

WOMEN ENTREPRENEURS AS THE POWERHOUSE OF RECOVERY

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ABOUT LEAD AT KREA UNIVERSITY (FORMERLY IFMR LEAD)

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ABOUT IWWAGE

Initiative for What Works to Advance Women and Girls in the Economy (IWWAGE) aims to build on existing research and generate new evidence to inform and facilitate the agenda of women's economic empowerment. IWWAGE is an initiative of LEAD, an action-oriented research centre of IFMR Society (a not for profit society registered under the Societies Act). IWWAGE is supported by the Bill & Melinda Gates Foundation.

Message



Sharon Buteau,
Executive Director, LEAD at Krea University

There is a strong unquestionable economic, as well as a humanitarian and social case for promoting women entrepreneurs. Not only do they constitute half of the total population, but boosting women's participation in entrepreneurial activity can give the required push the Indian entrepreneurial ecosystem badly needs to spur creativity and innovation among many other aspects. Beyond the business case, the role women play in their household and society at large is crucial, and often unrecognized. They form the fabric of society, as nurturers, planners, caregivers, and often need to be entrepreneurial to function with the boundaries society creates for them. Giving women an opportunity to also lead aspirational lives, not only helps them, but also helps society as a whole.

While the need to break barriers is widely recognized, there is still a long road ahead for women to overcome conventional norms and challenges and for changes to be seen on the ground. Such a push requires creating a nurturing ecosystem that provides women with the resources to motivate and enable them to leap forward, but as well, recognizing and promoting those invisible women who have already made the leap. India's enterprise ecosystem is characterised by a dominance of informal and tiny enterprises. The majority of women's enterprises merely survive in that space. Some have become entrepreneurs out of pure necessity, but some also have the spark

and boldness to fulfill their entrepreneurial aspirations, and that is where an important portion of India's hidden growth potential lies. We need a disruptive strategy that will encourage women to take the leap and also chart the path for growth and for their economic empowerment leading to a thriving economy.

Being an entrepreneur in itself is a challenge and adding gender to the mix increases the magnitude of it. The Indian entrepreneurial ecosystem needs a massive transformation and push – COVID – 19 has caused further havoc in a system that has a fragile foundation and lacks a resilience, commensurate with the importance of micro enterprises to the economy. History has taught us that during distress scenarios, women's potential and contributions to the economy have been sought after and praised, in particular during war and crisis times. Unfortunately, this thought evaporates in times of stability. Many of us have witnessed so many stories of women who have stepped up to the task during these difficult times, in particular the women entrepreneurs who had to double down on their roles in family and society, in addition to their business. In this report, we make a case to ensure women are also recognised as part of the recovery and society rebuilding process and not just as being responsible for pulling things together during hard times - there is a strong case to make history instead of repeating it.



Soumya Kapoor Mehta,
Head, IWWAGE - an initiative of LEAD at Krea University

When a woman sets up an enterprise, it indicates many things. At a more personal level, an enterprise is often started to supplement family income. But on a normative level, seeing a woman run a small kirana shop or a small home-based business of weaving sarees has spillover effects. It shows that women can break norms of patriarchy. It shows their entrepreneurial spirit and has a role modelling effect, especially in an economy where the odds of women working are low.

Women-led enterprises comprise a small proportion of India's enterprise ecosystem, and are often engaged in the informal MSME segment. This report is an attempt to bring together evidence on the barriers they face, the opportunities they seek and how they were impacted by the pandemic. Unlike the climate of general gloom, the report contains stories of resilience. It shows how these enterprises may be supported, what has worked and what more can be done.

Executive summary

Today India, and the world, finds itself in the unenviable position of enduring two major economic recessions in a span of 10-12 years, unprecedented in modern history. In the aftermath of COVID-19, which has hit the small enterprise sector the hardest, where a majority of women-led ventures are recorded, it has become imperative to actively find avenues to encourage sustainable growth. This report delves deep into the various factors and circumstances inhibiting the growth of women-led enterprises, and further explores how women entrepreneurship can be encouraged while also being a force of change. Through various articles mentioned in this collection, which are based on original research studies conducted in this area during the pandemic, we seek to provide a snapshot of the existing obstacles, but also the way forward in promoting women entrepreneurship, which can be a major contributor in the socio-economic recovery of India.

Section 1 provides an overview of the current scenario. It showcases the alarmingly low and declining ratios of female labour force participation in India, marred by wage disparities, lack of quality work environment and access to education among other reasons and proceeds to articulate how female entrepreneurship can be a catalyst for growth in female labour force participation, provided that there are adequate investments in skills training for women, increase in access to finance, ensuring property rights and so on. **Section 2** sheds light on the often-unacknowledged women-led home based businesses in the handicrafts and handloom sectors, to assess their entrepreneurial readiness along with the scope of market and required credit access for the sector to grow. It highlights women's space-time constraints between work and caregiving

responsibilities that curbs their ability to build networks and access formal markets and final consumers, thereby limiting such ventures to remain unorganised and without much revenue or access to social security benefits.

Section 3 assesses the rural entrepreneurs' approach in dealing with the economic slowdown and adversities during the COVID-19 pandemic. **Section 4** discusses the lack of technical knowledge amongst female entrepreneurs and workers, a crucial handicap in the age of e-commerce and assesses the various support mechanisms that are present to enable market linkages through e-commerce. **Section 5** highlights the disconcerting lack of diversification of women-owned enterprises across different sectors, restricting inter-industry mobilisation and limiting access to quality jobs in non-traditional sectors, more visibly insidious in the present environment of sector-specific shocks and low-skilled jobs becoming increasingly mechanised. **Section 6** emphasises the status and implications of access to finance or lack thereof and its effect on female entrepreneurship.

Alleviation of the current inequalities and promotion of female entrepreneurship will require solutions to legal disparities and boosting opportunities for not only establishing, but also increasing the creditworthiness and marketability of women-led businesses. Moreover, along with required interventions in skill development and knowledge sharing in core sectors, there should be a focus on fostering the 'soft' aspects of confidence and self-worth in the workplace for women. At the core of such efforts, there is a need for an encouraging environment created by the government which can serve as a platform for women to fulfil their potential.

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Section 1

Overview

Rhitabrita Mukherjee, Sona Mitra, Soumya Kapoor Mehta

Overview

India faces the conundrum of low and declining female labour force participation.

In 2019, India fell into the ranks of the 10 countries constituting the lowest Female Labour Force Participation (FLFP) rate at 23.3 percent, even as Labour Force Participation (LFP) for men was recorded at 76.1 percent. Moreover, the male to female labour force participation ratio has increased from 2.7 to 3.7 in the past two decades which points to a heightening gender gap. The figures below (1 & 2) show the gaps and the steady declines in FLFP rates.

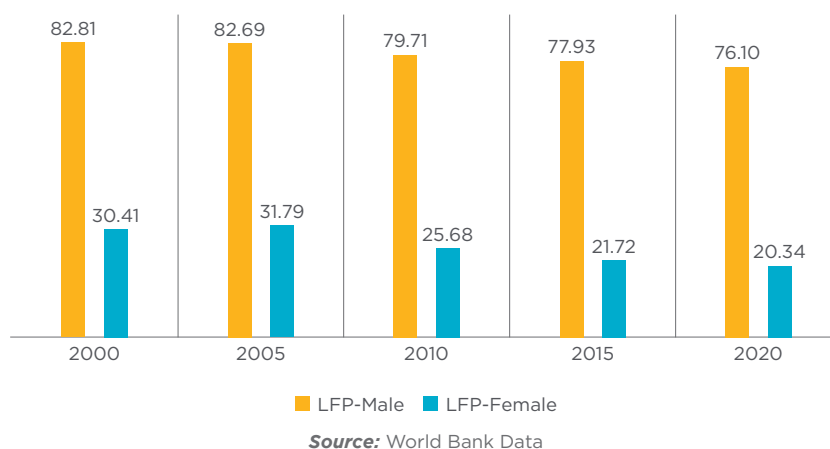
Many researchers use supply-side factors to explain the decline in female labour force participation. Under these set of explanations, women's exit from the labour force can be accounted for by a greater share of women in younger cohorts choosing to opt for higher education or to remain at home due to an increase in overall family income (Kapsos et al 2014, Klasen and Pieters 2015). This rationale is widely accepted since historically more women have joined the labour force out of necessity rather than choice.¹ However, these reasons do

not explain, entirely, the more than 7 percent fall in employment amongst women aged 30 to 50 years between 2011-12 and 2017-18, as revealed by the latest Periodic Labour Force Survey (PLFS 2018-19) data.

There is a demand-side case for declining female labour force participation, which argues that India has failed to create quality jobs and suitable job environments for women. In other words, women are not joining the labour force, because they do not get suitable jobs. Barriers to entry of women in the formal labour force can be seen in limitations they face to migration, access to transport, childcare facilities and the unequal terms they face in hiring processes and employment terms. Jobs created by a shrinking agricultural sector, which employed a major share of the female labour force in India, have not been offset by jobs in other sectors. Therefore, women outside the agricultural sector mostly become casual and informal sector labourers or are self-employed (Chatterjee, Murgai and Rama 2015 and Das, Kapoor Mehta et al 2019). In the absence of any other suitable work, most drop out.

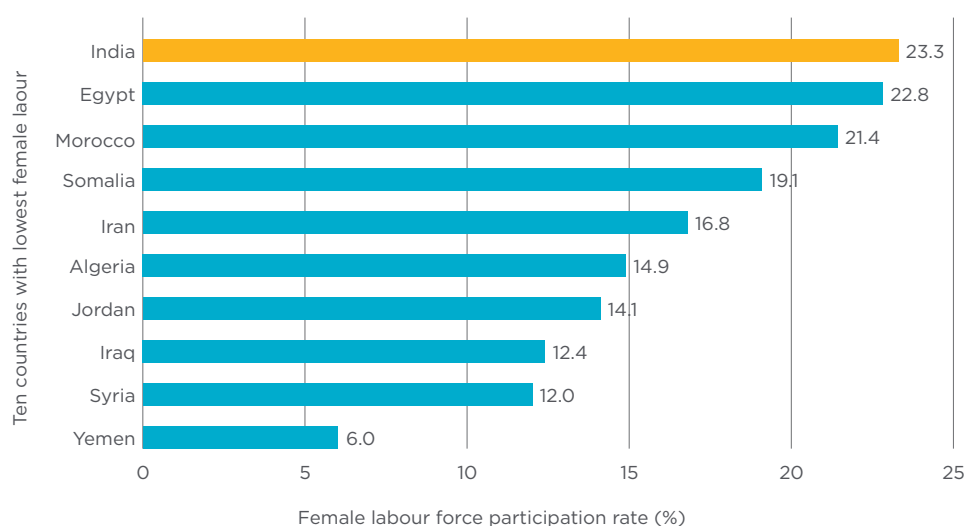
Developing nations show a trend of female employees preferring to work in the public sector than in private corporations, unlike men, since the former offers more flexibility to take care of their household responsibilities. In such employment scenarios, self-employment could be a step towards providing women the chance to pursue economic opportunities, while the flexibility in time use might provide the liberty to balance work and family obligations.

Figure 1: Gender gap in labour force participation (15+ years)



¹ This explains why women from socially and economically disadvantaged groups such as the Scheduled Castes and Scheduled Tribes have historically had higher labour force participation rates in India than women from other social groups.

Figure 2: Rate of female labour force participation



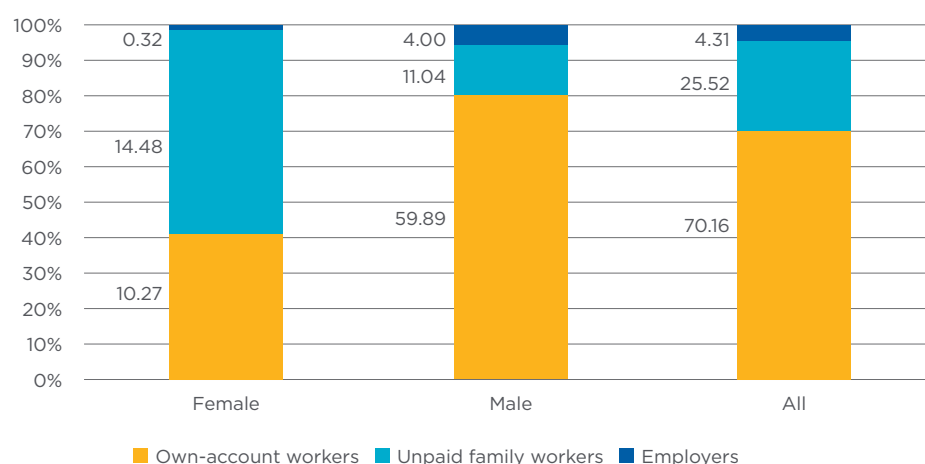
Source: World Bank World Development Indicators

A majority of women who work in India report themselves to be self-employed, but mostly as unpaid workers helping in family enterprises. According to the PLFS 2018-19 (Figure 3), 53.4 percent of the national female labour force are self-employed but 57.8 percent amongst them are unpaid family workers. The composition of self-employed workers points towards the gender bias that still exists as men take over roles of ownership while women

remain unpaid family labourers. Even amongst the self-employed workers, female employers, i.e. those who hire labour thereby generating employment, remain a mere 1.26 percent compared to 5.34 percent in the case of their male counterparts.

