BUSINESS READINESS SCORECARD FOR WOMEN

Understanding Enterprise Readiness for Women-led Home-Based Businesses in India:

Insights from Tamil Nadu and Rajasthan

July 2020

ABOUT IWWAGE – an initiative of LEAD at Krea University

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). LEAD has strategic oversight and brand support from Krea University (sponsored by IFMR Society) to enable synergies between academia and the research centre.

ABOUT THIS DOCUMENT

This document is not a priced publication.

CONTENTS

BACKGROUND

Background

Globally, women are over-represented in the informal economy and own only around 25 per cent of formal sector businesses. Within the handicraft and handloom sectors, there are more women in the home-based industry than in the registered small-scale or cottage units. Given the prominent place this sector holds in offering livelihood opportunities to women while leveraging their traditional skillsets, this study examines women's economic independence through a sectoral lens in the states of Rajasthan (private-sector dominated) and Tamil Nadu (public-sector dominated). Gauging business readiness of women-led enterprises in the informal sector by assessing their performance is key to enable policy support in terms of identifying best practices, creating market linkages, and targeting skilling initiatives. Mapping readiness can assist policymakers and other stakeholders in assessing enterprise readiness, and identifying areas that need to be prioritised. Similarly, such frameworks can help enterprises and policymakers assess and identify market gaps to prioritise interventions.

To this effect, the Business Readiness Scorecard for Women-Handloom and Handicrafts Sector (WBRS-HHS) is a data-driven diagnostic tool, which attempts to identify key constraints and high-performance areas for home-based enterprises in the handloom and handicrafts sectors of India. The WBRS tool was developed as a result of data collected from 800 home-based women entrepreneurs in four districts each, in Rajasthan and Tamil Nadu. The scorecard assesses the readiness of women entrepreneurs on their ability and preparedness to sustain and scale their current business portfolio across economic as well as social, cultural and behavioural parameters. The scorecard uses a ranking as well as a rating system of indicators as defined below. The methodology of the scorecard can also be adopted by stakeholders of different enterprise sectors to identify sector-specific constraints that inhibit the growth of women-led enterprises.

Readiness Framework

The Scorecard approach incorporates a composite index ranking with an additional rating system. Businesses are ranked on the basis of 30 variables divided across four sub-indices, namely agency, market readiness, production readiness and legal and regulatory readiness.

The Agency sub-index captures the following indicators – decision-making, financial control, economic independence, time preferences, ability to scale, past experience and risk score thus encapsulating the business practices adopted by women entrepreneurs and their ability to take risks.

The Market sub-index is a composite of two indicators which are advance orders and product portfolio. This sub-index measures whether the enterprise can cater to market demand and is innovative in diversifying its products.

The Production Readiness sub-index has three indicators – worksite, personnel and inventory management. This sub-index quantifies the enterprise's ability to maintain stock, ability to employ workers and source raw materials.

The Legal and Regulatory sub-index captures whether the enterprise is registered with the government and users, or is aware of the schemes rolled out by the government.

