFinance and Tala to name a few are developing alternative risk assessment mechanisms that allow financial institutions to assess the creditworthiness of women who lack sufficient credit history. For the data-strapped segment, this could mean timely access to credit for business or emerging personal needs.

Social norms also dictate that these women could inadvertently be controlled by the men in their lives, preventing them from accessing networking circles and alternative education models, as well as equipping them with the necessary skills. Banks can look to offer financial literacy, financial planning, investment and capacity building support for their customer base of women- owned small businesses. This training support could look to explore exercises on business planning, market analysis, leadership skills and finances.

Other Ecosystem Players

Understanding the issue of safety plays an important role in determining the level of social mobility of women. The onus falls on the ecosystem to create a safer environment and one that considers their lack of mobility, i.e. looking to increase the number of gender- responsive and gender-targeted incubators, as well as accelerators catering to the social and mobility constraints of women. An example is the 100 per cent women-owned and women-led Biotech park in Chennai which has been able to train and encourage cohorts of women entrepreneurs to work in non-traditional sectors.

In the absence of market linkages, e-commerce has proven an exciting alternative to directly connecting entrepreneurs to their buyers, or to improving ease of procuring raw materials. Particularly for women, who often lack mobility, this alternative allows them to scale business without disrupting social norms. However, experiments evaluating the potential of e-commerce to scale business for women entrepreneurs have identified infrastructure for logistics, and education of both the entrepreneur and consumer as critical factors for success.

This brief has been authored by Sanjana Vijay, Research Assistant at LEAD at Krea University, and Mridulya Narasimhan, Project Head of STREE at LEAD at Krea University.

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IWWAGE – An Initiative of LEAD at Krea University
Block M 6, Second Floor, Kharera, Hauz Khas New Delhi, Delhi-110016
+91 11 4909 6529 | www.iwwage.org

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