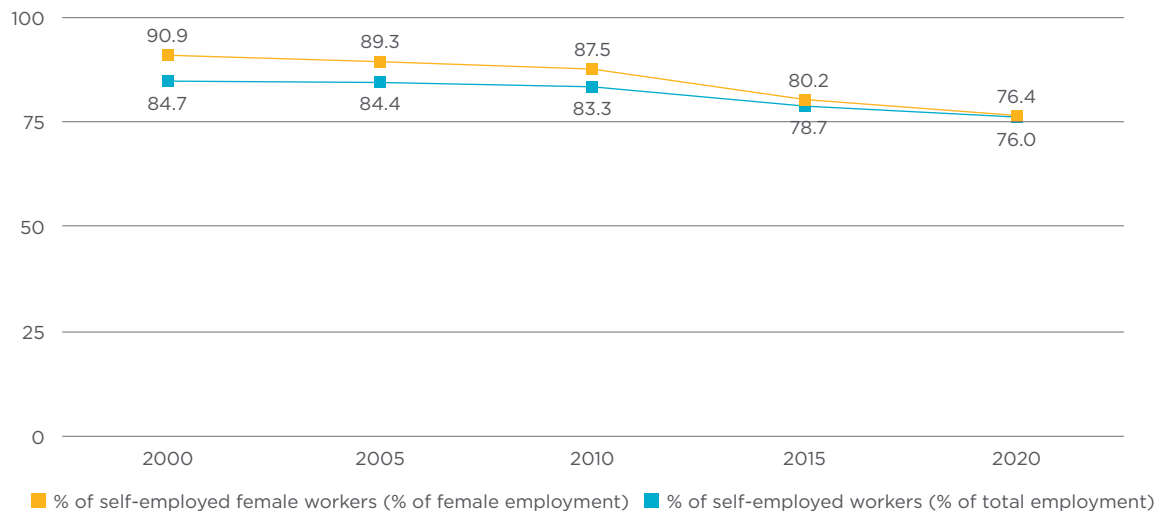
However, self-employment which is a step forward for women in availing jobs comparable to the worker's skill set, has had a falling trend in the past decade (Figure 4).

Figure 3: Gender share in self-employed workforce



Source: PLFS 2018-19

Figure 4: Trend in Self-Employment India



Source: World Bank Dataset

In terms of income, the wage disparity is revealed to be a significant 79.4 percent amongst self-employed males and females involved in agricultural activities and 69.7 percent for workers in non-agricultural sectors.

Female entrepreneurship is seen as having a catalytic effect on the female labour force across the world; but this requires investments in their education, skills, and assets.

Places where women are seen in leadership roles are usually those where investments have been made to educate them which helps future generations face lesser socio-economic barriers. However existing gender gaps in access to education, financial inclusion, legal rights to ownership of assets, and even skill training like Small and Medium-sized Enterprise (SME) training programs do not allow women to build large scale, innovative and technology driven businesses. Only the elimination of such skewness and equity can allow women to climb out of agricultural, informal or unpaid work to create ventures that generate employment

and contribute to both economic growth and equality.

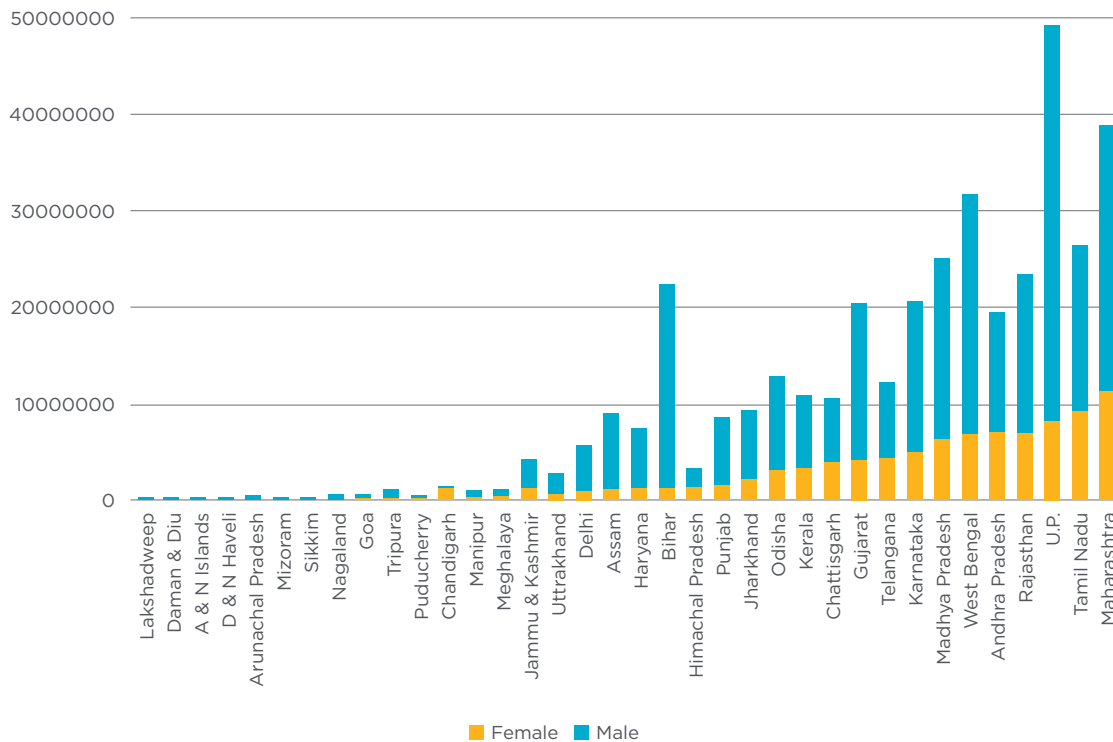
The 2015 Global Women Entrepreneur Leaders Scorecard suggests that there are many ecosystem gaps that come in the way of promoting female entrepreneurship in India.

The index ranks India 29th out of 31 countries based on a composite score of 21 indicators that highlight important aspects of a country's institutional and business environment, gendered access issues and individual level entrepreneurial characteristics. Together the countries ranging from America, Europe to Africa, South and East Asia and Middle East & North Africa (MENA) nations comprise 70 percent of the world's female population and contribute to approximately 76 percent of the world's GDP.

The 2019 MasterCard Index of Women Entrepreneurs shows that gender gaps on entrepreneurship have actually worsened in India.

Female Entrepreneurial Activity rate in comparison to men (F/M) in the country registered a fall of 21.9 percent from 79.6 to 62.1 percent between 2018 and 2019. The report also finds that out of 100 business owners, only 7 in India are female; of whom nearly half (49.9 percent), start out of necessity rather than an aspiration to start a business venture. Therefore, predictably, the motivation to grow a business among women is as low as 8 percent, one of the lowest rates amongst 60 markets covered by the Global Entrepreneurship Monitor (GEM), which records a global average of women's motivation to grow a business at 21 percent. This is also because more than half the adult population in India rates itself risk-averse with their 'Fear of Failure Rate' at 50 percent.

Figure 5: State-wise of self-employed workforce



Source: PLFS 2018-19

Figure 6: Share of enterprises & ventures: Male vs. female



Source: PLFS 2018-19

Very few business establishments are owned by women in India. According to the 6th Economic Census of India, in 2013-2014, 89.4 percent of all existing establishments in India were owned by proprietors but only 15.4 percent of these were owned by females. The PLFS Survey 2018-19 (Figure 6), however, reveals that the share of enterprises owned by women has gone up to 21.5 percent from 13.8 percent in 2014 which points to both a positive growth and more female workers taking up the mantle of own-account enterprises.

A majority of female owned enterprises, however, do not hire any workers and are run as sole proprietorships. The Sixth Economic Census (2013-14) report also states that women owned establishments provide employment to 13.45 million people or 10.2 percent of the population. A conspicuous 83.2 percent of such establishments are without any hired workers which means they do not generate any employment and rather rely on unpaid family help. On average, a female owned enterprise employs approximately 1.67 persons.

Firms with and without workers imply a principal difference with regard to an enterprise's potential since more hired labour suggests that ventures are more likely to experience growth, their activities are/can be streamlined, and they usually have better infrastructure. Also premises with hired workers are more likely to be not just household establishments and instead are likely to have some fixed structure.

Women owned establishments, even with hired help, are mostly small, operate in the informal sector and are concentrated in low revenue generating services. Female entrepreneurs with at least one worker, are most active in services and then in manufacturing and trade. Most such female entrepreneurs function in historically traditional "female sectors" like apparel, education, health, and other personal services like beauty treatment and housekeeping. In contrast, male enterprises with workers are involved in diverse activities. Also, women owned businesses are mostly smaller firms with approximately 90 percent operating in the informal sector. Therefore, in both operations and employment, women are stuck in less revenue generating but more competitive sectors while men dominate the more profitable sectors like construction and manufacturing.

Women face specific barriers to growing their enterprises. Much research on entrepreneurial participation has stated that circumstances like the existing business environment, affect both genders' entrepreneurial abilities. But Ghani et al. 2012, 2013, and 2014 identify specific barriers to female entrepreneurship like education, self-perceptions, family situation, income per capita, and network benefits among others.

Education is a clear divider. Access to at least college education provides women with expertise, experience, networks and contacts that helps them market and grow their businesses effectively. It helps improve their management skills and facilitates easier access to credit by signalling potential success to banks. Daymard (2015) states that a 10 percent increase in the average years of educational attainment amongst women can increase the number of female entrepreneurs in India, with hired workers, by 18 percent. More educated female entrepreneurs also seem to be the ones with hired workers, demonstrating more risk-taking behaviour since entrepreneurs are only able to do so when they are assured that they can cover any losses incurred in business by going back to formal salaried employment. But the relationship with education operates like a vicious circle. Higher rates of entrepreneurship in developing countries usually stem from workers with low education choosing

entrepreneurship as a way out since their low formal education gives little scope or opportunity for growth in salaried jobs.

Besides education, the lack of quality jobs and business opportunities for women act as a further barrier in India. Even with a visible increase in access to higher education, there has been a 9 percent fall, from 36.8 percent to 33.5 percent, in the FLFPR amongst women between 35 to 39 years of age, during the periods of 2011-12 and 2017-18. The manufacturing sector has been unable to produce formal, wage-earning employment opportunities that suit women, thereby denying them spaces to acquire technical and vocational skills or work experience. As for the small proportion of business-owning women, they fail to develop highly productive and revenue generating businesses due to insufficient market information about prices, inputs and competitors.

Finance also acts as a significant constraint. The 2015 Female Entrepreneurship Index ranked India 75th out of 77 countries with regard to gender parity where India, Bangladesh and Pakistan were seen to have some equivalence with respect to innovation, new product creation and technology but lacked labour force parity and first tier financing across genders. Though ventures like the "59-minute loan platform" that allow easy access to credit for micro, small and medium enterprises (MSME) have seemingly facilitated the rise in the World Bank's 'Women Financial Inclusion (F/M)' indicator score for India from 58.2 to 69, getting finance for their business ventures is one of the main obstacles for women to operate large-scale and technologically driven businesses.

However, the Findex Global Database shows that between 2014 and 2017, India's gender disparity in having active bank accounts shrunk from 20 percent to 6 percent due to the government's recently increased efforts to raise account ownerships under the Jan Dhan Yojana. Despite this, most female entrepreneurs usually depend on their own savings, loans from family and friends, or micro-loans to finance their business needs. A study by IFC reports that in 2012 in the micro, small and medium enterprise (MSME) sector alone, there was a finance gap of USD 116 billion, equivalent to 73 percent of the total demand.

The 6th Indian Economic Census Data reaffirms this gap. It states that the source of finance for 79 percent of female entrepreneur led organisations is their own capital since banks and other financial institutions remain unsure of the business models and the potential or guaranteed returns on loans. Less than 5 percent of MSMEs have access to formal credit

while others still rely on informal sources to fund their businesses. The substantial lack of capital deters setting-up of large-scale projects or more innovative, capital-intensive ventures. So, for the 58 percent female entrepreneurs in India who start businesses between 20-30 years of age, they have to rely largely on self-financing and mostly deplete their savings, or use inherited capital assets or physical property that can be mortgaged.

The role of property rights of women is an important enabling factor through its impact on distribution of wealth and access to credit markets.

In 2005, the Hindu Succession Act, 1956, which governs the devolution of property among Hindus, Jains, Sikhs or Buddhists was amended so that the daughter of a coparcener would by birth become a coparcener in her own right in the same manner as the son. The amendment could have acted as a catalyst, but existing social structures keep deterring women of their rights to assets which in turn could have easily steadied the ground beneath their feet to jump into the historically male dominated entrepreneurial activities.

Female entrepreneurship is also likely to be affected positively by the female labour force participation. More women stepping out to work tend to change traditional gender stereotypes with respect to the role of women in society (Kobeissi, 2010). Women with experience in the formal labour force, for example, are more likely to acquire skills and financial resources easily and are more acquainted to business environments that makes it easier for them to transition into entrepreneurship with hired workers. Ghani et al. 2016 point out that female employers have a higher probability of hiring a significantly greater number of women, with their paper showing that 90 percent employees in female-owned small and medium sized enterprises were women. Therefore, a rise in credible female entrepreneurship might be potentially more likely to pull in more female workers in every sector.

Relieving women of their household burdens so they can take up entrepreneurial ventures is key.

The widely believed notion of women being “pushed” by socio-economic factors rather than feeling a “pull” to join the national labour force can only be reversed by giving women the opportunity of more time away from household obligations which are still very much more borne by them compared to men. Improving infrastructure to provide necessary access to water and electricity and transport in addition to a greater freedom in movement are required to tilt the weights towards more women aspiring for entrepreneurship.