BUSINESS READINESS SCORECARD FOR WOMEN

Legal and Regulatory Readiness

- Registration Status
- Awareness of Schemes

Production Readiness

- Worksite
- Personnel
- Inventory Management

Market Readiness

- Advance Orders
- Product Portfolio

Agency

- Decision-making
- Financial Control
- Economic Independence
- Past Experience
- Risk Score
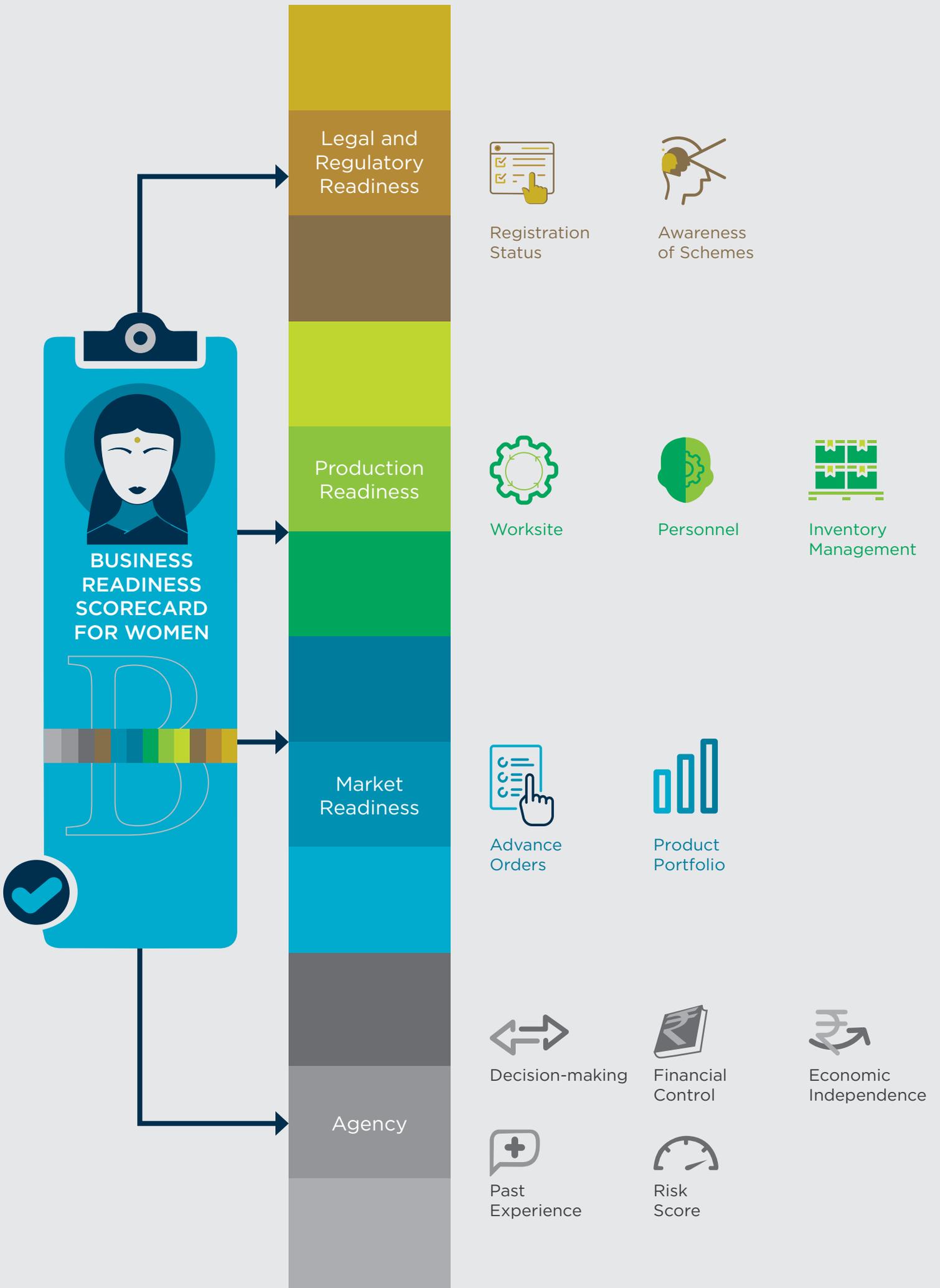
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-**RAJASTHAN**

Who are these home-based businesses?

Respondent Profile	Handicrafts	Handloom
Average business age	7.77 years	15.49 years
Registered [1]	77%	99%
Solo-entrepreneurs [2] i.e. do not have employees	89.5%	94%
Average monthly revenue	INR 5,459	INR 6,263
Monthly expenditure	INR 1,377	INR 330

Home-based women entrepreneurs of Rajasthan scored 2.6 out of 10 in the Business Readiness Scorecard. Among the sub-indices, they got the highest score for Agency Sub-Index and got the lowest score for Market Readiness Sub-Index. The median score, 25th and 75th percentile scores for each sub-index for Rajasthan are presented below:

Rajasthan - Business Readiness Index and Sub-indices

Median score with first and third quartile range
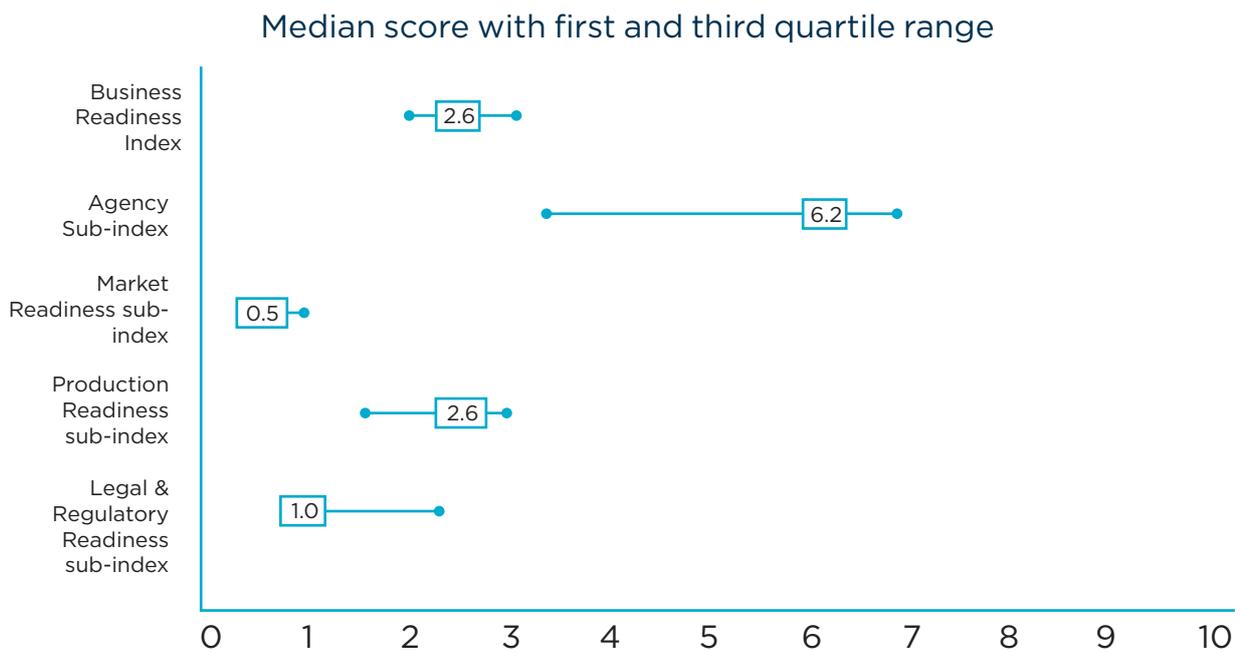
[1] Artisans who had one or more customers (contractual company) and if that contractual company was registered with the Government of India, have been categorised as having a registered business. The slight difference between registration and licensing was followed in Rajasthan to differentiate if the individual artisans were selling products which were recognised by the government. Licensing would give the artisans the discretion to diversify and independently operate in the market. They were categorised as registered if their business was recognised by Development Commission (Rajasthan) under the Ministry of Textiles.
[2] Solo-entrepreneurs are those who have no help at all from regular, temporary, or unpaid family workers.

District-wise Scores

The district-wise Business Readiness Score and Sub-Indices Scores are presented below. Kota district has the highest index score at 3.2 out of 10. Udaipur has the lowest score at 2.0 out of 10. In Kota, working in the handloom sector is a lucrative way of earning a living. The entire community has imbibed the skill to make the Kota doria saree, since generations. As a result, the uptake of weaving is more natural in this district in comparison to the other three districts. Jaipur fares moderately well on the enterprise readiness scorecard since it is the state capital and offers lucrative options to women to start their business.

The market readiness score for all the four districts is less than 1 out of 10. The market readiness index gives entrepreneurs a rating based on their product portfolio, their ability to keep up with the demand and use of digital interfaces for payments which is low in all four districts. There is a significant need to improve market access and strengthen value-chains, for boosting the scalability and sustainability of enterprises.