The government has launched and amended various initiatives to expand support to small and medium sized businesses, but only few of them (as listed below) have gender-specific clauses to help female entrepreneurs bridge the gap:

- The Micro Units Development and Refinance Agency Limited, or Mudra, was launched in 2015 under the Pradhan Mantri Mudra Yojana Scheme (PMMY), to provide loans at low interest rates to micro-finance institutions and non-banking financial institutions which in turn provide credit of up to Rs. 10 lakhs to MSMEs. Though Mudra loans are available to anyone looking to start, support or expand a Small or Medium Enterprise, in 2019, 70 percent of the loan accounts belonged to female entrepreneurs. The Mahila Udyami Yojana scheme was included under the PMMY specifically for new female entrepreneurs involved in small scale production and manufacturing businesses like artisan groups, craftsmen, vendors, grooming service providers etc. but does not cater to retailers. Three kinds of loans are provided under the scheme: “Shishu”, up to Rs. 50,000, is meant for entrepreneurs in need of start-up capital; “Kishor”, between Rs. 50,000 and Rs. 5 lakhs, is to help provide capital for business expansion and “Tarun”, for loans between Rs. 5 lakhs and Rs. 10 lakhs, is for established businesses looking to scale up or modernise. Mudra helps avail loan without need of any collateral, which is an advantage for women who typically do not own or have access to physical assets. The Mudra Yojana has sanctioned over 59 billion loans amounting to a total of Rs. 321,722.79 crore and 1.33 crore new loan accounts were created in 2018-19 alone. Of all loans availed, “Shishu” loans were the highest at 86 percent, while 11 percent were “Kishore” loans and only 3 percent sought the “Tarun” loan.
- The Women Entrepreneurship Platform (WEP) launched by NITI Aayog and SIDBI aims to provide a stimulating environment for both new and established firms led by female entrepreneurs, by motivating aspiring entrepreneurs to start new ventures, furnishing knowledge and a proper ecosystem to help entrepreneurial ventures in succeeding and supporting them in expanding their businesses. It provides financial help, free credit ratings and mentors for aspiring female business owners and even helps gain corporate partnerships.
- The Trade Related Entrepreneurship Assistance and Development (TREAD) scheme for women by the Ministry of Micro, Small and Medium Enterprises is another platform that provides credit, training and

counselling activities, through NGOs, relating to trade practices, product and services.

- Other initiatives like 'Stand Up India', not only promote female entrepreneurship through financial loans and aids but also aim to create a support system and help develop skills needed for promising female business leaders.

Turning the Focus on Women-Led MSMEs in the COVID-19 Situation

The Micro, Small and Medium Enterprises (MSME) sector in India comprises 69 million enterprises that approximately employ 110 million of the national workforce. These together are considered the second largest generator of employment after agriculture and deemed to be the nurturer of entrepreneurial abilities and innovation amongst aspiring business owners. Though men, here too, hold majority ownership of MSMEs, women own 20 percent of micro enterprises, almost 3 percent of the medium sized enterprises and 5 percent small enterprises but with 98 percent of female-led ventures recorded to be only micro-enterprises.

The COVID-19 pandemic and the consequential lockdowns have hit the MSMEs the hardest. The pandemic situation has been predicted to lower the MSMEs' earnings by 20 to 50 percent. Since MSMEs usually depend on month-to-month operations, the sudden lockdown led to non-payment of workers and worker retrenchments. Again, with the lifting of the lockdown, the MSMEs faced shortage of labour and interrupted supply chains, especially in remote areas.

Oxfam India estimated an economic loss of nearly USD 216 billion from women losing their jobs during the pandemic. According to a recent analysis by McKinsey Global Institute, both female entrepreneurs and employees have been impacted more than men from layoffs and business losses due to the already existing gender bias. In India, 90 percent female entrepreneurs reported a significant decrease in their sales revenues while at least 40 percent women reported losing their jobs post-lockdown and with their characteristic low levels of profits, lesser chances of finding employment, with higher rates of unpaid and domestic work, the recovery for women led MSMEs is likely to be slower.

The disproportionate effect on women's productive activities in the MSME sector

requires urgent government intervention to address the specific needs of both female entrepreneurs and workers like specific rescue packages made available to sectors with higher presence of women. The latest MSME census showed that women-led MSMEs formed over 60 percent enterprises in the textiles and apparels sector. However, the Clothing Manufacturers Association of India reported that due to a lack of government support, more than one crore job cuts were estimated in the textile industry alone. Therefore, there is an urgent need to identify the sectors with higher female participation and suitable measures should be put in place to safeguard them against rising adversities.

In the early phases of the national lockdown with consumers only buying essentials, some enterprises managed to survive by shifting focus and joining in on the growing need for production of hand sanitizer and toiletries, PPE kits, reusable masks, etc. But in the long-run women entrepreneurs essentially need to change their work strategy to take advantage of the reduced but existing opportunities while dealing with increasing expenses.

The impact of COVID-19 on micro-enterprises has also revealed the need for alternative skilling of women to align with changing demands. The retail sector witnessed a shift in demand from China to India, giving local producers a chance to enter newer lines of production activity. From a gender perspective, this highlights the urgent need to upskill women-led micro-enterprises and leverage technology and digital platforms for better access to newer markets.

In light of reduced demand and even lesser access to consumers, expanding the reach of the MSME sector requires the support of the private sector. Nearly 12,000 small businesses have collaborated with private organizations like Amazon, Flipkart etc. in the past few months to provide grocery supplies in rural areas since these platforms have established access to transportation and e-commerce. Specific platforms for rural enterprises such as Flipkart Samarth and for rural women-led enterprises such as Amazon Saheli, play a major role in bringing their products to market. These partnerships when used profitably can cater to the needs of growing women-led businesses with logistical services, market demand knowledge and access to new opportunities and markets.

Business development and funding are the two major requirements at this point of time. Women have started borrowing from micro-finance institutions accessible to them but there might not be adequate funding available to them.

The policy measures, announced by the government, have remained advantageous to large enterprises in the formal and organised sector. However, the measures are not very helpful for small firms in the informal and unorganised sector, where the overwhelming majority of India's female labour force is concentrated. A national survey by the International Finance Corporation (IFC) reported that of the 605 women-owned enterprises sampled, only 14 percent had gone for formal bank loans for business expansion while 80 percent of female entrepreneurs preferred personal resources. This is important in the current context as such personal savings or assets have likely taken a dip. The need for direct cash transfers is all the more visible now - while fully guaranteed emergency credit lines have been announced, they are mostly not

accessible nor is it mandatory that a certain percentage of these be given specifically to women entrepreneurs.

The Atmanirbhar Bharat Mission was launched by the government in 2020 to help kick-start the MSMEs again and help in growth in light of global supply chain disruptions to decrease dependence on other nations. The six relief measures under the Atmanirbhar Bharat Abhiyan for the MSME sector include steps to enable easy access to credit and equity infusion.

However, women have been affected disproportionately and need special attention. It is in this context that the articles in this collection provide an overview of not only the obstacles but also the way forward in encouraging female entrepreneurship.



Section 2

Barriers and Opportunities for Women-led Home-based Businesses

Mridulya Narasimhan, Ria Dutta

Introduction: Gender Norms and Female Employment

Women entrepreneurs make a significant contribution to the Indian economy. There are over 3 million MSMEs owned fully or partially by women that collectively contribute 3.09 percent of industrial output (IFC, 2014). Despite this, they face gender specific barriers in labour force participation, such as, market, mobility, time, and credit constraints. These factors have been the driving forces behind the emergence of home-based businesses led by women especially in the informal sector.

Despite the increasing recognition of women entrepreneurs' contribution to economic growth and their demonstrated capabilities, women entrepreneurs face disproportionately high barriers in starting and growing their businesses, particularly in accessing finance (IFC, 2019). India ranks 70th among 77 countries covered in the Female Entrepreneurship Index and exhibits the third highest gender gap in entrepreneurship across the world.

The handicraft and handloom sectors provide low cost, green livelihood opportunities to millions of families. The sector also has the potential to support families in times of agrarian distress and preserving traditional arts and crafts.

Over 50 percent of workers in the handicraft and handloom sectors are women, of whom 71 percent are not literate. With limited technical knowledge and business expertise women stay risk averse and are unable to scale their businesses (Planning Commission, GoI, 2012).

About the Study

To understand this segment better, in August 2019, supported by IWWAGE, LEAD commenced a two-part study to understand both the demand and supply-side constraints of the women entrepreneurial ecosystem focusing on:

1. market access and enterprise readiness among women entrepreneurs
2. credit access and credit assessment of women-led businesses by formal and informal lending institutions.

Part I of the study focused on understanding key market access constraints and gauged enterprise readiness of women to sustain, scale and expand their current business portfolio. LEAD surveyed 800 women entrepreneurs across 4 districts in Rajasthan and Tamil Nadu who conducted their businesses from home premises or adjacent grounds.

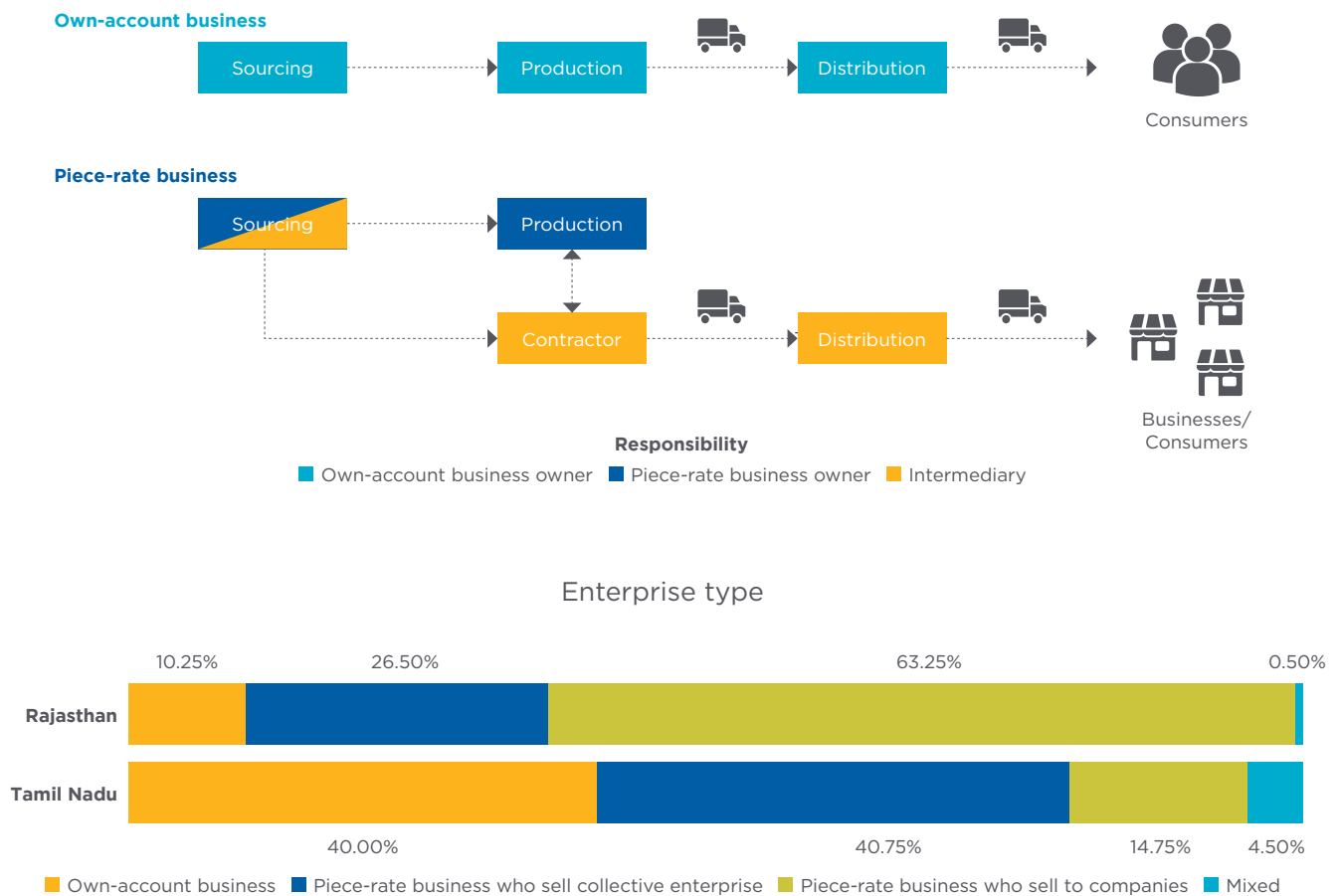
For Part II of the study, after being cognizant of the restrictions due to the global pandemic, phone surveys became the medium for data collection. A pilot study was conducted, followed with two rounds of data collection with the sole focus on understanding the scope of access to finance. Data collection wrapped up in October 2020 after completion of 975 phone surveys which also include a sample of 220 male entrepreneurs across Rajasthan, Tamil Nadu, Bihar and Uttar Pradesh.

Understanding Market Landscape²

- a. **Supply Chain:** Key to unpacking the market landscape is analysing the supply chain itself. The supply chain analysis of business models helps to identify appropriate thrust areas to optimise female entrepreneurs' access to markets and resources, and therefore, their potential to become sustainable, scalable, and visible.
- b. **Entrepreneur Type:** ILO distinguishes home-based businesses into own-account/self-employed and piece-rate/worker. These were the business models that emerged from the study as well; based on their institutional set-up.

² This section focuses on insights only from Part I of the study across Rajasthan and Tamil Nadu on market access and enterprise readiness aspect. Part II of the study which focuses on credit access is a work in progress and will wrap up by December 2020.

Supply chain of home - based businesses



Piece-rate Businesses:

- Over 70 percent of the surveyed women function in a closed communication channel by running piece-rate businesses. They work on a contractual basis, primarily to overcome mobility and travel-time constraints. Very few women diversify their customer base once they adopt a piece-rate business model. While this set up gives a consistent and singular market access, it also comes at the price of entrepreneurs losing stake in their own business decisions and creativity.
- 90 percent of respondents in Rajasthan show dependency on access to markets through a single market entity, contractual companies, SHGs, cooperatives and so on. On the other hand, there is greater diversity in Tamil Nadu – 61 percent of the surveyed women sold their products to cooperatives and contractual companies; 57 percent of handicraft artisans operated individually.

Own-account Businesses:

- 10.25 percent of surveyed female-led home-based businesses in Rajasthan were own-account businesses. In Tamil Nadu, the composition of own-account businesses was as high as 40 percent.

Only about 2 percent of them have unpaid family workers for support. Rest of them do not have employees on either a regular or temporary basis and run the business alone.

- These entrepreneurs occupy the entire supply chain from sourcing to selling (mainly to local customers and buyers). Additionally, these businesses exist independently and are not networked well in the industry, making them invisible. As a result, they are on the periphery of access to social security schemes as well as financial, technical, and market support provided by the government.

c. Institutional Affiliations and Outcomes:

- Business outcomes are best for women who run piece-rate businesses but are also members of seasoned collective enterprises such as Self-Help Groups (SHGs) and cooperative societies.
- Affiliation with a seasoned collective enterprise has benefits of cost and risk sharing; collective bargaining power for price; aggregation of product quality to meet market standards; reaching a stable and wider market; and accessing welfare schemes to overcome limitations of scale and gender-related market constraints. They are backed by the government and have a strong

role in formulating social security policies targeting their trade, leading to visibility and formalisation of their work. This gives some of the female entrepreneurs scope to rise to higher places in the value chain and have better roles.

- Contractual companies with a social business model provide social security nets to artisans and facilitate government scheme delivery. Affiliation with contractual companies reduces monetary burden/investment, time, and effort costs of procuring raw materials and selling products. The contracts allow products to reach wider markets allowing a steady stream of income. Essentially, women home-based entrepreneurs earn an income based on piece-rate and hardly ever get a cut of the profit.

Jaipur Rugs in Rajasthan, championing the social business model, provides an alternative narrative of companies subcontracting home-based artisans. Jaipur Rugs organises their artisans for efficient delivery of not just raw materials but also alternative education, health camp, and business training in addition to linking weavers to insurance and government schemes.

- d. **Time-use survey** from the study found that an individual 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. These constraints eventually impede her business' growth potential rendering her contribution invisible.

Policy Recommendations

The study has shed light on the need for two approaches when designing policy interventions for the female home-based entrepreneurs.

- a. **There is a need to build a facilitative and enabling ecosystem for home-based entrepreneurs since the market landscape lacks structure and formality.**

Following suggestions are targeted towards creating such an ecosystem for each entrepreneur type:

Own-account Entrepreneurs

Standalone entrepreneurs who run own-account businesses especially need network facilitation with other entrepreneurs in similar trades and in enabling market linkages. The scope of their sales depends on the product and the scale of the local market. Lucrative businesses like tailoring have inelastic local demand that can sustain businesses. But handcrafted products are perceived as luxury goods and therefore, have elastic and low demand especially due to the availability of cheaper machine-made alternatives. Own-account entrepreneurs are price-takers at the local market. Establishing a better network of connection between their customers, and facilitation in negotiating fairer terms of trade and regulation, will contribute to their business growth.

Piece-rate Entrepreneurs

The entrepreneurs who operate their business on piece-rate contracts for a single intermediary need assistance in diversifying their customer base through e-commerce platforms that have higher outreach to end customers. Conducting workshops which will educate and encourage women to incorporate marketing strategies and use of digital platforms would be a first step towards more autonomy. They also need facilitation in negotiating fairer terms of trade and regulation when working with private contractors. Network facilitation with other home-based entrepreneurs of the same trade can strengthen their bargaining power for fairer terms of trade.

- b. **Women entrepreneurs should not be approached as a singular segment but instead segmented according to their nuanced needs and strengths.**

It is essential to define the home-based women entrepreneurs from a 'persona' or 'customer archetype' lens, and hence target different policies for each of the segments. Within the scope of this project sample, three clusters of personas with the potential for distinct policy interventions were identified:

- **Millennial entrepreneurs** are young, literate, entrepreneurial, and risk taking with the goal of growing their nascent business: These entrepreneurs could make the most of skilling interventions that focus on efficiency and can optimise disruptive technologies such as e-commerce, digital finance, and marketing efforts (such as product or process certification) that will boost exports.
- **Striving entrepreneur** who has some schooling and has gained business know-how through experience: With the scope to still scale up their business, these

entrepreneurs need mentorship, business management skills, access to credit, and to diversify their customer base. Being linked to demand aggregators who can explore the e-commerce market potential on their behalf could also be a potential opportunity.

- **Latent entrepreneur** who either inherited her business or opened it out of necessity: Such entrepreneurs are risk-averse and are focused on subsistence even after operating their business for many years. These entrepreneurs would benefit the most by being a member of a collective enterprise or trade union that can give them steady revenue and collectively negotiate fairer terms of trade with other private players.

A granular assessment of an entrepreneur and her enterprise's readiness can help identify best practices, create market linkages, and improve the targeting of skilling initiatives.

LEAD designed a multi-dimensional Women Business Readiness Scorecard which can be used as a powerful policy tool to diagnose targeted interventions at the macro sectoral level and micro-entrepreneur persona level. It can enable and empower female entrepreneurs to evaluate the current sectoral performance as well as help identify the key constraints and high-performance areas for enterprises.

The scorecard can be an important addition in the toolkit of policymakers, practitioners and other stakeholders in the ecosystem to support

enterprises with growth potential and prioritise areas of intervention for other enterprises.

Way Forward

Gender norms act as a barrier to women's full and equal participation in the labour market in developing countries. Implementing policies and programs that are designed to work around these norms is one way to further female employment. For example, if social norms limit women's ability to interact with men, then programs that enable women to easily network with other women and market players could be useful. By creating equality in the labour market, this approach might, in turn, erode the barriers to female entrepreneurship, creating opportunities for them to scale their businesses.

MSMEs are an integral part of the economy in developing countries and play a crucial role in promoting growth, innovation and prosperity. However, according to the World Bank Group's SME Finance Forum, 65 million or 40 percent of formal micro, small, and medium enterprises (MSMEs) in developing countries have unmet financing needs. To assess the financial needs of the home-based entrepreneurs, LEAD partnered with Kaleidofin, a fintech partner for Part II of the study. This partnership aims to develop an alternative credit score for entrepreneurs who do not have a digital footprint or a history of digital transactions. The intention is to create an alternative credit score using data derived from non-traditional financial related information like mobile/ internet transactions and payments, social media, web browsers, utility payments, and point of sale transaction devices. Harnessing alternative data using psychometric analysis³ could enable lenders to make reliable predictions about the creditworthiness of potential borrowers (World Bank).

Moreover, credit scores have the potential to enable lending institutions in reaching out to the previously unbanked borrowers and use information to better calculate risk for current clients. Results from the second part of this study are forthcoming.

³ Psychometric analysis relies on the borrower's attitudes and beliefs which can help lenders assess their risk profile. This helps lenders to connect with people who fall outside the credit mainstream. While everyone might not have a robust digital footprint, everyone has a psychological profile which can directly feed into the alternative credit scoring



Section 3

Rural women entrepreneurs: An untapped source to drive economic growth

M P Karthick, Nilanjana Bargotra

Introduction

Dealing with a large-scale pandemic and its containment brings about many challenges in itself, but also brings forth unobservable barriers spanning a wide spectrum. COVID-19 and the consequent fast-imposed lockdowns to contain the pandemic globally, have had significant effects on not only market-mobility, businesses and economies, but trickled demand to a narrow stream that many businesses are now finding themselves having to compete for aggressively. Whilst many large-scale businesses have somewhat successfully mitigated the impact by adapting to the changing market conditions⁴ (or simply surviving by virtue of economies of scale), many MSMEs are in difficulty. Immediate challenges thus follow for small and especially rural businesses.

This section attempts to understand the importance of rural enterprises as a powerhouse of recovery, by examining what recent studies on COVID-19 induced slowdown and business-resilience reveal, and by concluding what the suggested way forward could be.

Background

The 69 million micro, small and medium enterprises (MSMEs) are the major contributors to India's economy, constituting 29 percent of the GDP. Around 51 percent of these enterprises are located in rural areas and one in five (7.4 million) of them are owned by women.⁵

India is currently facing an unprecedented economic crisis with the GDP shrinking a record 23.9 percent in the first quarter of Financial Year '21. Evidence is being generated to understand whether the current pandemic has had a disproportionate impact on women entrepreneurs and their businesses, given that studying the previous economic crises suggests so. The 2009 Economic Recession, like other previous crises, had a disproportionate impact on women and girls in developing countries through various transmission channels and form of gender inequalities.⁶

But India's economic landscape is changing with women entrepreneurship becoming an important piece of the overall puzzle. There are many success stories emerging from the ground on how women entrepreneurs are showing resilience, adapting and thriving amidst current uncertainty.^{7,8} Women entrepreneurs of India are expected to generate 150-170 million jobs by 2030, which is more than 25 percent of the new jobs required for the entire working-age population.⁹ But without systematic interventions across economic, social and personal areas, it would be difficult to achieve these numbers.

About the Study

Given that we expect gendered impacts of shocks to the system - with existing gender imbalances in both public (disparities at work) and private spaces (domestic unpaid responsibilities), it becomes pertinent to understand the economic impact of shocks like COVID-19 and the lockdown on women-livelihoods as separate from men, in addition to understanding the impact on rural enterprises specifically. With this objective in mind, the CERR (COVID-19 Enterprise Response Research) study was conducted by LEAD with support from the Bill & Melinda Gates Foundation and the World Bank, to understand the financial, social and psychological impact of COVID-19 and its lockdown on women-led businesses.

The study spanned four states (Bihar, Chhattisgarh, Madhya Pradesh and Odisha) covering over 2,000 women-led non-farm enterprises that were either micro or small in nature. These businesses were contacted in the months of June and July (2020) via telephonic surveys to comprehend the impact of COVID-19 on their businesses. Several interesting insights were drawn, which will be detailed in this section across broadly 5 parameters - initial diagnosis, psychological effects and business outlook, support received from the ecosystem (household, SHG and Government), and financial/operational coping strategies used by these entrepreneurs.

⁴ Either by tapping into new digital channels of reaching their customers door-to-door, offering new products and services or exploring new channels of public financing / schemes

⁵ NSSO 73rd Round - Unincorporated non-agricultural Enterprises (excluding Construction), 2015-16

⁶ The Impact of the Economic Crisis on Women's Economic Empowerment; Maria Floro, Annika Tornqvist, Emcet Tas

⁷ Adapting to the Post-COVID world - Six women entrepreneurs from rural India show the way; Hand in Hand

⁸ How Women In The Hills Are Showing Resilience Amidst Uncertainty; She the people

⁹ Women Entrepreneurship in India - Powering the economy with her; Bain and Co. and Google

Data and Insights

The initial diagnosis is not very promising.

On average, businesses had reported a 72.5 percent drop in revenues between pre-COVID-19 and present time, with many enterprises reporting their median revenue in the core lockdown month (April) being nil.

This is in line with the findings from COVID-19 Livelihoods Survey of Azim Premji University which reported a 64 percent drop in earnings for self-employed individuals.¹⁰ Coupled with the magnitude of such falls in revenue, almost 1 in 3 businesses reported being either temporarily or permanently closed, with a little over 10 percent of businesses (11.4 percent) now permanently closed¹¹ forever.

Unsurprisingly, of the total businesses that permanently closed, most businesses reported shutting shop in March itself (82 percent) – perhaps indicative of the strength of the effects of the lockdown on businesses. An alternate theory suggests that businesses which permanently closed were finding closures and lockdown times harder to tide over generally. Moreover, 1 out of 2 businesses that reported being permanently closed during the lockdown did not plan to open ever again which was highlighted in our article in [livemint](#). However, it is promising to note that despite the strong

and immediate nature of permanent closures, among the other half that did plan to restart a new business, most entrepreneurs were eager to start almost immediately (either next week or within a month) – perhaps indicative of a resilient entrepreneurial mindset that wishes to push forward.

The same resilience can be observed in business owners' outlook/optimism regarding the future. Though many women responded that they did experience moderate-to-high levels of stress regarding staying locked in, most women reported even higher levels of optimism when asked about their confidence levels on their business recovering from the COVID-19 setback. Moreover, the responses were very consistent across both operational and temporarily closed businesses. Both categories reported being fully (or at least very) optimistic about their businesses' recovery post-COVID-19. 64 percent of operational and 62 percent of temporarily closed businesses felt that they were very/fully optimistic about their recovery.¹² This trend is in line with findings from other enterprise surveys on COVID-19 response.¹³

Another area where forward-looking optimism provides a good prognosis for business recovery and resilience is credit. Credit is essential for the continuity of business activities. With the lockdown, it was expected that disruptions in supply chains would lead to disruptions in credit lines, which would have halted operational activities and business processes. Our study suggested that this did happen. However, despite fewer suppliers supplying goods on credit presently, we still see a more optimistic outlook towards provision of credit lines to customers – At least 1 in every 2 enterprises is still currently selling goods on credit (56.9 percent). Moreover, more than three-fourth (78.5 percent) of the enterprises also remain fairly confident that they will recover the amount sold on credit.

This of course begs the question – *Are these highly optimistic enterprises who are motivated to overcome the COVID-19-setback at the earliest, doing so out of their own sheer-will? Or are they receiving any help from the ecosystem¹⁴ around them?*

¹⁰ COVID-19 Livelihoods Survey – Azim Premji University

¹¹ This finding is consistent across half the number of states only – Bihar and Chhattisgarh report higher permanent closures (approximately 20%), whilst Madhya Pradesh and Odisha report very few permanent closures (approximately, 1%).

¹² Around 1 in every 4 businesses (or approximately 25%) of both operational and temporarily closed businesses were neutral on post-COVID-19 recovery confidence, whilst a still smaller fraction reported a lack/lower levels of optimism (9% of operational and 12% of temporarily closed businesses reported less/no optimism about recovery).

¹³ Impact of COVID-19 on Microenterprises in India, GAME and LEAD at Krea University

¹⁴ Here ecosystem refers to – SHG groups, governments, households

Businesses on average have reported being associated with the SHGs in their local community for approximately 5.4 years. Despite this long association, 1 out of 2 businesses (49.1 percent) did not take any help from SHGs. However, of those that did, the most common response was financial assistance through loans from SHGs (45.3 percent) or through information on schemes (5.8 percent).

On the household front, most women reported that they did not have to allocate resources to support a family member's business during this time (81.5 percent), and most women also reported that family members did not allocate any resources to their businesses to support them either (82.3 percent) - perhaps indicative of fairly independent entrepreneurs.