District-wise scores - Rajasthan
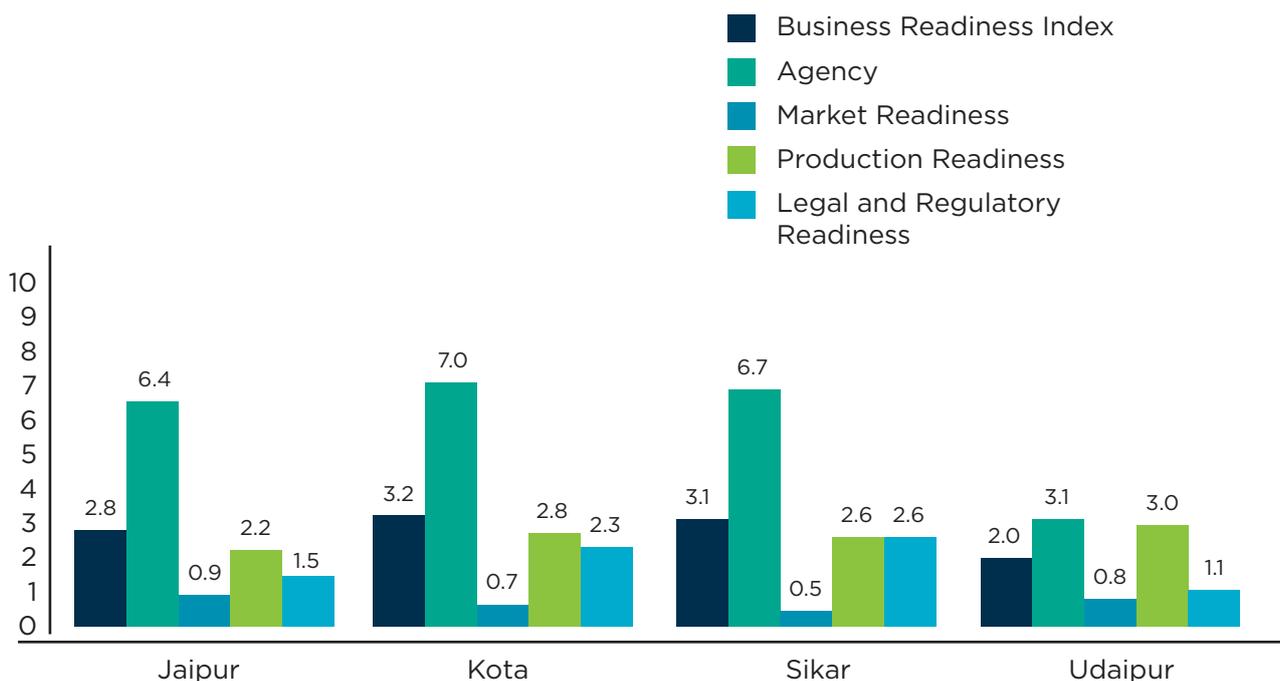
One of the main contributors to the low index score is the Market Readiness Sub-Index with a score of 0.5 out of 10. This can be attributed to entrepreneurs' aversion to risk and low aspirations to expand their businesses, due to constraints related to time use, market linkages, and financial literacy. Significant improvements are required to improve the market access for these entrepreneurs and also improve the efficiency of the entire value-chain of the handloom and handicrafts sectors. The Legal and Regulatory Readiness Score is also low at 1.0 out of 10. The enrolment rates of women entrepreneurs in both general government welfare schemes as well as sector-specific welfare schemes need to be improved so that they can avail the benefits of these schemes.
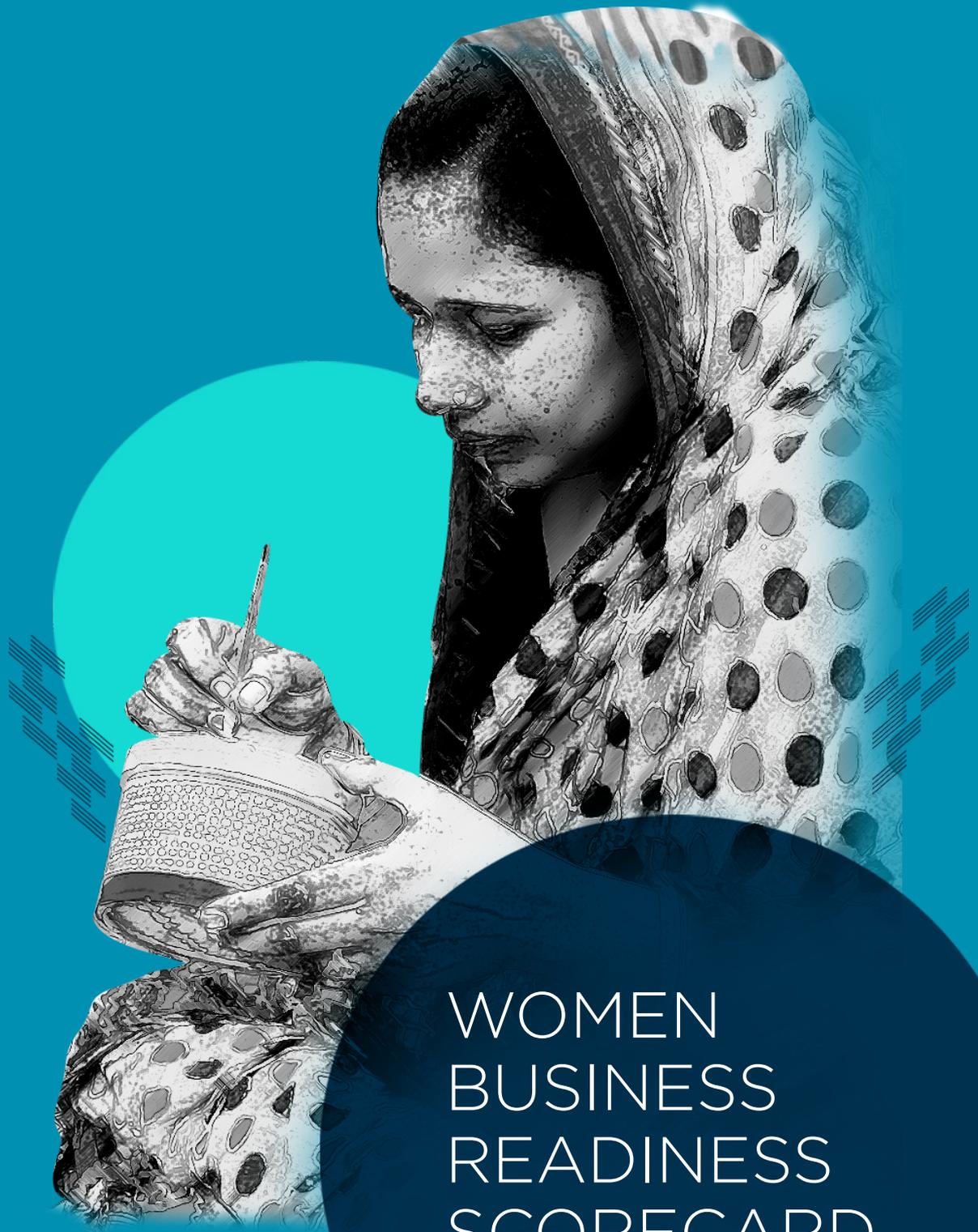
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-**TAMIL NADU**