Interestingly, government support and scheme awareness can help us understand if the businesses are finding their source of support from the government to thrive through crisis times. 88.3 percent of all respondents surveyed had heard of at least 1 of the 21 schemes listed in the survey (schemes were a mix of both pre-existing schemes, cash transfer payments and recent moratoriums and schemes launched to combat the COVID-19 epidemic and shortfall in market-activity such as SIDBI Safe).

However, despite almost 88 percent awareness among respondents, very few ever applied to a scheme. Most (58.6 percent) reported that although they were aware, they did not apply for any of the schemes. The most common reason for not applying was - *help received without applying*. This claim is also corroborated with the fact that the schemes with the highest awareness and take-up were primarily direct transfer schemes such as CTs to women and PM Kisan Yojana - perhaps pointing towards the efficacy of direct transfers in supporting these enterprises without a tedious process of application and registry. At the same time however, respondents have mentioned other significant barriers to accessing the schemes such as the process being a hassle, not having enough information on the application process and/or eligibility. In general, government schemes do provide support to the entrepreneurs, but they also come with their own set of challenges.

Businesses had deployed many strategies to cope operationally, financially and in adapting themselves successfully to the changing market conditions. Although most businesses generally did not take any new or different steps to adapt themselves to the changing market conditions, there were several who did. Most enterprises answered that they either tried to explore a

new market (offer new products or services - 18 percent) or tried to adapt by providing goods/services on credit (16 percent).

**Operationally,
approximately 81 percent
of businesses tried to cope
by reducing the scale of
operations (or temporarily
shutting down).**

Many others moved towards producing commodities¹⁵ based on demand (12 percent) or chose to do what they were doing before (no new strategy deployed). To cope financially, over 88 percent of businesses chose to tap into the entrepreneur's personal savings or the business cash box to meet enterprise expenses.

Policy Recommendations

The 69 million micro, small and medium enterprises (MSMEs) are the major contributors to India's economy, constituting 29 percent of the GDP. Around 51 percent of these enterprises are located

Businesses have deployed strategies to deal with market changes, albeit taking difficult decisions to cope. Hence, to arrive at any recommendations we must begin with the recognition of the challenges businesses faced and the support they require (or have asked for).

Businesses have mentioned that the top barriers they faced during the lockdown were:

1. Reduced demand (reduction in sales or number of customers),
2. Difficulties in sourcing raw materials (either supplier is closed or due to transport issues), and
3. Difficulties relating to loans (getting/repaying loans).

For training/capacity building, most entrepreneurs felt financial management

¹⁵ Masks, PPE kits, etc

training (35 percent) or business operations training (22.1 percent) would prove to be particularly helpful. In terms of support needed to reach pre-COVID-19 operations level, many listed availability of new credit as the primary form of support they would need (30.5 percent).

What is interesting to note from the survey, is that while most businesses listed availability of credit as their most desired form of support, many businesses **did not face any debt burdens**. Most (81 percent) did not opt for business loans since the lockdown started.¹⁶ Even amongst the 19 percent who did, most (42.5 percent) chose to opt for loans from formal channels (Banks, SHGs, VOs, CLFs).

This, along with higher awareness and utilization of government schemes¹⁷ (specifically related to cash transfers), and with businesses trying to cope financially by dipping into their own savings, reveals that **businesses have a clear preference towards non-debt monetary assistance**. Perhaps during crises, businesses have a greater trust on money that does not entail higher interest rates or stringent repayment guidelines. It appears that they are averse to falling into debt-payment traps, which is why they would be willing to dip into their own savings, and not opt for loans, but at the same time state that availability of new credit is their chief concern. This gives a very clear pathway to supporting these businesses financially:

- Creating instruments that offer short-term interest-free loans,¹⁸ or
- Continuing with the provision of schemes that give greater autonomy to the businesses through direct cash transfers.

Secondly, it was observed that less than 1 percent of businesses explored online payments or digital platforms as points of sales to adapt to the changing market conditions. Given that smart-phone usage was still pretty good,¹⁹ one option that could be explored is training the entrepreneurs on financial and operational management skills through dedicated training apps or even through common online platforms such as YouTube tutorials (explaining easy use and setting up

e-payment wallets for transactions). Although there are existing applications that provide great resources to entrepreneurs, such as *GimBooks*²⁰ or *MSME Schemes*,²¹ what perhaps businesses need is a precursive training curriculum that first focuses on the very basics of financial and digital literacy: how does one conduct net banking, how can one use e-wallets for transactions, how can one perhaps reach a customer online or take orders online, etc. An IWWAGE report by Tankha (2020)²² has also suggested that capacities can be built by using Community Resource Persons (CRPs) on digital literacy and digital applications (apps), as well as by providing handholding support to enable women to access digital marketplace for sale of products online (e.g. GeM portal). Technophobia in matters related to finance and money management is still very prevalent, and hence it is desirable to focus attention on mitigating this to further motivate our resilient entrepreneurs.

Lastly, our survey had important lessons to learn from unpaid household work as well (looking after children, sick family members, collecting fuel, etc.). Most entrepreneurs stated that they did not perceive that the time spent on unpaid work changed in any way, but 40 percent of the sample still felt that it had increased. Most women entrepreneurs also felt that the time spent on their own businesses and on self-care activities decreased. This again works on the principle of revealing time-use indirectly. Many women perhaps associate unpaid household work as chores they need to get through the day. However, with either family member staying at home, or returning home, there is a clear rise in time spent on unpaid and unshared household work. Albeit difficult to address, perhaps the right steps to take would be to recognize and begin with mapping the extent of the same. Counselling services through SHG support or toll-lines that help women deal with the stresses of these times could be helpful.

To summarize, rural women entrepreneurs have demonstrated resilience. They are optimistic about their recovery and eager to restart their businesses. However, there are palpable challenges that need to be overcome, and support is definitely needed for the same.

¹⁶ In fact, most didn't have any active business loans at the time of the survey (66%).

¹⁷ Our study showed that women did not necessarily have issues in awareness (80%+ had awareness of at least one scheme), but rather of access (3%).

¹⁸ One suggestion could be to offer zero-interest loans (in instances of national-emergencies) as an extension of the CGMSE (Credit Guarantee Fund Scheme for Micro and Small Enterprises).

¹⁹ 38% smartphone users, 54% feature-phone users

²⁰ Makes bookkeeping easy for MSME sector - GimBooks

²¹ Government of India app that provides information on all schemes related to the MSME sector

²² Tankha, R. (2020). "Voices from the Field: Impact of COVID-19 on Women and their Collectives in India", New Delhi, May 2020, IWWAGE.



Section 4

Linking women-led enterprises with opportunities: the promise of E-commerce

John Arun, Ridhi Aggarwal

Background

Nearly 66 percent of India's population lives in rural areas. However, there continues to be a large disparity in terms of access to economic and technological resources and adaptation to the recent movement of digitization. Even with ongoing urban development efforts, 60 percent of the population will still be living in rural areas by 2030. Rural entrepreneurship has the power to battle several socio-economic challenges arising out of this disparity by generating capital, growing employment opportunities, improving standard of life, increasing per capita income, and improving distribution of economic power.²³ Rural women entrepreneurs have a crucial role to play in this process to elevate the socio-economic conditions of rural India and in turn, that of the country.

The mushrooming of rural women-owned enterprises facilitates self-employment and stimulates wider economic and industrial activities that enable optimal utilisation of raw materials and labour.

Moreover, given the heavy concentration of women-led enterprises in rural areas, it is critical to enhance efforts to promote and support women entrepreneurship in these regions.

However, rural women face many restrictions in using technology effectively. The disadvantages that come with the lack of access to technology in a digital age dampen their chances of improving livelihoods. Rural women entrepreneurs are also limited to only those local markets that they have access to through middlemen. Digitising and empowering rural women entrepreneurs through digital literacy initiatives can assist in overcoming these challenges and help them establish an online presence to engage more with e-commerce platforms. With increasing digitization across the globe, digital literacy becomes an extremely vital part of starting and growing any business.

About the Study

LEAD, in collaboration with International Innovation Corps, conducted a scoping study on the readiness and dependency of rural women entrepreneurs working individually and/or organised into Self Help Groups on e-commerce marketplaces for entrepreneurial opportunities of growth. The study was aimed at mapping out growing prevalence and upscaling efforts of e-commerce platforms, private and public, amongst rural women entrepreneurs. The study consists of a critical, qualitative analysis on the current penetration and participation by women entrepreneurs on e-commerce platforms, state-led initiatives in upscaling and providing handholding support to the entrepreneurs, and challenges identified for carrying out business online as opposed to the ease of undertaking business in physical marketplaces. It focused, on the basis of their diversified experiences, on six states: Maharashtra, Kerala, Bihar, Odisha, Chhattisgarh and Andhra Pradesh. Here, we present the findings from the first phase of the study where we conducted exploratory interviews with state-level stakeholders, NRLM, NRETP and GeM platform, Amazon Saheli and Flipkart Samarth.

Key Findings

It has been commonly observed amongst the interviewed states that onboarding SHG products onto an e-commerce portal comes with its fair share of hurdles.

The most basic issues that SHG and enterprises run by SHGs women face are meeting the eligibility criteria to be onboarded onto private e-commerce platforms. GST certification, incorporation and registration details and PAN number are just the first steps to be eligible to selling products online.

²³ Rural entrepreneurship: How hinterland's young enterprises could solve India's social challenges. (2020). Financial Express. Retrieved from: <https://bit.ly/2Z3Ej6H>

Even business owners who are much more educated and literate find these regulatory and legal compliance cumbersome to keep track of, and struggle to keep up with the regulatory framework and its ever-changing requirements. SRLMs work with SHG women hailing from different rural areas across the country. SHG products are made by women who start informal businesses to empower themselves and improve their livelihood. Generally, businesses that are started by SHG women are not formally registered and the SHGs do not commonly have PAN number or GST certification. This makes it difficult for SHG women to directly upload their products onto private e-commerce platforms. To avoid these issues and to provide SHGs and rural enterprises access to wider markets through digital sales channels, a few SRLMs have started their own digital platforms. Kerala, Bihar, Maharashtra and Andhra Pradesh have all taken steps towards providing such a platform to the SHG women, linked through the SRLM.

Common features of these digital platforms are:

1. Waiver of legal compliances such as GST certification, incorporation certificate etc.
2. No commission charged by the SRLMs on the sale of the products.
3. SHG women are given the responsibility of producing, packing and delivering the product. In some states, the SRLM has also partnered with a logistics partner to streamline the delivery process.
4. SRLM, district and/or block officers operate the seller accounts on the portal and handle all the backend work on the digital platforms.
5. Payment goes directly into the account of the SHGs.
6. Women have to rely heavily on family members or SRLM officials to understand the English messages that contain the details of orders.

State-specific Interventions

Kerala's state poverty alleviation program, Kudumbashree Mission, works with SHG women to start their own micro-enterprises. The Mission provides the requisite entrepreneurial training to the members that express an interest to begin an enterprise. To promote the sale of the goods/products made by these micro-enterprises, the Mission also runs a brick and mortar supermarket. They launched a digital platform (www.kudumbashreebazaar.com) to enable the sale of longer shelf life

products through digital channels. This platform has been running for one year and is completely operated at the backend by officers at the Mission. As such, there is no centralised warehousing system for this platform. The individual or group microenterprises registered on the platform as sellers are only sent messages on the application linked to the portal with the details of confirmed orders and customer information. On the basis of this, the women package and send the orders from the place of production. The SRLM officers have taken responsibility for the cataloguing and photography required for this website. The sellers themselves have no interaction on the digital platform.

Bihar's SRLM, also known through the brand name of JEEViKA, has focussed on the creation of producer groups and producer companies to enable large scale production of handicraft and weaver products by bringing together women with similar interests and skills, and helping them set up and scale their businesses.

Bihar has about 400 Producer Groups and one Producer Company in the non-farm sector named Shilpgram Mahilla Producer Co. Ltd. The state has recently launched an e-commerce platform under the name of its brand, JEEViKA, whose goal is to promote the products made by the Producer Groups. Given the formalisation of the produce company which is registered under the Companies Act, 2013 and has the requisite GST certification, PAN number etc. the SRLM promotes the sale of the products made by the members of the Producer Groups through and under the name of the Producer Company.

Maharashtra's SRLM, also known by its brand Umed, supports products made by SHGs, individual and group enterprises started by SHG women. In addition to this, they are

currently revamping their e-saras portal that will enable the state to conduct the 'Saras Mela' online due to the challenges posed by the COVID-19 pandemic. The focus is to improve the quality of photography, the digital catalogue and to increase the number of products during this revamp. The SRLM also has a warehouse in Kharghar for the storage of the SHG products that will be sold via the portal. The state-led platform only showcases products made by members of SHGs and not by individual or group enterprises. The products are on-boarded by the Block Mission Manager or District Mission Manager. All backend interfaces with the digital platform are currently handled by these officers but they hope to simultaneously teach the SHG women to operate it themselves. The SHGs have managed to sell products worth Rs. 85,000 in the last 1.5 years through this portal. The SRLM has taken the bank's cloud service and mapped it to all the SHG accounts which enables transfer to the SHG directly.

Government Engagement with Private Platforms

Major e-commerce players in India such as Amazon and Flipkart have initiated programs such as Saheli, Karigar and Samarth that aim to empower and support the sales of products made by rural entrepreneurs and artisans. From the 7 SRLMs that were interviewed during this phase of the study, it was found that SHG women from 6 states have on boarded their products either on Amazon or Flipkart. It is observed that not all states knew about the special programs of Saheli, Karigar and Samarth which led to them signing up on the general platform, which has no special support for the sellers but just the usual connection to the customer care for any issues faced by the seller. Whereas, the programs designed to cater to rural entrepreneurs or artisans have in-built support structures to handhold and train the SHG women artisans and SRLMs, enabling a smoother transition onto the e-commerce platform. The teams from Amazon and Flipkart educate the SRLMs and SHG women regarding the processes of e-commerce, features of the platform and the regulations and norms to be followed. They also designate employees as point persons who work directly with the sellers to upskill them, improve their experience and resolve their queries.x

Saheli is a special program under the Amazon platform where they focus on onboarding

organizations and clusters with a special focus on rural women entrepreneurs. Unlike the larger Amazon platform, Saheli offers initial one-month handholding support on enrolling and enlisting products and providing greater visibility to customers to help launch and sustain their online presence. Amazon does not really assign a designated 'account manager' per se but anyone from the Saheli team is available to guide these sellers especially through this month. Also, Amazon third party service providers help these women with cataloguing, product photography etc. free of charge during this month. The partner organization who is connected to the clusters or rural women entrepreneurs deals with onboarding and digital literacy.