Who are these home-based businesses?

Respondent Profile	Handicrafts[3]	Handloom
Average business age	Handloom	21 years
Have a business license for the home-based business in their name	34%	43%
Solo-entrepreneurs[4] i.e. do not have employees	66.5%	38.5%
Average monthly business revenue[5]	INR 7,054	INR 7,350
Average monthly business expenditure	INR 7,694	INR 2,136

The home-based women entrepreneurs of Tamil Nadu score higher on Business Readiness as compared to Rajasthan, with a score of 3.2 out of 10. Among the sub-indices, they get the highest score on the Production Readiness Sub-Index and the lowest score for the Market Readiness Sub-Index. The median score, 25th and 75th percentile scores of each sub-index for Tamil Nadu are presented below:

Tamil Nadu - Business Readiness Index and Sub-indices

Median score with first and third quartile range

District-wise Scores

Among the sampled districts, Coimbatore and Madurai have the highest score of 3.7 out of 10, while Erode has the lowest score of 3.0 out of 10. The main contributor to the low Business Readiness Index score is the Market Readiness Sub-Index. The scores of all sub-indices are higher than the districts of Rajasthan except for the Agency Sub-Index.

District-wise scores - Tamil Nadu
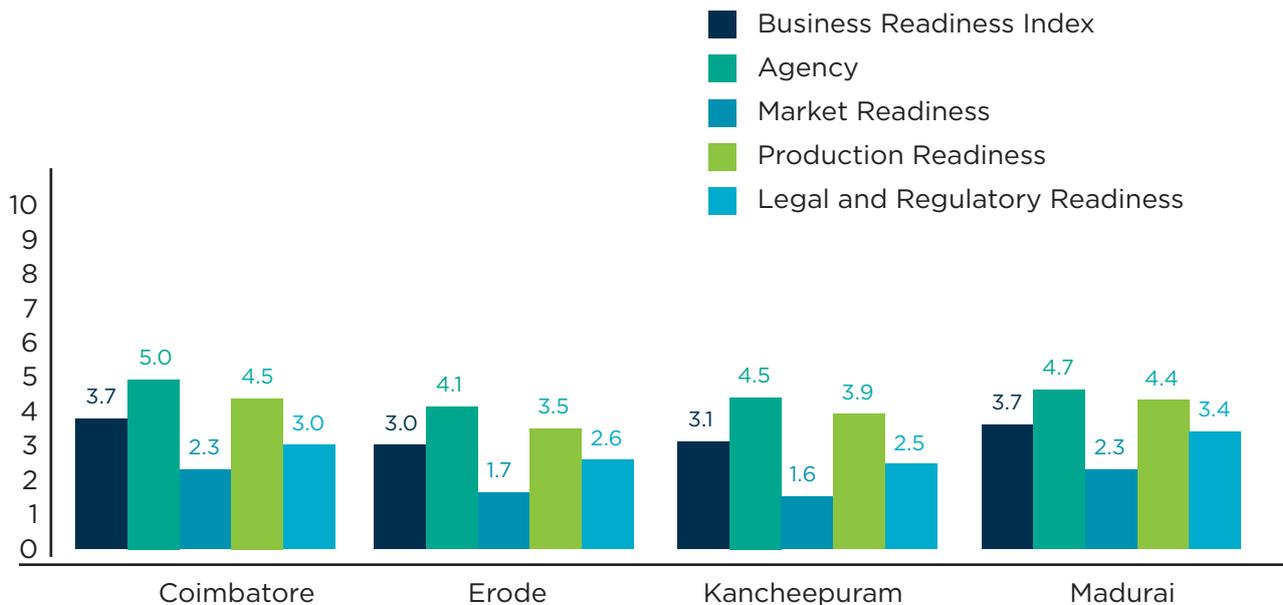
Even though more women entrepreneurs in Tamil Nadu appear to be business ready as compared to Rajasthan, the agency score for Tamil Nadu is lower than Rajasthan. This is primarily because women entrepreneurs in Rajasthan have very high risk and loss aversion scores compared to Tamil Nadu, suggesting that they have a higher appetite to bear risks. One of the main contributors to the low index score is the Market Readiness Sub-Index with a score of 1.5 out of 10. Significant improvements are required to expand the market access for these entrepreneurs and also increase the efficiency of the entire value-chain of the handloom and handicrafts sectors. The Legal and Regulatory Readiness Score is also low at 2.8 out of 10. This suggests that there is information asymmetry, and a lack of awareness, about schemes, due to limited social interactions and weak communication channels.

Methodology

There are many statistical approaches available to a develop composite index by using weighting and aggregation methods. We chose Multiple Correspondence Analysis (MCA) because all the data gathered from Rajasthan and Tamil Nadu are categorical and non-compensatory. MCA resorts to objective weighting which assigns a weight proportional to the variability of the indicator. This process is followed to avoid arbitrariness in the process of assigning weights by the researcher. Objective weighting gives way to the indicization of the externally fixed base rather than a subjective weighting under which all variables have uniform weights. The aggregation method uses the multivariate method.

WAY FORWARD

Way Forward

Understanding the various dimensions that influence the business readiness of women-led enterprises in the informal sector is critical to provide targeted policy and programme support. 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. Mapping readiness, however, must follow a multi-faceted approach - by gauging the current stage of the enterprise in the business life-cycle and identifying barriers to graduation.

The WBRS-HHS Scorecard focuses on diverse determinants which inform the entrepreneurial performance of women - ranging from the ability to sustain their enterprise for the next three years, their ability to scale the enterprise, their aspiration for self and business, risk preferences, and time preferences. The business readiness scorecard gives each sampled districts pathways to enterprise development based on their scores.

In a country such as India, with a large, heterogeneous micro and small enterprise base, it is essential to look beyond adopting a single approach to identify enterprises with growth potential. This is even more significant in the case of women-led enterprises which are home-based, where socio-cultural and gender norms play a critical role in influencing decisions and determining development pathways.

In our study, women entrepreneurs in Rajasthan score higher on the Agency sub-index, as compared to entrepreneurs in Tamil Nadu. On the other hand, the Production Readiness sub-index score is higher for women entrepreneurs in Tamil Nadu, compared to entrepreneurs in Rajasthan. We consistently see low market readiness across entrepreneurs in our sample in both states. In the absence of similar scorecards for home-based businesses led by women, there are no benchmarks for each of the sub-indices. Thus, instead of using the scorecard for interstate comparisons, it can be used as a framework to gauge an enterprise's readiness relative to other enterprises in the same region. The scale of a home-based business also depends on the time-use patterns of women engaged in these enterprises, as they do not follow a typical '9 to 5' schedule, owing to their disproportionate burden of unpaid care responsibilities. Thus, at this stage, the scorecard may not help in drawing specific inferences for states across India, but it can serve as a tool to capture benchmarks based on sub-indices.

As a way forward, a multi-faceted diagnostic tool such as the WBRS can be an essential addition in the toolkit of policymakers, practitioners and other stakeholders in the enterprise development ecosystem - to support enterprises with high growth potential, and prioritise areas of intervention for other enterprises. An important caveat with this approach is that the index and sub-index scores should inform enterprise development programmes and the diagnostics must be geared towards creating an enabling ecosystem for women entrepreneurs, rather than limiting the focus on individual factors that may influence growth.

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