Flipkart launched a program, **Samarth**, in the first quarter of 2020. The objective of the program is to facilitate the sale of products made by rural entrepreneurs, artisans and weavers. Samarth is a gender agnostic program. Having gone live during the pandemic of 2020, there are lots of areas which are still being developed and need to be ironed out. Flipkart has chosen to focus on government partnerships to increase their uptake. They have forged a partnership with the National Urban Livelihoods Mission, aiming to onboard all the clusters as they already get their documentation in order. For now, 8 to 9 clusters from NULM have been onboarded. They also actively look to engage with sellers who have the required levels of digital literacy to work on Flipkart and do not provide any digital literacy training themselves.

Experiences of Private Platforms

Maharashtra: Leveraging a Retail Outlet for E-commerce

Maharashtra's SRLM, Umed, has developed a partnership with Saheli, Karigar and the general Amazon platform through which it has facilitated the sales of 90 products worth 4.5 lakhs in the last 2 months. The SRLM allows products made by women who have individual and group enterprises to be onboarded on the condition that they have a GST certification, as this is a must for an e-commerce platform. Given that SHGs are not usually registered as legal entities and do not have a GST certification to their name, many of them cannot be onboarded as sellers on an e-commerce platform.

Wardha district came up with quite an innovative solution to the challenge of GST registration. It has a district brick and mortar store known as 'Wardhini', where all the district's SHGs products are aggregated and sold. As the store had the requisite legal registration, GST certification and PAN identification, the district decided to use its own brand name to sell the products of the SHGs which were good enough to be sold online. Hence, a majority of Maharashtra's Amazon sales happen through the Wardhini seller account, as it allows for the sale of SHG products.

Bihar: Creation of a single legal entity

The Bihar SRLM, JEEViKA, faced similar issues as the businesses in Maharashtra, as their Producer Groups did not have the requisite legal documentation to be onboarded on Amazon. It is important to note that Bihar has a single arts and crafts producer company, known as Shilpgram Mahila Producer Company Pvt. Ltd., which has about 400 shareholders who are all SHG women, who partake in the operations and functioning of the company registered under the Companies Act, thereby making it eligible for the entity to be registered as a seller on an e-commerce platform. To overcome compliance issue, they have also used a similar model of aggregation wherein they have onboarded the producer company as a seller on Amazon and used that account to sell products made by the producer groups. Currently, they have onboarded eight products made by 2-3 producer groups onto Amazon. With respect to JEEViKA's engagement with Flipkart, about 50 products were onboarded which have managed to garner sales worth Rs. 24,000 in two years through the platform. The SRLM is quite clear about the fact that PGs and PC rely on e-commerce platforms for about five percent of their total sales.

Kerala: Creation of eligible smaller entities

Kudumbashree Mission in Kerala operates with a slightly different model given its own mission to support rural women in starting their own micro-enterprises. The Mission enables and supports rural women entrepreneurs to get the requisite documentation and certifications for their enterprises, thereby enabling each entity to qualify as a seller on Amazon. The Mission has a centralised warehousing facility to support their Amazon operations. The enterprises from Kerala have onboarded 654 products on Amazon and have received and fulfilled 361 orders worth Rs. 1,32,886. The platform charges the women a commission of 3-12 percent depending on the category of the product.

Recommendations

NRLM-led Initiatives

- **Advocating for ease of business for rural women entrepreneurs**

NRLM can make recommendations to the Finance Ministry to reduce the financial burden on rural micro-enterprises caused by the mandatory 20 percent GST charged for e-commerce activities and negotiate a reduction/waiver specifically for rural women-led entrepreneurs. This can prove to be an effective measure in enabling e-commerce as a more financially viable and lucrative opportunity for enterprises struggling to increase market visibility through technological solutions.

- **Generate awareness about different avenues for e-commerce**

As was observed during the interviews, many states do not know about special programs such as Saheli, Karigar and Samarth and hence are not able to provide a better e-commerce experience to the rural enterprises partaking in it. It would be helpful if NRLM could generate awareness about these programs by doing information sessions for the SRLMs along with these players or by distributing a memo with the various e-commerce opportunities detailing out the special features of each program.

- **Formulate nationwide partnerships with private e-commerce players**

The Ministry of Rural Development, having forged collaborations with GeM and SRLMs to onboard SHG products on the Saras Gallery, can forge a national-level partnership with these private e-commerce platforms. As the nodal agency, the Ministry can play an instrumental role in enabling standardization and reduction of the commissions charged by the platforms. An example of a nationwide partnership is that of NULM's partnership with Flipkart which is still in its early stages. A national level partnership would ensure better bargaining power for the SRLMs as some are not as active in comparison to others. Current commission rates charged by Amazon and Flipkart ranges from 8-18 percent, depending on the kind of program and the kind of product being sold via the platforms, and are usually too expensive to be absorbed by the rural enterprises given that only a small portion of their total sales takes place via these platforms. A centralized agreement on partnership for hosting and marketing the products made by rural enterprises along with reduced and standardized commission rates for all SRLMs/

rural enterprises linked with an SRLM could help facilitate a more structured pricing strategy for all micro-enterprises and create inclusivity for ones that have not yet been onboarded due to financial constraints.

- ***NRLM to develop a roadmap for convergence and optimization of SRLM e-commerce activities***

Each SRLM has had an altogether unique experience with each e-commerce platform, whether government or private. There are some commonalities such as challenges with supply chain management, pricing, photography, packaging etc. Given all the various experiences and the different strategies and approaches to resolve them, encouraging sharing of problem areas and best practices amongst the SRLMs will allow for them to leverage each other's knowledge and learnings to overcome the multiple challenges that rural enterprises face while taking up e-commerce activities. The decentralised Kudumbashree Bazaar e-commerce platform from the Kerala SRLM has been a successful start in the right direction for digitizing SHG women-led enterprises. While Chhattisgarh has had a sombre journey with these platforms, Maharashtra and Kerala have been able to successfully aid their SHG women in this endeavour. Therefore, the smoothest means to move forward would be to encourage best practices sharing among the SRLMs to leverage each other's successes in order to build context driven, robust solutions. This could be done via hosting other state products on SRLM platforms, i.e. Kudumbashree can begin hosting products from Chhattisgarh and Rajasthan.

SRLM-led Initiatives

- ***Assessment of Product Demand***

A number of products made by rural women entrepreneurs face fierce competition in the market due to the availability for cheaper alternatives that are produced at a much larger scale. The rural enterprises have no idea whether their products are viable for the e-commerce space or what the demand for these products is. To ensure that they are not wasting efforts by selling online unnecessarily, the SRLMs can conduct product demand analysis to streamline and improve the e-commerce activities of rural enterprises led by women. Currently, this landscape of the demand-side expectations hasn't been charted out extensively, therefore surveying prospective consumers would be a good place to gather insights to strategize the migration to e-commerce platforms.

- ***Assessment of digital readiness of shg women; curating digital readiness training module***

While several interventions like the Internet Sakhi, the Bank Sakhi and other banking partnerships have helped raise awareness about leveraging the internet to supplement their business and financials, data about the use of digital tools is rarely recorded. While landscaping of internet connectivity, smartphone and laptop penetration is easier to track, the capacity of women to actually leverage this technology hasn't been assessed with due diligence. Such an exercise could greatly inform the design of state led e-commerce portals, curation of training sessions to enhance use by rural women, and building sustainable business models with these women acting without assistance.

- ***Planning and executing robust end-to-end e-commerce training module***

Along with providing mediums to tackle the informational gaps in digital readiness, it is imperative to develop an end-to-end process manual for leveraging e-commerce portals, private and public, for expanding the reach of products. This can greatly help in transferring the ownership of e-commerce activities of independent businesses following the handholding support that states currently provide. The training module should include, but not be limited to, information on business planning required for becoming e-commerce ready, product branding and packaging appropriate for e-commerce customers, pricing strategies, tackling market competition and a step-by-step guide to explore online portals for growing visibility. Current EDP training focuses on building business plans for SHG women looking to start their own enterprise. Across states, EDP has been made available either with the help of partner institutions or by the District Program Managers/Block Program Managers themselves. Given the existence of this infrastructure, it has now become imperative to update the pedagogy to carry a digital vision for these enterprises as well.

- ***Developing a centralised MIS tool/tracker to periodically collect information on e-commerce activities of SHG women.***

To support NRLM in the assessment and mapping activity, states can start collecting information on e-commerce activities of SHG women via MIS tool/tracker periodically. This can include product categories, platforms leveraged for e-commerce, updated sales figures, spread of e-commerce, warehouse inventory trackers, and so on.

- ***Transference of ownership of e-commerce activities to SHG women***

This involves changing the onus from state facilitated presence on e-commerce platforms to giving SHG women the direct responsibility to lead their e-commerce operations. The current e-commerce penetration for products made by rural women entrepreneurs has been heavily supported by SRLM, district and/or block officials who operate the seller accounts for

women entrepreneurs. While it is imperative for the state to lay the foundations and build robust systems to enable e-commerce transition, it is also important to think of building the capacity of these women to ensure sustainability for their e-commerce activities and presence. The lacuna to fill therefore is to build more context driven platforms and processes that are technology-enabled instead of technology-led, which can aid the SHG women instead of challenging their business.



Section 5

Rewriting the rules: Women entrepreneurs in non-traditional sectors

Kartikeya Bhatotia, Mridulya Narasimhan

Introduction: Current State of Sectoral Gender Segregation

When it comes to women's labour participation and enterprise ownership, sectors in India are severely disproportional and segregated. It's a well-known fact that India's Female Labour Force Participation rate continues to be one of the lowest in the world. As India has grown in recent decades, economists believe that women's involvement in the economy is following the U-shaped hypothesis. This means that India is going through a phase of decline in female labour participation mainly because girls who were previously staying at home and were forced to work, are now increasingly going to school or were earlier forced to work due to poverty. While these are encouraging trends, signalling economic growth in the long-run, women's labour force participation in India today is characterised by low-growth and low-productivity. Some of the traditional women-led businesses are those in sectors such as health, clean energy, education, fashion and retail, cosmetics, food and nutrition and garments and textiles.²⁴

Lack of diversification in women's employment and entrepreneurship is concerning for the economy for several reasons, mainly because it helps absorb sector-specific and economy-wide shocks. It also helps women's mobility within sectors and their ability to take up emerging jobs these entrepreneurs.

According to the McKinsey Global Institute,²⁵ up to 12 million Indian women could lose their jobs by 2030 owing to automation in sectors traditionally dominated by women.

There is no one way to define a 'traditional' sector or industry for women. Typically, each country or region can have their own traditional and non-traditional sectors for women's participation. The US Department of Labour²⁶ defines a non-traditional job as one where the representation of women in the workforce is less than 25 percent.

Women's Participation in Sectors

If the same threshold were to be applied in the Indian context, five out of 12 selected sectors surveyed in the India Skills Report 2017²⁷ could qualify as non-traditional sectors. These are:

- Banking, financial and insurance Services;
- Oil, gas, steel and minerals;
- Engineering and automation;
- Manufacturing (non-engineering and other durables);
- Telecom and allied activities;

According to the report, when it comes to women's participation in the non-agriculture sectors in India, 'Retail' leads the representation with 52 percent. Community, social and personal services sector employs the greatest number of women (3.21 million) followed by manufacturing (1.04 million) and finance, insurance, real estate & business services (0.64 million).²⁸ However, the formal sector remains a small fraction of the actual picture of women employment in India. In rural areas, about 73.2 percent of the female workers are engaged in the mostly informal agricultural sector followed by 'manufacturing' sector (8.1 percent) and 'construction' sector (5.3 percent).²⁹ Among female workers in the urban areas, 'other services' sector (other than 'trade, hotel & restaurant' and 'transport, storage & communications') shared the highest proportion of workers (44.4 percent), followed by 'manufacturing' (25.2 percent) and 'trade, hotel and restaurant' (13 percent).

When it comes to the representation of women-led enterprises, India once again lacks in the realisation of potential. Looking at factors like financial access, advancement

²⁴ Korreck, Sabrina (2019). Women entrepreneurs in India: What is holding them back? ORF Issue Brief. Issue No. 317. Accessed at <https://www.orfonline.org/research/women-entrepreneurs-in-india-what-is-holding-them-back-55852/>

²⁵ <https://www.mckinsey.com/featured-insights/gender-equality/the-future-of-women-at-work-transitions-in-the-age-of-automation>

²⁶ Price, Vivian (2016). 'Women in Non-Traditional Work Fields'. The Wiley Blackwell Encyclopedia of Gender and Sexuality Studies. Accessed at: https://www.researchgate.net/publication/316363904_Women_in_Non-Traditional_Work_Fields

²⁷ https://wheebox.com/static/wheebox_pdf/india-skills-report-2017.pdf

²⁸ http://mospi.nic.in/sites/default/files/reports_and_publication/cso_social_statistics_division/Chapter_4_2014.pdf

²⁹ http://mospi.nic.in/sites/default/files/publication_reports/Annual%20Report%2C%20PLFS%202017-18_31052019.pdf?download=1

outcomes, and ease of doing business, the 2018 Mastercard Index of Women Entrepreneurs ranks India 52nd among 57 countries, ahead of Iran and behind Tunisia.³⁰ Around 2.76 million women entrepreneurs (34.3 percent of the total entrepreneurs) work in agriculture sector whereas 5.29 million women entrepreneurs (65.7 percent of the total entrepreneurs) work in non-agricultural sectors.³¹ Among the non-agricultural activities owned by women entrepreneurs, manufacturing and retail trade are dominant ones with corresponding percentages being 29.8 percent and 17.8 percent respectively. Most of these enterprises either employ only the owner or household members, with the average employment per enterprise being 1.67.

Obstacles for Women in Non-Traditional Sectors

There are several factors that act as barriers and disincentivise women from taking up entrepreneurship. These not only act as the first impediment to entrepreneurship, but also restrict the business capabilities of women-led enterprises in non-traditional sectors in comparison to male counterparts:

- **Access to finance and lack of collateral:** Non-traditional sectors can be capital intensive, requiring more capital than traditionally women-led businesses. Lack of access to institutional finance exacerbates the disadvantages present for female-led enterprises. A study by IFC³² revealed that only 14 percent of the sampled women-owned enterprises availed bank loans, compared to 66.7 percent of male-owned enterprises. About 8 percent of the total Adjusted Net Bank Credit of all public sector banks in 2015 was extended to women entrepreneurs. Women in India rarely own property that could serve as collateral for start-up loans, thereby reducing their creditworthiness.
- **Lack of confidence:** Frequently repeated stereotypes enforce the notion that business is not for women and the belief that men are better suited for financial decisions. Women entrepreneurs are often treated with
- less respect when interacting with business partners. Research shows a 'confidence gap' between sexes, i.e. women often struggle with self-doubt³³ and underestimate their abilities. In non-traditional sectors, this can often reduce female entrepreneurs' confidence and competitiveness.
- **Gender-rigid vocational programmes:** Various state and central schemes that focus on up-skilling and training people assign activities like plumbing, electricity and construction for men. For women, often, activities centred on beauty and wellness or handicrafts are assigned. This signalling and policy design create segregation among the workforce wherein men and women are nudged into professions based on their sex and not based on their interest and capabilities.
- **Male-dominated networks:** Due to the lack of business connectivity, and hesitation by women to socialise with men³⁴ especially in non-traditional sectors, women-led enterprises take a hit. Male-owned businesses meanwhile, leverage the advantage by increasing linkages and business knowledge among their network. The safety net, therefore, is stronger for men than women, especially in non-traditional settings where the concentration of male-owned businesses is higher.
- **Secondary income effect:** Women's employment is often seen as a secondary source of income. When household income stabilizes, women are often forced to leave their jobs and/or shut their enterprises as spousal/parental income rises. This stops women from venturing into entrepreneurship. Being a female entrepreneur or a female worker in a non-traditional sector with this cultural perception, thus, becomes increasingly difficult.
- **Safety/ preferring to work from the household:** In a male-dominated environment, women often choose to work from the household due to their perceived fear of venturing out. This holds them back from being competitive in a non-traditional setting. According to NSSO 2011, among women of age 15 years and above engaged in domestic duties, about 34 percent in rural areas and 28 percent in urban areas were willing to accept work at their household premises.

³⁰ <https://www.imf.org/external/pubs/ft/fandd/2019/03/womens-entrepreneurship-in-India-mathew.htm>

³¹ Sixth Economic Survey of India

³² https://www.microsave.net/wp-content/uploads/2018/10/Improving_Access_to_Finance_for_Women_owned_Businesses_in_India_IFC.pdf

³³ <https://www.theatlantic.com/magazine/archive/2014/05/the-confidence-gap/359815/>

³⁴ https://www.ilo.org/wcmsp5/groups/public/---ed_dialogue/---act_emp/documents/publication/wcms_601276.pdf

Why does this need our attention?

In an ailing economy that is working towards recovering from the aftermath of the pandemic, now more than ever, it is crucial to ensure that more women learn marketable skills and are connected to sustainable and profitable opportunities.

Horizontal segregation is a lot more deep-seated than given credit for and entry into non-traditional sectors is far more challenging for women entrepreneurs where they may be at a constant disadvantage. However, the returns and gains to be made from women participating in these sectors are exponential.

Economic independence: A recent research has found that women in non-traditional sectors are likely to earn 66 percent more profits than women working in traditional sectors.³⁵ Non-traditional women-led enterprises are an impactful way to ensure economic autonomy by providing viable and profitable income streams to women. Given that most of the non-traditional sectors are capital and knowledge intensive, investing in assets for the enterprises will also ensure asset ownership in the name of the women entrepreneur.

Skilled labour force participation: As per Periodic Labour Force Survey (PLFS 2017-18) approximately 3 out of 4 women are unable to seek work opportunities. Women being able to explore entrepreneurial ventures in non-traditional sectors, would increase their representation in the skilled workforce, which is a clear marker of an economy's progress.

Choice of opportunity. By ensuring more avenues for setting up enterprises, women

are now presented with the opportunity of choosing their own venture guided by interest, skillset and aspiration as opposed to societal norms.

Agency: When women move up in ranks and take on higher leadership roles, the ability to make decisions is bound to spill over in the day-to-day functioning of the household. Literature has shown that economic autonomy has positive effects on decision making at a household level as well as boosts confidence in women to participate at a community level.

Intergenerational effects: In the long run, not only does entry into non-traditional sectors break gendered sectoral stereotypes, but also impacts economic and social status, access to higher education and better health decisions for self and family.³⁶ Studies have also shown that women who felt economically independent allocate their earnings towards their children's business.³⁷

Concerted efforts thus far

The issue of horizontal segregation when it comes to entrepreneurship is a systemic one and requires comprehensive redressal at the individual, institutional and policy level. Having taken notice of the current skill gap and the need to empower women entrepreneurs with choice of opportunities, the Government of India has taken various steps to encourage skill building and training in knowledge-based roles which previously only men were socially conditioned to undertake.

Education and literacy for all: Initiatives like 'Beti Bachao, Beti Padhao' is a step in the right direction to ensure that a girl child, from an early age, is provided a level playing field with regard to education and literacy.

Skill-based education after schooling: Industrial Training Institutes (ITIs) and Vocational Training Institutes (VTIs) have seen a 97 percent increase in the enrolment of women in 2018, in comparison to 2014. There are 18 National Skill Training institutes that have been designated as the skill training bodies exclusively meant for women. These institutions are providing skills training in artificial intelligence, 3D printing and other niche technical sectors to ensure that women are able to perform in new-age roles.

³⁵ <http://documents1.worldbank.org/curated/en/734371558715932769/pdf/Tackling-the-Global-Profitarchy-Gender-and-the-Choice-of-Business-Sector.pdf>

³⁶ https://www.bain.com/contentassets/dd3604b612d84aa48a0b120f0b589532/report_powering_the_economy_with_her_-_women_entrepreneurship_in-india.pdf

³⁷ <https://www.unwomen.org/en/news/stories/2019/12/feature-rickshaw-drivers-break-stereotypes-in-nepal>

Creating a safe and gender sensitive environment:

Women have received special focus under initiatives such as Pradhan Mantri Kaushal Vikas Yojana (PMKVY) and Skill India Mission which are working towards calibrating skilling requirements based on current market demand and industry requirement with women representing approximately 40 percent of the enrolment in PMKVY. These encouraging numbers are also a result of the lodging, childcare support, flexible training schedules, mobile training units and transportation facilities provided under these schemes that acknowledge the social and mobility constraints faced by women.

Access to finance: Non-traditional sectors have rather organically created a high entry barrier for women as studies find that these are capital intensive sectors requiring fairly high initial investment. Gender aware policies like the Prime Minister's Employment Generation Programme (PMEGP) Scheme have encouraged women entrepreneurs to set up projects by providing up to 25 percent and 35 percent subsidies for the project set up in urban and rural areas respectively since its inception in January 2019.

While schemes like the MUDRA Yojana are gender agnostic but mostly represented by women borrowers who constitute up to 78 percent of the portfolio, Public Sector Banks (PSBs) like SBI, PNB, Dena Bank etc. offer unique loan products tailor-made for women entrepreneurs. In order to encourage loan uptake, these banks are taking efforts to address the credit gap by relaxing the guarantor and collateral requirements, as well as offering subsidised interest rates.

Mobilising private sector partnerships: DISHA, a skill building initiative, is actively working in states like Haryana, where women represent only 16 percent³⁸ of the workforce, lower than the national average of 25.3 percent, to provide women with vocational skills in non-traditional sectors like plastic engineering.

Organisations like Mann Deshi and Wadhwani Foundation have also developed hard and soft skills training and capacity building modules for rural women entrepreneurs, resulting in Rs. 500 crore in aggregate financing for 90,000 women enterprises and the inception of over 50,000 microenterprises.³⁹

In addition to capacity building and skilling support, private sector players and non-profit organisations have also taken efforts to drive initiatives around non-traditional livelihoods.

For example, ACCESS Development Service launched Pink City Rickshaw Company, empowering women from low-income households in Jaipur by skilling them to drive e-rickshaws for tourists.

Given the sector expertise, business management skills and experience in commercialising products and services, the private sector has been instrumental in identifying opportunities for women. It is important now to ensure that this momentum can also be translated into carving pathways for women's entrepreneurial journey.

Efforts by state institutions: Government departments and ministries have advised that 25 percent of their procurements should be from the MSME sector, with at least 3 percent procurement from women-owned enterprises. Such efforts to provide women-owned enterprises access to government contract opportunities is likely to ensure revenue sustenance and growth, and also create pathways for women to enter new value chains.

Apart from tied supply chain efforts, some state governments have gone beyond hard skill training to ensure end-to-end system support for women entrepreneurs. In 2018, Telangana State-Government launched WE-Hub, that caters to (i) school students, (ii) rural entrepreneurs, (iii) urban entrepreneurs, and (iv) women looking to re-enter the workforce. The initiative looks to handhold enterprises by providing access to capital, infrastructure, marketing and legal services and mentorship support.

Policy Recommendations

More specifically, how can we:

1. Increase uptake of women-led enterprises in non-traditional sectors

a. Women with formal education

- i. Creating an exposure to non-traditional roles early on during school education so women do not hesitate in pursuing their career interests due to internalised beliefs of gender roles. Modules and immersive education (activities, exposure visits) should be introduced as a part of the curriculum to inculcate entrepreneurial and risk-taking attitudes early on in student life.

³⁸ Periodic Labour Force Survey 2017-18. The age group accounted for is 15-59 years of age.

³⁹ https://www.bain.com/contentassets/dd3604b612d844a48a0b120f0b589532/report_powering_the_economy_with_her_-_women_entrepreneurship_in-india.pdf

- ii. Enable outreach to women of the younger demographics at the cusp of choosing their career path. Through career counselling and mentoring, reinforcing the importance of women's entry into non-traditional roles as well as motivating women who show interest and promise in their respective fields. This can be done through career fairs in schools and colleges, as well as skilling campaigns.

b. Women with little or no formal education

- i. Identifying local and recognisable role models to motivate women to transition into non-traditional livelihoods or motivate young women to take up an early career entrepreneurial role.
- ii. Through awareness and educational campaigns in schools, colleges and vocational training camps, highlighting the earning and growth potential of non-traditional roles to motivate women to cross over to the sectors.

c. Creating apprenticeship opportunities in the non-traditional sectors under women leaders as well as mentoring programs for a seamless transition of women from traditional roles to non-traditional roles.

2. Ensuring retention of entrepreneurs in the sector

a. Skilling

- i. Policies and measures should be put in place to ensure that there are no gender-based segregations in skilling and vocational training, and concerted effort should be taken to ensure that women are encouraged in non-traditional fields.
- ii. Continual development training should be administered for women workers and leaders in non-traditional sectors so that their skill sets stay relevant and are not be rendered obsolete over time.
- iii. Socio-emotional skills & motivation training, as well as counselling facilities should be made available for women to manoeuvre through gendered and socially conditioned norms.

- iv. There should be an increase in the number of gender-responsive and gender targeted incubators, as well as accelerators catering to the social and mobility constraints of women.
- v. Digital literacy training, camps and facilities should be organised for women to have a higher market reach as well as to equip them to weather shocks like the one seen during the COVID-19 pandemic.

b. Enterprise Financing

- i. iTailor-made financial products for women enterprise owners should be designed and implemented through financial institutions. Additionally, this financial access should be bundled with financial management and mentoring support.
- ii. Ensuring ease of norms and gender specific targets for financial institutions to increase the uptake of formal sources of financing.

c. Market access:

- i. Creating networking opportunities through digital means and social gatherings to meet industry players and sector contemporaries.
- ii. Connecting enterprises offering different products and services in the same value chain to ensure supply chain integration, continuity in business and commonwealth for women-led enterprises.

d. Convergence opportunities

- i. Leveraging existing programs that focus on growth of rural enterprises like Start-up Village Entrepreneurship Programme (SVEP) and the National Rural Economic Transformation Project (NRETP) with targeted focus on women-led enterprises in non-traditional sectors.
- ii. Encouraging private sector partnerships (PSPs) especially in the non-traditional sectors like mining, telecommunications, engineering etc. to adopt initiatives that foster women's participation in non-traditional roles.



Section 6

Bridging the Gap in Access to Finance

Fabrizio Valenti, John Arun

Access to finance is a key constraint that determines the growth path of any enterprise, agnostic of gender. However, for women-led enterprises, this aspect is further exacerbated by the fact that women have lesser access to assets/resources that could be produced as collaterals to access credit, as well as lacking networking skills required to signal ability and enterprise. In this section, we discuss findings from two studies undertaken by LEAD at Krea University that showcase key constraints and best practices in the context of women enterprises' access to finance.

COVID-19's impact on women-led micro businesses

Context

In the wake of the COVID-19 pandemic, it is becoming abundantly apparent that its ramifications will be wide and deep-rooted. Historically, pandemics have been known to have a greater effect on women as they are exposed to more economical and social shocks.

Women-led micro and small businesses are particularly at risk because they encompass firms in lower-margin markets, informal enterprises, existing in the backdrop of family obligations, and are more prone to facing instability compared to their male counterparts.

Women-led microbusinesses are, at times, alternatives for those who want to supplement their family incomes while managing constraints of time, mobility, literacy, and other factors that inhibit their participation in the formal labour force.

About the Study

LEAD, in partnership with the Global Alliance for Mass Entrepreneurship, is conducting a national level COVID-19 impact study which aims to capture the status of micro-enterprises in India during the current crisis. Through this dynamic multidimensional survey, various micro businesses are being interviewed over a period of six months. The survey assesses the impact of the lockdowns and other policy restrictions on business operations, employment practices, and income.

Key Findings

In this study, low sales and reduced customer footfall was reported by 79 percent of the female entrepreneurs as their major challenges for doing business during the lockdown. Also, most women-led microbusinesses traditionally relied on physical bazaars as a link to customers and hence, 81 percent of women-led microbusinesses in the sample which sell directly to customers faced considerable constraints in accessing markets. Also, the social distancing measures to counteract COVID-19's spread has greatly diminished a major income source.

Increase in household responsibilities for women and related entrepreneurial trade-off

There is an evident gap that exists in the workforce regarding the types of roles that women were perceived to be suited for and their consequent exploitation which was a product of patriarchal societies. We find, through our qualitative interviews, that predefined roles as caregivers in the household make it difficult for women to embrace their entrepreneurial nature especially during a pandemic situation. The overall fall in production, along with the supply chain disruption, has resulted in a sharp decrease in the profit and revenue of microbusinesses. Given the uncertainty on profits due to the spread of the pandemic and declining purchasing power of customers, the survival of such enterprises is being threatened. With the rising interest in fortifying MSMEs as a pathway to achieving higher economic goals, women's roles as entrepreneurs, decision makers, and showrunners need further support from government and private sector initiatives.

Providing financial access with ease:

63 percent of the entrepreneurs did not have cash reserves to manage their expenses during the crisis. Women entrepreneurs still tend to rely more on informal loans. An important requirement is to make financial services more inclusive by easing access through alternative credit or trust scores and by building and offering customized services for women entrepreneurs.

In order to make this happen, formal sources of finance, like banks, fintech companies and MFIs will have to adopt targeted sourcing/marketing strategies, generate awareness about financial products and services, and explore the potential for doorstep financial delivery models and other cost-effective and innovative delivery systems. Due to operational inefficiencies, collateral requirements, and lack of digital data trails, banks do not lend to women. Gender gaps persist in the availability, access and the use of finance.

Basic care and support for women: Women-led rural enterprises have been known to be resilient during economic shocks in the past. However, little is known about the impact of a long-drawn lockdown affecting supply chain, business operations and sales, especially when faced with the burden of increased unpaid care work and limited cash reserves at a household and enterprise level. The study results show 43 percent of respondents reported an increase in time spent on household chores, and simultaneously over 35 percent mentioned an

increase in unpaid care work. This often leads to the unwanted entrepreneurial trade off and restricts access to formal capital due to low productivity. A crucial policy requirement for women has to be institutionalized care support. The recognition that women's household work and care work take their time off entrepreneurial ventures can be offset by providing adequate household infrastructure like uninterrupted water and electricity supply, access to clean fuels and access to quality child care services - crèches, government centres (Anganwadi), private affordable care centres and so on.

Filling the skilling gaps: Only 9 percent of our sample learned a new skill during the lockdown - which continues to be the key to staying relevant for the business and managing trade effectively, especially with return of male members to peri urban and rural areas. The challenges which women face are multidimensional when it comes to their employment opportunities, conditions, and safety. The key aspects are the importance of skilling, technological support and interventions from the private sector in enabling micro businesses to address the challenges and also tapping into the opportunities that had taken roots in the crisis. Private startups prove to be great stakeholders by coming up with innovative ideas for upskilling existing women entrepreneurs via incubators and accelerators. Incubators and accelerators are also major sources of startup capital for microbusinesses. Hence, it is high time they also cater to the women-led microbusinesses in the informal sector.

Create an ecosystem for high growth women entrepreneurs: The role of policy needs should be in terms of expanding markets and not only market access. As the markets for products such as masks, produced by these women, are getting saturated rapidly, we should consider what could be potential mechanisms for expansion of markets as well as providing women access to those expanded markets. Elevation of micro businesses through higher-order bank linkages, bank loans, registration on government e-market portals, and similar e-commerce portals could be considered. Facilitating transition of SHGs and microbusinesses into higher order producer organizations such as food processing enterprises and clusters-based development approaches should also be contemplated.

Case Study

45-year old Chandra, is the proprietor of a tailoring unit in Karur District of Tamil Nadu. “I cannot afford to pay my staff their full wages. But I pay them 50 percent of their pay, even though some of them are not coming to work.”

Chandra expanded her tailoring business, from a home-based unit to a tailoring workshop with the help of her spouse and son. She believes that her employees are the foundation of her enterprise, and with their support the business has seen tremendous growth in the last few years. The revenue from the tailoring business is their primary source of income. Before the COVID-19 crisis hit.

Chandra’s workshop employed 15 people. With tailoring orders dwindling during the lockdown period, coupled with travel restrictions, only six

of her staff members were actively engaged in work at the time of our survey. With the slowdown in the economy, business has been slow as well.

Even so, availing working capital from banks and other formal financial institutions is not a feasible alternative for entrepreneurs like Chandra. Lack of collaterals, complicated administrative procedures, and restrictive lending conditions prevent female entrepreneurs from securing growth and working capital to sustain their enterprises, particularly during financial and other crises.’

The adverse effect of COVID-19 on women micro businesses has certainly exacerbated a huge socio-economic gap. Governments, banks and other financial institutions must also immediately follow effective gender-sensitive policy responses to meet the need of the situation.

Source: Joshi K (2020). Micro Business Employment Trends - A Case During Crisis. LEAD at Krea University.

The Haqdarshak model

In Chhattisgarh, IWWAGE is partnering with the State Rural Livelihoods Mission (SRLM) and Haqdarshak Empowerment Solutions Private Limited (HESPL) to implement a project that leverages digital solutions to promote the uptake of government schemes and to create livelihood opportunities for women. A cadre of SHG members are trained to use an app, called Haqdarshak, that provides a ready reference of more than 200 central and state government entitlements. Additionally, the app also contains information on the benefits promised, eligibility criteria, documents required, and the application process for accessing each of the entitlements. Trained SHG women, known as Haqdarshikas, provide door-to-door services to citizens in their respective villages, informing them about the government schemes and documents that exist and help them access the same. Since this is an entrepreneurial model, the Haqdarshikas charge a small fee for the services they provide to the citizens helping them earn a livelihood.

Between August 2019 and August 2020, more than 2,300 women have been trained across five districts and have processed more than 100,000 applications to government schemes and documents. Many of these applications go towards obtaining important documents, such as PAN, ration, and job cards as well as registering disability status.

In terms of access to government schemes, instead, most applications were towards insurance products (life, accident, health), MNREGA labour demand, or opening a Sukanya Samridhi account, among others.

While these are important elements in improving financial inclusion and creating an enabling environment for women entrepreneurs to start or grow their business, none of them grant direct access to finance. It is worth wondering why this is the case. The Haqdarshak app contains information about schemes that provide access to credit, such as MUDRA loans, and, clearly, it is being used by beneficiaries to receive information and to apply to a wide range of government schemes and benefits, so why not access to credit?

First of all, we notice that a very small number of women (34) have used the services of Haqdarshikas to receive a MUDRA loan. Interestingly, the loans are distributed fairly equally between the different categories of loans (Shishu, Tarun, Kishore). Still, compared to the total amount of applications processed by Haqdarshikas, this is an insignificant amount. There could be both supply and demand side reasons behind this. Based on our interviews with Haqdarshikas, it emerged that they themselves were not comfortable promoting this kind of schemes, because:

1. They feel and are held personally accountable for the success of the application. Haqdarshikas are concerned that if an application for a MUDRA loan facilitated by an Haqdarshika is rejected, her business and reputation might be negatively affected.
2. They are not confident in their ability to guide citizens through this application, which is considered to be rather complicated.

At the same time, bank representatives with whom the research team has spoken, have expressed some skepticism about the Haqdarshak model, noting that citizens could access government schemes and documents (including MUDRA) without having to pay a fee to Haqdarshikas if they just went to the relevant application touch-point (e.g. the bank

or a Common Service Centre). Overall, these results point to approaches that could be used to improve access to finance for women in rural areas through agent-based models:

- Agents need to receive specific training on schemes to promote access to credit.
- Financial institutions need to have a buy-in to support the model. Additional technical and motivational assistance can result in agents promoting this kind of scheme more proactively.

Additionally, it is worth noting that Haqdarshikas have provided information to SHGs on other entrepreneurship or livelihood building schemes, such as the Godhan Nyay Yojana. These schemes target the SHG as a whole, rather than individual women entrepreneurs and provide access to markets or in-kind support for very specific predetermined types of business activity. Arguably, this uniform one-size-fits-all approach does not foster or grow the entrepreneurial potential of women in rural areas. Finally, SHG women can also access group loans from the SHG itself, but, clearly, that is not always the best way to support individual entrepreneurial ideas. There are examples of individual loans disbursed through SHGs. These normally are, however, limited state-wide initiatives targeted at specific livelihoods opportunities.

Arguably, providing SHG members with a broader pool of financing options is a necessary step to unlock the vast reservoir of ingenuity and entrepreneurship of the collectives.



Section 7

Conclusion and key takeaways for future research

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COVID has had a disproportionate impact on the already flailing women-led enterprises especially in the rural areas. As highlighted in Section 3 of this report, almost 1 in 3 businesses reported being either temporarily or permanently closed due to the lockdown. Such closure is part of their coping strategy (to divert restricted funds to more important/basic needs) alongside measures such as dipping into their own savings. The pandemic has also resulted in an increase in the care responsibilities of women. However, resilience has been indicated through a display of optimism among the enterprises (around 30-60 percent of the sample across studies reported confidence in recovery) and extension of trade credit that signals hope in the future prospects of the business.

Women-led enterprises are primarily home-based businesses due to the mobility and time constraints. Own-account home-based businesses have weaker access to social security and other support provided by the government.

Affiliation to seasoned collectives, therefore, is a key enabler for home based businesses to access markets, determine better prices and outcomes. Market linkages through e-commerce platforms, facilitating the negotiation of fairer terms of trade and capacity building initiatives will be beneficial to their growth and sustenance.

In rural areas as well, being part of a collective helps. It offers connection to markets for products which otherwise have a relatively elastic demand and also offers access to cheap/no-interest finance. State specific interventions by SRLMs have enabled women-led enterprises access and use e-commerce platforms to ensure better market linkages and price discovery. Kerala's Kudumbashree Bazaar and Bihar's Jeevika are a few examples of such

state-run platforms. Support through reduction of GST rates, creating more awareness, standardisation of processes and sharing best practices can encourage participation in these platforms.

Rural women-led entrepreneurs also face disadvantages in access to and understanding of technology and digital interfaces. In some states, SRLMs are also connecting women's enterprises to digital platforms. What is needed, however, is more digital literacy, awareness (about portals), training on end to end e-commerce, assessment of product demand, and more private sector tie-ups. The barrier seems to be poor demand and low access to end consumers, even though the supply side has geared up i.e. more rural women-led enterprises are now visible in the market. Initial hand-holding and subsequent provision of training on financial and operational management through online or digital tutorials could help alleviate such barriers.

Apart from such operational and capacity barriers, access to finance is a key constraint that determines the growth potential of women-led enterprises. Key barriers such as lack of asset ownership and operations inefficiencies have traditionally hindered progress. Leveraging group based financial access through SHG loans might also not be corroborative to individual entrepreneurial growth. Traditional Business Correspondent models and models where we have women with deep ties in the community acting as the point of last mile delivery, such as the Haqdarshak model, as well as promoting other agent networks or digital platforms to enable access and use of financial services is key to the success of such enterprises.

Women are also more involved in traditional sectors that are susceptible to market risks. However, while venturing into non traditional areas, women entrepreneurs face myriad challenges such as male-dominated networks, lack of collateral-free credit and lack of targeted capacity building programs. Recent efforts, both from the public and private sector, such as the NRETP, Skill India Mission, MUDRA Yojana, AGEY, DISHA and incubation programs such as WE-Hub, have provided the much needed support to encourage women enterprises in non traditional businesses.

Solutions to female labour force participation and entrepreneurship need to be focused on both demand side issues like discrimination and legal disparities, creating confidence about female credit risk and skill development along with supply side issues such as women's attitude towards owning and operating and scaling businesses. Women's businesses face the additional burden of unpaid care, space and

time constraints. This also means women have no time to build networks which often help in marketing businesses and raising finance. This gap needs to be addressed, particularly in urban areas where Anganwadi Centres (AWCs) are in short supply.

Vocational, business and soft skills related training programmes have been seen to not only result in positive effects on women's income, but they also have a visible effect on women's non-cognitive skills like self-efficacy, aspirations and agency.

These, in turn, help improve their attitudes and confidence towards their social and economic standing. There is a need to bring forward programs and policies that aim to nurture such

behavioural changes. Promoting industry level apprenticeships and skilling for non-traditional occupations to break the mould are steps in the right direction.

In rural areas too, the pandemic has shown that women-led enterprises have a will to survive, and an optimism towards the future. Women entrepreneurs have also shown adaptability, taking on tasks like making masks, sanitizers and reinventing themselves during the pandemic. But there is hesitation to go through the debt route and so they end up dipping into their savings. So in the short term at least, more cash transfers and interest free loans may help.

While devising policies, providing support or catering to the needs of women entrepreneurs, it is important to segment them into different 'personas'. In this regard, the Women Business Readiness Scorecard developed by LEAD, could provide the necessary basis for designing and developing targeted support measures.

Finally, a non-discriminatory environment overall can play a role in the growth of women-led enterprises. Quotas for female representation in state and national parliaments and even Gram Panchayats can present women with role models and encourage them to gain confidence in their economic prowess and disillusioning socio-economic biases.

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